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Appropriations Committee  
February 06, 2012

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[LB960 LB981 LB1015 LB1017]

The Committee on Appropriations met at 1:30 p.m. on Monday, February 6, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1015, LB1017, LB981, and LB960. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Danielle Conrad; Tony Fulton; Tom Hansen; Heath Mello; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR HEIDEMANN: I think we're going to go ahead and get started. Welcome to the Appropriations Committee. It could be a long day so we're going to go ahead and get started and start pushing on. We are going to start with self-introductions, but I do want to say before we do that that you're going to see certain senators come in and out of here constantly all the time. Our priority is here in the Appropriations Committee, but we have Senator Wightman, Mello, Nordquist, Fulton, and Hansen actually introducing bills in other committees today so you'll see them leave at various times. With that, we are going to start with self-introductions over to my right.

SENATOR NORDQUIST: Jeremy Nordquist representing District 7, downtown and south Omaha.

SENATOR HANSEN: I'm Tom Hansen, District 42, Lincoln County.

SENATOR HEIDEMANN: Sitting next to Tom, Senator Hansen's left, is Senator Danielle Conrad who is sitting out in the audience right now, will be introducing a bill shortly. To her left is...

SENATOR WIGHTMAN: John Wightman, District 36, Dawson, Custer County, part of Buffalo County.

SENATOR HEIDEMANN: Sitting next to Senator Wightman's left is Liz Hruska, fiscal analyst at the present time. I'm State Senator Lavon Heidemann, District 1, Elk Creek, Nebraska. To my left is...

SENATOR HARMS: John Harms, I represent the 48th Legislative District, Scotts Bluff County, Scottsbluff, Nebraska.

SENATOR NELSON: John Nelson, representing District 6 in central Omaha.

SENATOR FULTON: Tony Fulton, representing District 29 here in Lincoln.

SENATOR MELLO: Heath Mello, representing District 5 in south Omaha and midtown.

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SENATOR HEIDEMANN: Sitting to the left of Senator Mello is Anne Fargen, the committee clerk. And our page for the day is Christina, always a great resource. If you've got anything you need to hand out, just put them up and she will come over and grab them from you and distribute them to the committee. At this time we would ask if you have cell phones to please shut them off as not to be disruptive later on. Testifier sheets are on the table or...and/or near the back doors. We ask that you please fill them out completely and put them on the box on the table when you testify. At the beginning of your testimony, we ask that you please state and spell your name. Nontestifier sheets near the back doors if you do not want to testify but would like to record your support or opposition, you only need to fill this out if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of your testimony. We need 12 copies, but if you don't have 12 copies we will try to accommodate you with that. Today, because we are anticipating a very busy day with four bills up, we are going to use the light system. In an effort to be fair that all want to testify, we will be giving each one three minutes. The principal introducer will not have a time limit. We do urge you, though, to keep your testimony concise and on topic. All testifiers following will be given three minutes. On the light system sitting on the testifier table, you will notice a green light when you start your testimony. When you have one minute left, the light will turn yellow. When the light turns red, we ask that you please conclude your testimony. Following the principal introducer, we will take testimony first from proponents, then opponents, and then in the neutral position. With that, we are going to open up the public hearing on LB1015. Senator Conrad.

SENATOR CONRAD: (Exhibits 1 and 2) Good afternoon, Chairman, members of the committee. My name is Danielle Conrad, D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d, representing the "Fighting" 46th Legislative District, here today to introduce LB1015. LB1015 amends Section 43-536 and would restore the childcare reimbursement rate from cuts initiated to address the budget shortfall in 2011. The childcare reimbursement rate is determined from a survey of childcare providers conducted by the Department of Health and Human Services on a biannual basis. This bill would restore the reimbursement rate from a base of 50 percent to 60 percent of the current market rate survey. As you know, the childcare subsidy is an integral part of helping low-income families achieve self-sufficiency and remain working. To qualify for this subsidy, a family must be working full time, have very young children or disabled children, and meet the qualification of 120 percent of the federal poverty level in 2011 terms. That's roughly \$1,800 a month for a family of three. Nebraska currently has the lowest income eligibility rate in the country and thousands of Nebraska children utilize this subsidy every month. Approximately 69 percent of children eligible for this program are under the age of six. As you know, cuts in this program have very real and negative impacts on childcare providers, low-income working families, and employers all across Nebraska. I urge your favorable consideration of this minimal restoration of funds to the childcare reimbursement rates. Thank you for your consideration. I'm happy to answer questions. [LB1015]

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SENATOR HEIDEMANN: Thank you. Are there any questions for Senator Conrad?  
Senator Wightman. [LB1015]

SENATOR WIGHTMAN: Senator Conrad, perhaps you can fill me in again on what we  
were prior to last year's cut. Were we at 60 percent? [LB1015]

SENATOR CONRAD: I believe that the statute had previously read that we'll reimburse  
in between the 60th and 75th percentile based upon that market rate survey. And what  
we did was to compromise, as you will remember, last year where we allowed for that  
reimbursement to have a floor of 50 percent. And I'm looking at the fiscal analyst to  
make sure that I'm being accurate and thankfully Liz is nodding her head so I think that  
is an accurate statement. So we're currently right now at the 50 percent. This legislation  
would move us back up to 60 percent as a floor rather than the 50. [LB1015]

SENATOR WIGHTMAN: And one other question. You said that we are currently the  
lowest of all 50 states. [LB1015]

SENATOR CONRAD: In terms of eligibility. [LB1015]

SENATOR WIGHTMAN: The 50 percent is lower than... [LB1015]

SENATOR CONRAD: I can't speak to the reimbursement necessarily, but for who  
qualifies for the program. [LB1015]

SENATOR WIGHTMAN: Okay. [LB1015]

SENATOR CONRAD: Yes. Oh, a lot of other states will have a more generous or a  
broad access point encompassing, say, 185 or 200 percent of poverty where Nebraska  
is at 120 percent so that's very low. [LB1015]

SENATOR WIGHTMAN: Thank you, Senator Conrad. [LB1015]

SENATOR CONRAD: Yes. [LB1015]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB1015]

SENATOR CONRAD: Great. Thank you. Oh, and just so you know, I did have the page,  
Christina, bring around some facts about childcare in Nebraska so hopefully you'll find  
that informative as well. Thank you. [LB1015]

SENATOR HEIDEMANN: Is there anyone wishing to testify in support of LB1015?  
Welcome. [LB1015]

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JOHN CAVANAUGH: Mr. Chairman, members of the committee, I'm John Cavanaugh, J-o-h-n C-a-v-a-n-a-u-g-h. I'm the executive director of Building Bright Futures in Omaha, Nebraska, serving Douglas and Sarpy County and addressing itself to the challenges of low-income children in succeeding academically, and we're here today in support of LB1015 and to commend Senator Conrad and this committee for considering reinstating the compensation rate for low-income childcare providers. This is one of the most critical elements of a successful childhood and a successful academic career for low-income children. This subsidy serves the poorest of the working poor and directly impacts the quality of the care and the developmental opportunities that these children have. As we over the last four years have looked at the challenges that poor children face, the first three years is the most critical period of time. And for the working poor, it is a time where they are subject to low-quality childcare that is primarily directly related to the reimbursement rate. What happens in these childcare centers is that they are forced to hire the lowest-trained workers, in fact, virtually have no training, many have not even graduated from high school and yet they're given the charge of helping these children during the day of their first three years. What Building Bright Futures has attempted to do is go into these childcare providers, provide curriculum, provide training for their personnel, and raise the general quality of the childcare that these children are receiving. When the state reduces the subsidy, we see a direct impact, first of all in the rate of turnover among these employees. So we go in and train them, they stay six weeks because they can get a higher income job somewhere else and you're starting all over in terms of the ability to provide quality care during the day for these children. So this is absolutely the critical first step of we want to change outcomes for low-income children academically. These are the children that we see coming to kindergarten with serious disadvantages in terms of their development and vocabulary, and that continues through their entire academic career. So there's really nothing more important that you can do for changing academic success for low income than focusing on the childcare subsidy that are serving those low-income children those first three years. So we commend Senator Conrad for returning again this year to attempt to restore this, and we urge you to adopt...advance this bill and move us forward in terms of our ability to provide quality childcare. Thank you. [LB1015]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. Welcome. [LB1015]

SARAH ANN KOTCHIAN: (Exhibit 3) Thank you. Good afternoon, Chairman Heidemann, members of the committee. My name is Sarah Ann Kotchian, S-a-r-a-h A-n-n K-o-t-c-h-i-a-n, and I'm the director of early childhood policy for Early Childhood Services, a project of Building Bright Futures. We'd like to thank you today for the opportunity to speak and we'd also like to thank Senator Conrad for introducing this bill. A large part of our work, as you've heard, early childhood services happens inside the classrooms of local childcare providers serving children through Title XX. We work with

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these programs to support continuous improvements without increasing costs for families by encouraging peer-to-peer growth, providing free training opportunities, and improving access to additional quality improvement and community resources. Our efforts are targeted to improve the health and educational outcomes for children living in at-risk situations and to build upon the existing public investment. Currently we are having an impact on over 1,000 children and their families. Today we'd just like to point out that access to Title XX is unlike access to other public benefits. Access to SNAP means money to buy groceries. Access to ADC means cash to cover basic needs such as rent and utilities. But access to Title XX means access to the people and the place where a child is left to be cared for up to 40 hours per week. Access to quality care among providers who accept Title XX as payment is a critical component in positively affecting a child's future. According to Kids Count, in 2010 the Department of Health and Human Services paid an average subsidy of \$384 per child per month. In searching for care for my own infant in recent months, the average monthly cost at an accredited program, high-quality program, easily costs over \$1,000 per month. A significant gap exists between what the subsidy pays and what quality costs, and the lower the subsidy reimbursement, the lower the quality. The lower the quality, the poorer the outcomes for children. LB1015 will help alleviate this gap. To this end, we would also support any effort to protect appropriations for childcare from flexibility for redistribution to programs outside of childcare. We support greater transparency in how childcare dollars are spent because the investments in early childhood education have too valuable a return and the stakes are too high. Early Childhood Services encourages the Appropriations Committee to fully consider the potential benefits of this bill and advance it to General File. [LB1015]

SENATOR HEIDEMANN: Are there any questions? Senator Nordquist. [LB1015]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thank you, Sarah Ann. Last session I think Senator Campbell had a bill and there's been a lot of discussion lately about the importance of improving quality in early childhood programs and certainly I'm on board with that. But the people I talk to in my district, providers and other folks, it sounds like that's a difficult discussion to even have when we're reimbursing at such a low rate. Is that your sense as well? [LB1015]

SARAH ANN KOTCHIAN: It absolutely is, and we're fortunate that there are a group of providers in today's audience who can speak to the difficulties in providing quality care on the reimbursement that they receive from the state. We're lucky that providers do provide access to families who utilize Title XX to go to work and to school. And to touch on something that Senator Wightman talked about early, the eligibility level that was mentioned as the lowest in the nation is another barrier around the funding in childcare access. And in fact, we're now at ten years in awaiting restoration of that cut that was made in the 2002 Special Session when budgets were cut. We haven't yet restored that rate, and so it will help to know how much we're spending and how we're spending it.

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[LB1015]

SENATOR NORDQUIST: Okay. Thank you. [LB1015]

SENATOR HEIDEMANN: Senator Nelson. [LB1015]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you for coming today. I'm just looking at the third paragraph here where you say the average subsidy is \$384 per child per month. [LB1015]

SARAH ANN KOTCHIAN: Yes. [LB1015]

SENATOR NELSON: How does this work? Does that subsidy get paid to the childcare providers, that group, and then do they reduce what they charge? Could you walk me through that, how this works, finance? [LB1015]

SARAH ANN KOTCHIAN: Sure. The families that qualify, the subsidy to cover their care for their child is paid directly to the providers. And so the providers utilize that money to provide the services to the families. The families don't ever receive the money. [LB1015]

SENATOR NELSON: So if the regular cost were \$1,000, then it would be reduced by the \$384 and that's what the parents would pay. Is that...? [LB1015]

SARAH ANN KOTCHIAN: No. The parents...if the parents qualify at 120 percent, they're not paying anything. [LB1015]

SENATOR NELSON: They don't pay anything at all. [LB1015]

SARAH ANN KOTCHIAN: Right. This is their childcare assistance. Now some programs do provide a sliding fee scale and I'm sure they would be happy to talk to you about how that works. But it's very limited because it's based on what families are able to pay and it's based on their own income. [LB1015]

SENATOR NELSON: So the childcare provider is providing these services for \$384 a month. [LB1015]

SARAH ANN KOTCHIAN: That's correct. [LB1015]

SENATOR NELSON: How does this improve the quality? [LB1015]

SARAH ANN KOTCHIAN: To increase the monthly payment? The more they're paid the better services they can afford to provide. [LB1015]

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SENATOR NELSON: But they're doing it for 40 percent of what they would ordinarily charge. I guess I don't follow. [LB1015]

SARAH ANN KOTCHIAN: No. Not all providers charge \$1,000. Those are the providers that...that's just an example of some providers that have achieved national accreditation. And a lot of those providers, in fact, do not accept the subsidy because of the rate reimbursement, which means that children from families who qualify for Title XX don't have access to the highest-quality programs and they are the children who need it the most, who can benefit the most from it. [LB1015]

SENATOR NELSON: But does the quality come from hiring additional better-qualified people if we raise the subsidy? [LB1015]

SARAH ANN KOTCHIAN: That's one aspect of quality, yes, a trained professional. [LB1015]

SENATOR NELSON: Okay. Is there another aspect then? [LB1015]

SARAH ANN KOTCHIAN: Oh, sure. There are several aspects when it comes to quality childcare. There's curriculum, there's staff-to-child ratio, there's health and safety, there's nutrition, there are technological advances, there's communications with schools, there's greater family engagement, all that come with a cost. [LB1015]

SENATOR NELSON: Well, I understand, but that has to be paid for if you're going to have those additional things. [LB1015]

SARAH ANN KOTCHIAN: Right. And so if you don't have the money to cover those additional things, then the families are sending their children to programs that are not providing those additional quality practices. [LB1015]

SENATOR NELSON: Thank you. [LB1015]

SARAH ANN KOTCHIAN: Sure. [LB1015]

SENATOR HEIDEMANN: Is there accountability with this if actually we put more money into this that we can tell what the outcomes are? [LB1015]

SARAH ANN KOTCHIAN: Not at this moment, but there are some plans in the works, and I think that there are some ideas around accountability. I think today we're here in support of just increasing those appropriations to bring providers back to where they were. But we'd be more than happy to work with this committee or any other committee on bringing accountability to this program because we would like to see accountability for the public dollars. It's...at Building Bright Futures and Early Childhood Services, it

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only helps build upon the private investment. [LB1015]

SENATOR HEIDEMANN: Senator Mello. [LB1015]

SENATOR MELLO: Thank you, Senator Heidemann. Thank you, Sarah Ann, for your very data-driven, enlightening testimony. I guess I have to leave for another hearing of my own, but one question and it kind of falls in line with I think with what Senator Nelson was asking. Essentially the low amount we pay now for a subsidy and it's equivalent to the example you used of little less than 38 percent essentially of what we pay for high-quality childcare provider. Wouldn't it be safe to say that essentially we're just paying more in the long run when we put students, undereducated or underdeveloped children who are in these childcare programs now that we're paying \$384 a month for, we're paying for it more in regards to our TEEOSA formula in regards to providing more funding for schools that need more money for developmental education? [LB1015]

SARAH ANN KOTCHIAN: Right, the issue of remediation with these funds. Children that have quality or experiences, high-quality experiences in the earliest years are less likely to need special education services, they're less likely to become teen parents, they're less likely to be involved in the juvenile justice system, they're less likely to need public benefits, they're more likely to hold jobs, they're less likely to get in the criminal justice system, I can go on and on. So, yes, this is a very wise and critical investment in our future for so many reasons. [LB1015]

SENATOR MELLO: Thank you. [LB1015]

SENATOR HEIDEMANN: Senator Wightman. [LB1015]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. I guess one other question that I would have is we've looked frequently at sunsets to bills. And since you don't have the information and we were to pass this, if we put a sunset on it, would you be able to put together the improvements that you saw as a result of increasing this amount? Now I realize sunsets here where we're only at 50 percent may be a little bit questionable. But on the other hand, I think the members of the committee would like to know they're getting something for their dollar and that there is improved childcare as a result of that. You said you were already working on that I guess. [LB1015]

SARAH ANN KOTCHIAN: Yes. I think that I could easily say that would be a mutual goal of ours and the committee's in ensuring that accountability is there for the dollars. And we would do whatever we can to ensure that the children are getting what they need as far as a quality experience in their earliest years. We'd be happy to work on any policies to help measure outcomes as much as possible. [LB1015]

SENATOR WIGHTMAN: Thank you. [LB1015]

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SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB1015]

SARAH ANN KOTCHIAN: Thank you. [LB1015]

SENATOR HEIDEMANN: Welcome. [LB1015]

JEN HERNANDEZ: (Exhibit 4) Good afternoon, Chairman Heidemann, members of the Appropriations Committee. My name is Jen Hernandez, H-e-r-n-a-n-d-e-z. I'm here representing First Five Nebraska. First, I'd like to just thank Senator Conrad for this important piece of legislation. Back when the school year started last year, a Nebraska kindergarten teacher invited Mrs. Peatrow to come speak to her class. And she did. She came, told some stories. And when she was finished, the teacher asked the kindergartners to please draw a picture of Mrs. Peatrow and what she talked about. You have five actual pictures drawn that day from five Nebraska kindergartners in front of you. And it won't take you very long if you flip through those to see that the achievement gap begins long before a child enters the kindergarten classroom. I know we're here today to talk about childcare, but we have nearly 48,000 children birth to five at risk of failing in school in Nebraska. And before they get to kindergarten, most of them are in some sort of childcare environment. We spend about \$40 million in state General Funds subsidizing childcare environments for children at risk of failing in school. Many of these kids arrive at school one to two years developmentally behind their peers and they never catch up. We pay to subsidize their childcare and then we pay a second time in special ed, remediation, the list goes on. We'd get a better return on our investment if we spent those dollars a little wiser the first time around. The childcare subsidy has typically been seen as a work support and it's an important one. But we also need to see it as an investment in the development of our children. We need to buy the kind of care that helps prepare children for school, but right now we don't know what we're buying. First Five Nebraska has put forward two cost neutral recommendations that will help us know what we're getting for that \$40 million and also begin to set a standard for child development and publicly funded childcare. Those recommendations are on a sheet in your little packet that look like this. We know providers need a higher rate. We want providers to get a higher rate. They work very hard, and I believe many of them provide a quality environment for low-income children. A lot of those providers are in the room with us today, and they would receive the highest level of reimbursement under our recommendations. Even though my stance may not be popular, I ask that you consider advancing this bill with an amendment that adopts both of the recommendations that we've suggested. Public funds should be spent on the kind of care that reduces the achievement gap and we do have an opportunity to make our childcare subsidy system yield greater returns. [LB1015]

SENATOR HEIDEMANN: Thank you for coming and testifying today. Are there any

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questions? Seeing none, thank you. [LB1015]

JEN HERNANDEZ: Thank you. [LB1015]

DAEMON STEVENSON: Good afternoon. [LB1015]

SENATOR HEIDEMANN: Welcome. [LB1015]

DAEMON STEVENSON: To Chairman Heidemann and to the Appropriations Committee, I'm honored to be back here again to visit with you all on the childcare program subsidy for the state of Nebraska. I come once again thanking you all for all of the work that you all have worked so diligently on last year to do with us. And I appreciate Senator Conrad and Nordquist and Mello who have talked to me extensively and to all the rest of you who worked so hard on making sure the money for our state works for where it needs to go to. I just want to address three issues and say that I am in full support of raising our subsidy to another level for the simple fact that it's not enough. And I'll come back to my reasoning for why it's not enough after I give a thought that I deal with childcare centers all the time as well as having three of my own. [LB1015]

SENATOR HEIDEMANN: Could you please do something for us before we go any further. [LB1015]

DAEMON STEVENSON: Oh, I'm sorry. [LB1015]

SENATOR HEIDEMANN: State and spell your name. [LB1015]

DAEMON STEVENSON: I'm so sorry. Daemon Stevenson, D-a-e-m-o-n S-t-e-v-e-n-s-o-n. I come representing very many childcare centers in the Omaha, greater Omaha area as well as having three childcare centers of my own. And we have ten providers with us today that service over 1,000 children on a daily basis. What we do every day is important, and we take great strides to ensure the quality that we're giving them on a regular basis. I have to be...take pause in the thought that they say we are low-income or low-subsidy childcare centers that deal with the Title XX program because we don't get a very high subsidy for it. However, we make great strides on a daily basis to provide quality, even though we're confined to the reimbursement rates that we're giving at this time. However, I was taught a long time ago by my mother, who is one of the providers that are in the room with me today, that if you make the investment at the beginning you're guaranteed to get the return. And even though it may not be that we're all accredited, we are doing great strides to make sure that we're making the proper investment at the beginning so that we can see the return later on down the lines. Many of us deal with these children not just when they're babies and not when they are toddlers or preschoolers, which is birth through three years of age, but

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we go on to work with them and make investment in their lives until they're in high school. And we're telling you today that we're behind this 100 percent because quite naturally it's not enough. What we're receiving today is not enough for us to provide the proper expenses for our staff to get paid the way that they need to be. It's not enough for us to provide the quality and technology that Building Bright Futures was so vehement about speaking about on today. It's not enough for us to build our buildings into cathedrals which they should be for our children at a young age, and we're willing to make the investment. Last year we came here and said that we would embrace the freeze. We asked you not to lower, and we didn't ask for more. We were going to work with what you gave us on last year. Now we've done that. We made our commitment and we're committed to that. If you give us more to work with, we're going to take it to another level, and we are excited about what we do every day. This is not an easy job and it's not a very thankful job in many cases, but we're excited about what we do. And we are making it work for where we are. Now we're asking you, the angels of our group, the representatives of our body of government, to make a bigger investment in what we're doing. And we promise you that if you need record of those returns we'll give it to you because we're showing it and we're doing it every single day. Thank you very much. [LB1015]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB1015]

DAEMON STEVENSON: Thank you. [LB1015]

SENATOR HEIDEMANN: Welcome. [LB1015]

AUBREY MANCUSO: (Exhibit 5) Thank you, Senator Heidemann, members of the committee. My name is Aubrey Mancuso, A-u-b-r-e-y M-a-n-c-u-s-o, and I'm here on behalf of Voices for Children in Nebraska. We're in support of LB1015 and we applaud Senator Conrad's efforts to restore this funding. We did come before the committee during the previous year in opposition to these cuts that were made. And though we appreciate that the committee saw fit to make sure that those cuts weren't permanent, we would appreciate that funding being restored sooner if the funding is available. I won't repeat a lot of what's been said, but without subsidies the cost of licensed care can be prohibitive. In 2011, full-time care in a licensed facility for one infant in Nebraska costs an average of \$7,950 per year. And when we compare what that is relative to the median income of a single mother in Nebraska, it would be about 36 percent of her annual income. The number of licensed care facilities in the state has also declined over the past decade. In 2000, we had 4,195 licensed facilities in Nebraska and in 2010 we had 3,902. And lack of accessible licensed care can result in long waiting lists or the use of unlicensed care. And as you heard, many of these facilities are small businesses and decreases in payment rates can create challenges in their ability to continue to provide this care. So we urge the committee to advance LB1015 and I'm happy to take any questions. [LB1015]

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SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB1015]

AUBREY MANCUSO: Thank you. [LB1015]

SENATOR HEIDEMANN: Welcome. [LB1015]

JAMES GODDARD: (Exhibit 6) Thank you. Good afternoon. My name is James Goddard, that's G-o-d-d-a-r-d, and I'm an attorney at the Nebraska Appleseed Center for Law in the Public Interest. I really don't want to take too much of the committee's time today. I know you all have a lot to deal with, and there's more detail in the testimony that's being handed around. But we want to be on the record in support of this bill because we feel it's vital for reimbursement rates to be sufficient to ensure that families have access to needed care so that the doors of providers can stay open and so that families can get the childcare they need to keep working and be a productive member of our economy in this state. And so with that I'll close and answer any questions if I can. [LB1015]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB1015]

JAMES GODDARD: Thank you. [LB1015]

SENATOR HEIDEMANN: Is anyone else wishing to testify in support of LB1015? Does anybody wish to testify in opposition, as an opponent, on LB1015? Does anybody wish to testify in the neutral position on LB1015? Seeing none, would Senator Conrad want to close? [LB1015]

SENATOR CONRAD: Briefly. Thank you, Chairman Heidemann, members of the committee. Also thank you to members of the audience who came here today to offer their support and others who have contacted you in regards to this legislation. Again, we don't need to belabor the point. This committee is very familiar with this issue. We spent a great deal of time, as you know, debating this very topic last session when we were trying to forge again compromise in the midst of very, very difficult and very, very painful budgetary decisions that this committee has had to work through in recent years. A couple of points as we wrap up here. When we talk about impacts, we have a variety of different sources to look at to know what happens when these subsidies are cut and when eligibility is affected. And I know, for example, what happens in Lancaster County and I want to share that with you. The Center for People in Need surveyed thousands of low-income Nebraskans about these very topics. And the responses are terrifying actually, in my opinion, about what happens to Lincoln families when their childcare is cut. Six percent left a child home alone; 9 percent left a child with someone they did not trust; 16 percent got fired for lack of reliable childcare; that's 16 percent of people who depend upon these subsidies no longer in the work force or temporarily outside of the

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work force when we make these cuts. Eight percent had to quit a job training program; 12 percent had to quit school, which we all know education being one of the key, if not amongst the top factors in terms of breaking the cycles of poverty that affect low-income families; and 18 percent had to quit a job. That is self-reported from families who rely upon these services in Lancaster County and in the district that I represent. I venture to say that these outcomes aren't much different as you move from district to district across the state. But that's specific information that I had available that I wanted to share with you. I am glad that we have an opportunity to have this bill before us because the folks who testified earlier are right. There are a variety of different policy issues involved in childcare subsidy. There's eligibility, there's access, there's quality and accountability. All of those issues should be on the table. And I'm hopeful that if this committee has a willingness to move forward on this very important topic we can start to address some of those other policy issues because they should be. This is one of those programs that is just a common-sense program. As our welfare programs have moved to work programs, we have to have the corresponding supports to allow families to work. And that includes having a safe and reliable place to keep children at, and this is one piece of that very important puzzle. So with that, thank you. [LB1015]

SENATOR HEIDEMANN: With that, we will close the public hearing on LB1015 and open up the public hearing on LB1017, Senator Conrad. [LB1017]

SENATOR CONRAD: (Exhibit 7) Thank you. Senator Heidemann, members of the committee, my name is Danielle Conrad, D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. I represent the "Fighting" 46th Legislative District. I'm here today to introduce LB1017, a bill that would authorize a one-time transfer of \$3.5 million from the General Fund to the Affordable Housing Trust Fund. I've asked Christina to pass along a letter in support from the Nebraska Bankers Association, which you will all receive. And I will jump into the reasons why I brought this bill. The Nebraska Affordable Housing Trust Fund is one of Nebraska's most important economic development tools. Again, these issues will not be new to any of you on the committee. We've debated them extensively in recent years. The fund was created to serve a number of different financial gap challenges that Nebraska confronts in their efforts to provide safe and affordable housing for its citizens. During this recessionary period, stagnation in the housing industry has become a primary impediment in growing Nebraska's economy. And you'll hear more about those from those on the front line later in our testimony here this afternoon. More housing means more jobs. Increased investment in the Nebraska Affordable Housing Trust Fund will build and rehabilitate more homes and increase the number of jobs and investment in our building sector more than any other public policy initiative before us. From 1998 through 2009, the Affordable Housing Trust Fund has awarded more than \$79 million to create 4,306 affordable housing units across Nebraska. From this, 5,580 jobs have been created--5,000 jobs have been created during this relevant time period. And, you know, when I see a number like that I try and get a sense of what does that really mean. Well, it's a little bigger now, but that's essentially the size of my hometown, Seward,

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Nebraska, about 6,000 jobs, so that's an interesting statistic. And it has created a return of \$266 million leveraged from other sources as a result of trust fund allocations. The indirect result of the trust fund has been to add more than \$590 million to the economies of local communities and the state of Nebraska with new sales tax, property tax, payroll tax revenue, and other related businesses. Those statistics are compiled from the Nebraska Department of Economic Development. For every \$1 provided in Affordable Housing Trust Fund, \$3 is leveraged with the ultimate outcome of \$7 in total economic investment from jobs, taxes, services, and other sources. The National Home Builders study shows that for every 100 units created \$7.9 million in local dollars are spent on wages, profits to providers, and other small businesses. It also creates \$827,000 in taxes and other types of revenue for local government and creates over 122 local jobs. Only the housing dollar has this type of impact on the Nebraska economy. With this targeted investment, the state will leverage an additional \$10 million in affordable housing investment. Most importantly, the increase will go a long way to restoring the vitality of the trust fund given the financial erosion that has taken place over the past several years when this money has been diverted to other sources. During this challenging economy, it's imperative that the state maximize one of our best economic development tools. I urge your favorable consideration of the legislation and am happy to answer any questions. And get them in now because I'm not planning to close. (Laugh) [LB1017]

SENATOR HEIDEMANN: Senator Wightman. [LB1017]

SENATOR WIGHTMAN: Senator...thank you, Mr. Chairman. Thank you, Senator Conrad. With regard to the \$10 million that you're leveraging, can you tell us...some of it will come from the federal government, is that correct? [LB1017]

SENATOR CONRAD: As you know, Senator, federal funds to these housing related programs, through CDBG or HOME or otherwise, have been cut in recent years because of federal budget decisions. And I believe that the leverage estimates in my testimony come from the more indirect sources. I don't think that it directly would contemplate the amount of money that we'd get from the federal government. I could be wrong. I'm looking at Jeanne, I'm looking at fiscal analyst about that, and I'm sure that we could have somebody behind me who could testify more specifically. I believe that the numbers that I'm referencing come more from the indirect costs rather than the direct federal match. [LB1017]

SENATOR WIGHTMAN: Okay. I'll save that question for later testifiers. [LB1017]

SENATOR CONRAD: Hopefully. I think that's right. [LB1017]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB1017]

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SENATOR CONRAD: Great. [LB1017]

SENATOR HEIDEMANN: And you will not be closing. Is that correct? [LB1017]

SENATOR CONRAD: I will not be closing. I know that you have a very busy agenda in front of you and I have a childcare issue myself to take care of at home so all politics is personal. (Laugh) Thank you. [LB1017]

SENATOR HEIDEMANN: (Exhibits 8, 9, and 10) We are now going to take testifiers in support of LB1017. At this time I do want to note that we have got letters in support from NeighborWorks Northeast Nebraska, from the Nebraska Commission on Housing and Homelessness, and also a letter from Nebraska Housing Developers Association. With that, is anybody wishing to testify in support on LB1017? Welcome. [LB1017]

ROGER NADRCHAL: (Exhibit 11) Good afternoon, Chairman Heidemann and members of the Appropriations Committee. I am Roger Nadrchal, spelled R-o-g-e-r N-a-d-r-c-h-a-l. I'm executive director of NeighborWorks Northeast Nebraska based in Norfolk and Columbus; also am a longtime member of the Nebraska Commission on Housing and Homelessness, as well as a longtime board member of the Nebraska Housing Developers Association. I'm here to let you know that I am in support and our organization is in support of LB1017. When the trust fund was established, it's definitely one of the most economic development tools that we have here in the state of Nebraska. It was created to serve a number of different financial gap challenges in developing affordable housing for families to live at a safe and affordable house. And increased dollars in the Nebraska Affordable Housing Trust Fund will build and rehabilitate homes, whether they're for home ownership or for rental, also increased jobs and investment in our communities that we have in serving our members in our communities. Recently there was a report released by the National Association of Home Builders referenced as "The Economic Impact of Building in Nebraska." The construction of a single family and multifamily housing has a long-lasting economic impact. This report also states that it's the only housing dollar of this type of impact on the Nebraska economy. As Senator Conrad addressed, the dollar amounts invested from the Nebraska trust fund since it started in 1998 in excess of \$87 million and has created thousands of jobs as well as leverage dollars from those local communities and organizations across the state. Since the inception of the Nebraska Affordable Housing Trust Fund, our organization, NeighborWorks Northeast Nebraska, has been a recipient of about \$2.5 million of that fund to help support our organization, whether it's to build new homes in our communities, provide rehabilitation services to the homeowners in our area, as well as bring homes up to better standards so people can live in them and their overall experience and cost of rehabilitating and owning that home is reduced. We've served over 15 communities in excess of \$14 million of revenue of homes that we've worked with. The demand for affordable housing continues to be high in our service area. We've assisted over 106 families in the last two years. We would like to

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see the availability of the Nebraska Affordable Housing Trust Fund to be available as well as the increased dollars. So I do ask that you do support this bill, and move it out of committee. [LB1017]

SENATOR HEIDEMANN: Thank you for testifying today. Are there any questions?  
Senator Wightman. [LB1017]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Mr. Nadrchal, thank you for being here. [LB1017]

ROGER NADRCHAL: Sure. [LB1017]

SENATOR WIGHTMAN: I know last year we had quite a debate on this and, of course, it was part of the Governor's initiative with regard to taking some money from this fund and using it for building and site development for economic development within the state. And there was some question at that time, and you may not be the best to answer this among the testifiers, can you tell us how that fund that comes from the Nebraska documentary stamp tax, how it has fared in the past year with that money being redirected or do you know the answer to that? [LB1017]

ROGER NADRCHAL: I guess I would answer that I don't know the specifics of that. But if one of the testifiers behind me cannot answer it, I'm sure we can get that information to you. [LB1017]

SENATOR WIGHTMAN: Thank you. [LB1017]

ROGER NADRCHAL: Sure. [LB1017]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. Welcome. [LB1017]

CHRIS ROTH: Good afternoon, Chairman Heidemann, members of the committee. Thank you for your time today. My name is Chris Roth, last name spelled R-o-t-h, and I'm the president of Reinke Manufacturing and a graduate of the University of Nebraska in Lincoln. I was born and raised in Callaway, a small town of about 500 people in central Nebraska. I currently live with my wife and four children in Deshler, a town of about 800 people in south-central Nebraska. I have lived the vast majority of my life in rural Nebraska. Reinke Manufacturing is located in Deshler and we manufacture large agriculture irrigation systems and chassis trailers used in the intermodal industry. We sell our products throughout the United States and on every agriculturally active continent in the world. Deshler is located approximately ten miles from Kansas in Thayer County. We currently employ 400 to 500 employees. Please keep in mind, as I have already stated, we are located in a town of about 800 people. We sent payroll to

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approximately 50 zip codes on this week's payroll, primarily from south-central Nebraska and north-central Kansas. We currently are building a state-of-the-art galvanized facility in Deshler that approaches \$10 million in build costs. It will employ approximately 30 people when operational yet this spring. The primary counties we draw from in Nebraska are Nuckolls, Thayer, and Jefferson Counties. In Kansas we primarily draw from Jewell, Republic, and Washington Counties. The population base in Nuckolls, Thayer, and Jefferson Counties is dwindling. For example, in 1990 Nuckolls County had a population of about 5,700 folks. In 2010 it was 4,500. This is a reduction of 22 percent. Thayer County had a population of 6,600 in 1990 and in 2010 it was down to 5,200. This is a reduction of 21 percent. Jefferson County had a population of 8,700 in 1990 and in 2010 it was down to 7,500, a reduction of 14 percent. The counties in Kansas are not faring much better. The unemployment rates are low in all these counties. They range in percentage from 3.3 percent to 3.9 percent currently. We're currently looking for more employees as we speak, as are other manufacturers in the area. We can recruit people to our facility. In the past six months we've recruited employees from Idaho, Colorado, South Carolina, Missouri, and California. However, we do have a difficult time in finding housing for these individuals. Reinke does buy and refurbish homes in Deshler to either sell or rent primarily to our employees moving to the area. We are also currently building an apartment complex to help provide more housing. We are attempting to solve this problem on our own. Reinke competes for labor with several manufacturers in north-central Kansas. We provide a full range of benefits including health, dental, matching 401(k), and continuing ed, just to name a few. We also pay competitive wages to our employees and provide a safe work environment and have won several safety awards due to these efforts. However, I am concerned that we will have a difficult time recruiting employees if they also have opportunities in Kansas where more housing is available. I understand you all have a difficult job of keeping the budget balanced, and I appreciate those efforts. However, we need to do something to help foster some growth in rural Nebraska, and that is why I support the concepts of LB1017. We are growing. There are other companies in rural Nebraska growing as well. However, we need help in getting our population base to grow. We have jobs. We need people to fill those jobs. As those people are recruited from outside the area, we need housing available for them to live in. I thank you for your time, and if you've got any questions for me, I'll try to do my best. [LB1017]

SENATOR HEIDEMANN: Thank you for coming in and testifying today. I've got a couple of questions... [LB1017]

CHRIS ROTH: Okay. [LB1017]

SENATOR HEIDEMANN: ...and then I'll turn it over. What would you say the average house would sell for in Deshler? [LB1017]

CHRIS ROTH: The houses that we need the most probably I would say is in that

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\$70,000 to \$80,000 range is what we need. We've got a lot of houses in the lower end and we've got a few at the upper end, but most of our employees what they'd be looking for is in that \$70,000 to \$80,000 range. [LB1017]

SENATOR HEIDEMANN: Do...I mean there's...I'm thinking from where I'm from, which isn't too far from where you're from, Summerfield, Kansas, has modular houses that they...are there a lot of those that come in too? [LB1017]

CHRIS ROTH: We do have some of those, yes, in our town. [LB1017]

SENATOR HEIDEMANN: I'm just trying to figure out logistics of it all. I appreciate everything Reinke does, for what you do for agriculture and what you do for the jobs market in your area. What do you think is the average salary of people that...even just coming into your business? [LB1017]

CHRIS ROTH: If we're talking the vast majority of our employees would be the manufacturing folks, those would be, depending what your skill levels are, you're talking \$12 to \$19 an hour. And currently we're working quite a bit of overtime right now so you can annualize those numbers so you'd be talking 30s to 40s annual wages. [LB1017]

SENATOR HEIDEMANN: I'm just trying to figure out what an average house costs and how much they're making. It should be almost workable. [LB1017]

CHRIS ROTH: Should be. Yeah, if you just do, you know, just easy math in my head if you're talking an \$80,000 house, you're talking a mortgage in that \$750 to \$850 range, potentially in that range. [LB1017]

SENATOR HEIDEMANN: It's just the fact of getting the house there. [LB1017]

CHRIS ROTH: That's part of our problem is we just don't have a lot of, you know, availability. We have some houses, but we just don't have a lot of availability. [LB1017]

SENATOR HEIDEMANN: Is Deshler like a lot of other smaller towns in rural Nebraska that have...are there empty lots? [LB1017]

CHRIS ROTH: There are some empty lots. And, you know, what we will do is we will, like on this apartment complex that we're building currently right now, is we bought some vacant lots because the lots weren't getting taken care of. You know, there was some shrubbery that was growing up, trees basically that needed to be cut down, but the individuals that owned it weren't taking very good care of it. So we acquired the lots and basically leveled it and put up where we should have an apartment complex built in the next six weeks or so for availability. [LB1017]

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SENATOR HEIDEMANN: This is kind of interesting to me because I come from rural Nebraska and always try to make sure that you help them up as much as possible. And we have an industry in rural Nebraska that is providing jobs to no end and we just have no place to house the people that are... [LB1017]

CHRIS ROTH: Yeah, and that's what I was saying earlier is that what we try to do...what we did because we were having such issues with housing is we started to buy some houses and we'll go in and, you know, new paint, update it, carpet it, you know, do all those kind of things to try to get updated so we have some housing available so when people come to town from California we have a place to put them. Because otherwise, there's nowhere to go for them, and it makes it difficult to retain those folks. [LB1017]

SENATOR HEIDEMANN: And you do that as a service with not making money but probably not losing money? [LB1017]

CHRIS ROTH: Yeah. We...it's break-even at best for us. [LB1017]

SENATOR HEIDEMANN: Which isn't bad, though, I mean... [LB1017]

CHRIS ROTH: No, it's not bad but it's break-even at best. And, you know, we're...it probably wasn't part of our founder's mission statement to be in the housing and rental business when we first got started. But, you know, it's what you have to do in order to keep going. [LB1017]

SENATOR HEIDEMANN: Senator Fulton I think. [LB1017]

SENATOR FULTON: Yeah. Thank you, Mr. Chairman. Thank you for being here. [LB1017]

CHRIS ROTH: Yep. [LB1017]

SENATOR FULTON: I want to pose just a general question because this is...I'm getting up the learning curve on this. [LB1017]

CHRIS ROTH: Okay. [LB1017]

SENATOR FULTON: And this is actually...I'm from the same area he's from and so if we have a decision point that causes us to choose between tax relief and an expenditure of money that is to provide more affordable housing from the vantage of a business, a manufacturer, I'm hearing that prudentially you are making a judgment on the side of this expenditure. [LB1017]

CHRIS ROTH: Right. [LB1017]

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SENATOR FULTON: Is that correct? [LB1017]

CHRIS ROTH: Yeah. I mean that's what we're doing is we're allocating capital to do that ourselves. And that's, you know, that's...if you give...I guess what I would say is if our company had some tax breaks, I mean, obviously we would take some of that money and we would probably allocate it to these kind of activities. If you don't give us the tax breaks, honestly, we would probably still continue to do it because we have to because we've got 60 jobs we're trying to fill currently. And where are we going to find those 60 jobs, where are you going to find those personnel in the areas that we're currently drawing from because the population base is decreasing so rapidly? So honestly we would probably continue to do this on our own to a certain degree. [LB1017]

SENATOR FULTON: Thank you. [LB1017]

SENATOR HEIDEMANN: Senator Wightman. [LB1017]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you, Mr. Roth, for being here. [LB1017]

CHRIS ROTH: Yes, yep. [LB1017]

SENATOR WIGHTMAN: Interested in following up on one of the responses you gave to the Chairman's questions. You said that \$75,000 to \$80,000 I think was... [LB1017]

CHRIS ROTH: Um-hum. [LB1017]

SENATOR WIGHTMAN: ...kind of the current range. Now are you talking about existing housing because it's my understanding you couldn't build very much for... [LB1017]

CHRIS ROTH: Right. That's existing housing. That's what would be available. [LB1017]

SENATOR WIGHTMAN: So if you were looking at new housing... [LB1017]

CHRIS ROTH: Right. [LB1017]

SENATOR WIGHTMAN: ...you're probably talking \$120,000 to \$140,000... [LB1017]

CHRIS ROTH: Right. [LB1017]

SENATOR WIGHTMAN: ...on the same house. Is that... [LB1017]

CHRIS ROTH: Right. I would...that's probably a fair estimate. [LB1017]

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SENATOR WIGHTMAN: Square footage what would you think, would it be 1,200 to 1,300 maybe, 1,100 to 1,300? [LB1017]

CHRIS ROTH: Yeah, that would be fair. [LB1017]

SENATOR WIGHTMAN: Okay. Thank you. [LB1017]

CHRIS ROTH: Yeah. [LB1017]

SENATOR HEIDEMANN: It doesn't seem like a lot of money, I'll just make this point, but we seem to be able to build a fairly nice house in rural Nebraska for \$80,000 to \$100,000 or at least refurbish one. Senator Nelson. [LB1017]

SENATOR NELSON: Thank you, Senator Heidemann. These are kind of follow-up questions. What's the population of Deshler now? [LB1017]

CHRIS ROTH: About 800. [LB1017]

SENATOR NELSON: About 800, under 1,000. [LB1017]

CHRIS ROTH: Right. [LB1017]

SENATOR NELSON: My perspective, smaller towns in southern Nebraska, there aren't that many houses available for you to rehab or recondition. Are you having to build new? [LB1017]

CHRIS ROTH: We are not building new. The only thing we're building new right now is we did acquire a couple of lots, vacant lots, that were rundown, needed some help. And we acquired those and we're putting up an apartment complex on that right now. What we've been doing is as houses become available and for whatever reason they don't sell, you know, there might be something wrong with them and people are hesitant to buy them, we'll buy them to do those improvements that are necessary. For example, one of the houses may have a problem with the foundation. In the area where we're at, it's a very heavy clay and if those foundations are over 50 years old, you probably have some bowing in that foundation and it makes people nervous. So we might acquire that house and do some of that work. And again, we put that money into that house knowing full well we probably are not going to get all of that back. [LB1017]

SENATOR NELSON: So are you eligible to get any money from the Affordable Housing Trust? Are you just doing all this on your own? [LB1017]

CHRIS ROTH: Right now we're doing it all on our own. [LB1017]

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SENATOR NELSON: So putting money into this would help other people come in and build houses I guess if there aren't that many available. [LB1017]

CHRIS ROTH: Potentially, yes. [LB1017]

SENATOR NELSON: Yeah, okay. [LB1017]

CHRIS ROTH: And what I'm mostly interested in is the rural areas. That's where my heart is. [LB1017]

SENATOR NELSON: But you employ 500 and how many people are looking for housing on a given month? [LB1017]

CHRIS ROTH: Oh, I know whenever I walk in, you know, especially if we go through a growth spurt like we have in the last 18 months, anytime I run into one of the realtors in the area, they always can tell me right...they could tell right away when we started hiring because the phone starts ringing and they just don't have the population of housing available. [LB1017]

SENATOR NELSON: So then they are reduced to traveling a large number of miles. They have to live in other towns... [LB1017]

CHRIS ROTH: What will happen to us sometimes if we can get some folks recruited on the outside of what our...of where we draw from in those counties, we get to the outside of that and those folks might work for us for a little while. But if they don't find housing then the gas will get to them and then they may end up trying to find something that's more local for them. [LB1017]

SENATOR NELSON: Thank you very much. [LB1017]

CHRIS ROTH: Yep. [LB1017]

SENATOR HEIDEMANN: Senator Wightman. [LB1017]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Another question or two. You said that you were rehabbing houses... [LB1017]

CHRIS ROTH: Um-hum. [LB1017]

SENATOR WIGHTMAN: ...mostly and maybe bought some lots and are building on those two lots. [LB1017]

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CHRIS ROTH: Right. [LB1017]

SENATOR WIGHTMAN: Out of 800 residents of Deshler, how many homes are there--300, 350, 400? [LB1017]

CHRIS ROTH: Oh, I don't know if I can answer that question, but that would make...just numbers that would make sense to me, probably two to three people per house, that number would make sense to me. [LB1017]

SENATOR WIGHTMAN: So are you buying houses other than in Deshler? I mean it seems to me you'd be pretty limited right in town. [LB1017]

CHRIS ROTH: We are doing it only in Deshler right now and the reason why is because then our maintenance guys don't have to go very far to do anything on those houses. The further obviously we get out the more our maintenance guys would have to go out and do work on them. [LB1017]

SENATOR WIGHTMAN: No rural houses like acreages. [LB1017]

CHRIS ROTH: We've not bought anything outside of the city limits. [LB1017]

SENATOR WIGHTMAN: Now your people you said live primarily in three counties in Nebraska I think, maybe it was four. [LB1017]

CHRIS ROTH: Three or four counties in Nebraska and three in Kansas. [LB1017]

SENATOR WIGHTMAN: And some Kansas counties. As far as communities, Fairbury, is that... [LB1017]

CHRIS ROTH: Fairbury is in Jefferson County. You know, that's on our east side of where we get to; to the west is Superior, over in that area, Superior, Guide Rock, down that way. When you go south, we get into the Belleville, Kansas, Concordia, Kansas, in that area. And then north you're getting up into Geneva, up towards York so you have a radius right around that area. [LB1017]

SENATOR WIGHTMAN: Thank you. [LB1017]

CHRIS ROTH: Yep. [LB1017]

SENATOR HEIDEMANN: Trying to draw people in for every position that opens up, how many apps do you get? [LB1017]

CHRIS ROTH: It depends on what we're advertising for. If we are advertising, say we're

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looking for...we've been looking for an electrical engineer, which we've had hired, we've been looking for that, we would get for one position we might get 15 to 20 applications in. And we might interview four or five out of those. We've done...we're looking for...we've done some recruiting. We've got those folks hired for IT jobs, programmers. We've got marketing specialists in the sales department so those are some of the other positions we're looking for in addition to just manufacturing. [LB1017]

SENATOR HEIDEMANN: What hinders you most to bring people in? [LB1017]

CHRIS ROTH: Housing is one thing. I mean, you know, it kind of sounds a little silly, but I have to make sure I understand what houses might be coming available, what houses are for sale right now, if those individuals are interested in renting those houses versus selling them, at least for a short period of time so I can put somebody in there for, say, three months until we can figure something else out. The other thing that affects us to a certain degree is just, you know, to be honest there's a certain hesitation certainly if we're trying to draw somebody from California or South Carolina, which we've done, moving to such a rural part of the state. [LB1017]

SENATOR HEIDEMANN: So there are those issues there. [LB1017]

CHRIS ROTH: Um-hum. [LB1017]

SENATOR HEIDEMANN: How many vacant houses do you think are in Deshler? [LB1017]

CHRIS ROTH: Right now I'd say for sale right now we've got maybe six or seven houses for sale. [LB1017]

SENATOR HEIDEMANN: I was trying to think percentagewise. Not much, yeah. Senator Wightman. [LB1017]

SENATOR WIGHTMAN: No. [LB1017]

SENATOR HEIDEMANN: Any other questions? Seeing none, it's been very informative. Thank you for coming in today. [LB1017]

CHRIS ROTH: Thank you. Thanks for your time. [LB1017]

SENATOR HEIDEMANN: Anyone else wishing to testify in support of? Welcome. [LB1017]

DIANN KOLKMAN: (Exhibit 11) Senator Heidemann, members of the committee, my name is DiAnn Kolkman, D-i-A-n-n K-o-l-k-m-a-n. I live in North Platte and I currently

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serve on the Nebraska Commission of Housing and Homelessness. And I come forward today to speak in favor of LB1017. Senator Conrad went through some of the economic impact that the Affordable Housing Trust Fund can have on the state of Nebraska's economy and so I won't repeat that. But I did want to cite a section from the Nebraska Affordable Housing Act, "To enhance the economic development of the state and to provide for the general prosperity of all Nebraska's citizens, it is in the public interest to assist in the provision of safe, decent, and affordable housing in all areas of the state. Lack of affordable housing affects the ability of communities to maintain and develop viable and stable economies." The trust fund is used to develop housing which, in turn, creates jobs and generates income for businesses, provides housing for the local work force, improves community appeal for new businesses looking to relocate, keeps families in the community and children in schools, increases tax revenues to support public services, enhances public safety by revitalizing rundown property, saves resources through energy efficient improvements, stabilizes people, families, and communities, builds community pride and homes and future generations. I ask today that you vote for LB1017 because the economic factor is significant to our state as is the indirect impact through job creation, community stabilization, commitment that all citizens be afforded the provision of safe, decent, and affordable housing. Thank you. [LB1017]

SENATOR HEIDEMANN: Thank you for coming and testifying today. Senator Hansen. [LB1017]

SENATOR HANSEN: Thank you. Thank you, DiAnn, for being here today. [LB1017]

DIANN KOLKMAN: Um-hum. [LB1017]

SENATOR HANSEN: Last year we made a cut in this program and it was intended to be one of the Governor's initiatives to go out and so we could use that money instead of affordable housing to make site selection for new businesses and get jobs and businesses to come to our state. Have you seen any benefit in that in the North Platte and Lincoln County area in the past year's site selection? [LB1017]

DIANN KOLKMAN: We have not seen any impact. In fact, what we've seen is just a cut in our programs because of reduced funding. But I think that that impact may be felt more at the east end of the state and where we don't have the population at the west end of the state we don't realize the benefit of that reduction. [LB1017]

SENATOR HANSEN: Do you have any idea with this \$3.5 million put back into the Affordable Housing Trust Fund how much might go to the Lincoln County area, in your area? I mean...and I know you're representing the whole state. [LB1017]

DIANN KOLKMAN: Um-hum. [LB1017]

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SENATOR HANSEN: For some reason or other I have a tendency to look at my district first and then the rest of the state. [LB1017]

DIANN KOLKMAN: I believe it's about \$116,000. [LB1017]

SENATOR HANSEN: Okay. And I do want to tell the rest of the committee that this is a hardworking group in Lincoln County that DiAnn is associated with. Thank you for coming. [LB1017]

SENATOR HEIDEMANN: Thank you. Are there any other questions? Seeing none, thank you. [LB1017]

DIANN KOLKMAN: Thank you. [LB1017]

SENATOR HEIDEMANN: Welcome. [LB1017]

THOMAS JUDDS: (Exhibits 12 and 13) Welcome. Thank you. My name is Thomas Judds, T-h-o-m-a-s J-u-d-d-s, and I appreciate the opportunity to speak in front of the Appropriations Committee regarding the Affordable Housing Trust Funds. I would like to point out I did get some written support from an agency on the...I believe it's the National Association of Commercial Property Owners and that is what Christina is passing out now, as well as testimony on behalf of Midwest Housing Equity Group in support of LB1017. I'd like to begin by just saying I appreciate the opportunity of Chris Roth being here from Reinke Manufacturing. I'll kind of streamline what I was going to say because I think Chris did an excellent job. And what I mean by that is my position gives me the opportunity to travel the entire state of Nebraska and I get to meet with community leaders regarding issues that are impacting their communities, and those are good and those can be not so good. And in Chris's case, he called me last year sometime and said, Thomas, I'm familiar with your program that you work with, which is the affordable housing tax credit program, and he says, how can this work for Deshler? And not only Chris did I get a call from, but I got a call from two other companies last year and both manufacturers of rural communities and experiencing the same issues that Chris is that he pointed out today. And so there's a common theme there that I'm seeing. And I understand economic development is, in my opinion, two sources: industry creating industry as well as housing those people who work. I mean it's housing as homes for the people who work. And so I think there's got to be a very healthy and strong balance between those two. I understand that money was used out of the trust fund last year to help with the site development for industries. And I believe that, as I said, industries are a component to economic development. But what I'm seeing now is the trend that we are hiring, and employees or companies are looking and doing investing in other resources to add capacity. But the component that I'm seeing now is they're needing the housing to house the workers and they don't have it. And so the

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Affordable Housing Trust Funds would be a mechanism and a resource that was developed in the '90s to provide gap financing for development of affordable housing. In the tax credit program that I work exclusively in, rents are kept low because the federal tax credits provide equity to these developments. Equity doesn't cover the entire cost of low-income housing tax credits and so you need gap financing. And that can be serviced either through debt or other soft funds such as the HOME funds that we talked about earlier today, also Federal Home Loan Bank of Topeka has some affordable housing program funds. But trust funds is another resource that was added to help lessen the burden because what we're trying to accomplish here is target incomes of low to moderate income and so you cannot have debt layered to the extent that a typical project would have, and that's what helps keep rents low. And so all these sources are critical for housing. So I ask for your support of LB1017, and I would entertain any questions at this point. [LB1017]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB1017]

THOMAS JUDDS: You're welcome. And could I follow up? There was a question I think that Senator Wightman talked about or asked in regard to leverage resources and what that entailed. My understanding is that comes from a variety of resources--public, private, and federal money. [LB1017]

SENATOR HEIDEMANN: Thank you very much for that information. [LB1017]

THOMAS JUDDS: You're welcome. [LB1017]

SENATOR HEIDEMANN: Is anyone else wishing to testify in support on LB1017? Welcome. [LB1017]

JAMES THELE: Good afternoon, Senator. My name is James Thele, last name is spelled T-h-e-l-e. I'm the assistant planning director for the city of Omaha. My responsibility is for housing and community development. There's been a lot of good testimony today so I won't take up your time. We do urge that the committee advance this bill from committee to get it on the floor for additional advancement hopefully. I do want to emphasize as well that when you look at the economy 70 percent of the economy is consumer economy. And if Nebraska is going to grow its economy, we can't ignore that portion of the economy. Rooftops equal economic development so we urge that you support this bill. Thank you. [LB1017]

SENATOR HEIDEMANN: Thank you for testifying today. Any questions? Seeing none, thank you. Welcome. [LB1017]

DON WESELY: Mr. Chairman, members of the Appropriations Committee, my name is Don Wesely, W-e-s-e-l-y, representing the city of Lincoln. We're here testifying in

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support of LB1017. And I know you've been through the bill and heard a lot of testimony. The city of Lincoln has had a number of projects that have been successful in part because of the tremendous partnership, the question was asked before, with the Housing Trust Fund. We've had some projects, Cyrilla Court, Old Mill Village, and Olympic Heights, where 200 affordable housing units were developed, and all of those take a partnership--some city money, some housing money, and some private money, some other public funds--and all of that comes together and you're able to provide affordable housing. NeighborWorks is a project here in Lincoln and they got \$400,000 to build homes for employees close to their places of employment. Antelope Creek Village is a project down in Antelope Valley that is now going forward with partial funding from the Housing Trust Fund and the list goes on and on. There's also rehab programs where we use Housing Trust Fund money to help rehabilitate older homes. And in those projects, for instance, there are 50 households a year that get that assistance and there's less than 5 percent of participants facing foreclosure through those projects. So all of these things we're talking about you get homes for individuals, low-income, and they're able to maintain and sustain themselves in those homes and it's good for the community, and we're here in support of the bill. [LB1017]

SENATOR HEIDEMANN: Thank you. Does anybody have any questions? Seeing none, thank you. [LB1017]

DON WESELY: Thank you very much. [LB1017]

WALTER RADCLIFFE: Mr. Chairman, members of the committee, my name is Walter Radcliffe, R-a-d-c-l-i-f-f-e, appearing before you today as a registered lobbyist on behalf of the Nebraska Realtors Association and the Nebraska State Home Builders Association in support of LB1017. Both groups have a number of members who have worked in partnership with the Affordable Housing Trust Fund. But as the preceding witnesses have said, it is something that works. And Senator Hansen brought up the point about the funds in previous year were taken out. I think this is an opportunity to replenish it. I also think that housing is starting to come back in Nebraska. There's certainly a need, and this would be a good expenditure of \$3 million I think this year. [LB1017]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you for testifying. [LB1017]

WALTER RADCLIFFE: Thank you. [LB1017]

SENATOR HEIDEMANN: Is anyone else wishing to testify in support on LB1017? (See Exhibit 14) Seeing none, is anybody wishing to testify in opposition on LB1017? Seeing none, is anybody wishing to testify in the neutral position on LB1017? Seeing none, Senator Conrad had waived her closing. We will close the public hearing on LB1017

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and open up the public hearing on LB981. We're going to be just a little bit here till Senator Ashford shows up. We'll now open on LB981. Senator Ashford. [LB1017 LB981]

SENATOR ASHFORD: (Exhibits 15 and 16) Thank you, Mr. Chairman, and I am, as suggested, here to talk about LB981. This bill involves the YRTC facility in Kearney and the request that we add \$1.8 million from the capital construction line item to help with the renovation of the YRTC facility. Let me just say at the outset that we are...this is a significant issue and problem for our state. I've spent some time this last year thinking about how to address what is clearly an increasingly difficult situation at YRTC. I do have, if I might, Mr. Chair, hand out some...a study of the dormitories at YRTC that was done in '08, I believe, or '07. And I know this is not new to the committee, this issue. It's been talked about in the past so I don't want to be redundant, but what I do want to do is I have also some information from '08 to '11 on the assaults on staff numbers and the assault on youth numbers from YRTC, and they're staggering. And to go out there, it's an odd situation. In some respects we are dealing, as you can see by the numbers, as you can glean from the numbers, we're dealing with juvenile males now that are in much more difficult straits than they were 20 years or 25 years ago, when I was in the Legislature before. And the demands for services and assistance just to keep the peace there are much, much greater. The day I was out there in the fall, there was an attack on a corrections...or not corrections but on an officer out there. He was struck with a radio and had to be taken to the hospital. It's not an uncommon occurrence. One of the...you already have, I believe, a deficit appropriation in here regarding staff. This has been put forward I think by the administration for OJS and I think you've had a hearing on that. This is...this, however, is for physical improvements and a small increase in additional staff for these facilities. Specifically what we're looking for is the dormitory. There are two 30-person dormitory facilities at YRTC. They are just unacceptable. What's happening is you're putting 30 young male youth in a room and with no privacy whatsoever. And though the staff is trying their best to not create a crisis by putting behavioral...kids with behavioral issues in with others, it's almost impossible to do that in a population of only 159 or 160 people. So the idea is to break those living units down to 14 instead of 30, and the plans which were done a few years ago or in this...by the architects are on the second page of the study and it's a much more conducive arrangement with lounge areas and sleeping areas. It will require a few additional staff. We, in the Judiciary Committee, we are recommending, working with the Governor's Office, we are recommending some changes in the administration or will request some changes in how we administer and manage YTRC, including some intervention or connection with the Department of Corrections but the full extent of which has not been resolved. But there will have to be some of that as well, some additional training that will deal with the wide disparity of young juveniles who are out there, some who are almost status offenders and then those who are...(cell phone ringing)...I apologize...and then those who are...have very serious issues. And the number of gang members are significant. I think we have somewhere between 40 to 50 percent of the residents are

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active gang members. It's a much, much different situation than it was even ten years ago. And so I don't know how we can...(cell phone ringing)...I don't know why this keeps doing that. I don't know how to turn it off. [LB981]

SENATOR HEIDEMANN: Unless that's a call from the Chairman of the Appropriations Committee. (Laughter) [LB981]

SENATOR ASHFORD: Well, said, Senator Heidemann. I think there's a way to turn this off. But anyway... [LB981]

SENATOR HEIDEMANN: You think you could help him out, Stacey? [LB981]

SENATOR ASHFORD: Yeah. But this is a serious issue and it's part of what we are trying to grapple with in Judiciary with this continuum of care. In the rural part of the state one of the...and I'll end with this. I think you've heard about the juvenile pilot, probation pilot that has been undertaken in Douglas County and has had some very positive results for some of this same population. There's a desire to move also out into the 11th Judicial District--North Platte, Lexington, Ogallala, and then a fourth community--to expand that probation pilot. If we can expand that statewide, combine it with changes at YRTC, I think we're going to have some significant improvement with these young people. But it just is unacceptable to keep things as they are. There was some physical plant improvement at Geneva a few years ago and that's had a significant impact on the kids out there, on the young juvenile...female juveniles that are at the Geneva facility. I don't know how we get around not changing those dormitory arrangements at YRTC. So, Mr. Chairman, I'm requesting an allocation of funds to complete the task that was recommended a few years ago and then combine that with some management and administrative changes. [LB981]

SENATOR HEIDEMANN: How old are the buildings that we're looking at, in this pamphlet that you... [LB981]

SENATOR ASHFORD: These were right after World War II they were completed, and they've been expanded as well. I believe the original buildings were of that vintage, late '40s, early '50s. [LB981]

SENATOR HEIDEMANN: They evidently are sound buildings but are they a building... [LB981]

SENATOR ASHFORD: They are sound. [LB981]

SENATOR HEIDEMANN: Should we spend this money though...are we going to get an end product that is best for what we're trying to do? [LB981]

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SENATOR ASHFORD: I've been out there several times. I don't know how we...I think so. I believe so, Senator. I think that if we don't address this dormitory situation and the stress that comes from it, I really...I don't know, I can't predict what will happen in the future. It's going to get worse. We have to break that down. Other changes other than that at the facility, I'm sure there's some others that could be done. This one though is at crisis proportions, I would say. [LB981]

SENATOR HEIDEMANN: But it looks like there's still...when we get done here, you have 7 bunk beds for a total of 14... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HEIDEMANN: ...beds together. [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HEIDEMANN: Are we still...I get what you're trying... [LB981]

SENATOR ASHFORD: Oh, I'm sorry. I misunderstood your question. [LB981]

SENATOR HEIDEMANN: Well, I get what you're doing, you're trying to separate... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HEIDEMANN: ...and give a little bit more privacy, which I think is good, but is this down to the point that the end results are going to be what we're after? [LB981]

SENATOR ASHFORD: Yeah. They believe that the smaller number with a little more supervision and more in the lounge arrangement so that the...the concern is especially the younger kids can't go anywhere and be by themselves there and they need that time to get away from the older kids and to just be by themselves and then...because they're, you know, they're homesick. They don't want to be there. They're intimidated by the older kids. So if we split them up, the ability to split them up a little bit more by age and then have this sort of more...less, you know, sort of regimented bunk bed kind of arrangement, that it's going to be a little closer to a home environment. You know, it's not a correction facility; it's a treatment facility. It's not intended to be a punishment. It's intended to be treatment and... [LB981]

SENATOR HEIDEMANN: Wouldn't a dorm type of setting actually be better then in that instance? [LB981]

SENATOR ASHFORD: Well, I think a dorm with...there's some concern about a

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2-bedroom or 4-bedroom kind of environment, that that actually is going to be much more difficult to supervise and that 14 is somewhat the optimum number; that 2 and 4, when especially the young kid, young juvenile who has issues, it could actually be more, I've been told, more of a problem to put them in a much smaller environment; that 14...12, 14, 16 is the optimum number; that it's actually more dangerous to put them in a 2- to 4-bed environment; that this is really the optimum. I don't know what else to do. Now the other...there have been proposals in the past about moving some of the more difficult cases to Hastings. I don't know whether this committee has heard that proposal, but I think it was...has been raised in the past. And there will be some sort of a proposal from Corrections and HHS that will address moving the most difficult cases, if they exhibit violent behavior, out of YRTC. But even if that's done, there still is this stress level with having the 30 beds without any privacy. [LB981]

SENATOR HEIDEMANN: I just want to make sure if we're going to spend money here that the end product is what we're actually after. Senator Nelson. [LB981]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you, Senator Ashford. If you take a look at the proposed floor plan there,... [LB981]

SENATOR ASHFORD: Yeah. [LB981]

SENATOR NELSON: ...it's more...I don't know what they mean by one-hour smoke partition there. Are those solid partitions? Can you tell, you know, right.. [LB981]

SENATOR ASHFORD: I don't think they're...they're not,... [LB981]

SENATOR NELSON: Uh-huh. [LB981]

SENATOR ASHFORD: ...and that's for an emergency situation. [LB981]

SENATOR NELSON: Okay. [LB981]

SENATOR ASHFORD: But I...they're designed to... [LB981]

SENATOR NELSON: Well, the configuration is now it looks to me like they've got four separate little dormitories there with seven beds. [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR NELSON: Appears that they could be closed off from each other and then the attendants in the office. [LB981]

SENATOR ASHFORD: Right. [LB981]

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SENATOR NELSON: So that would lend itself to a lot better supervision,... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR NELSON: ...I would think. [LB981]

SENATOR ASHFORD: I think that's right. [LB981]

SENATOR NELSON: Okay. And that was my... [LB981]

SENATOR ASHFORD: One of the things, too, Senator Nelson, is this meeting room thing,... [LB981]

SENATOR NELSON: Uh-huh. [LB981]

SENATOR ASHFORD: ...this idea of if a child is having...a young person is having difficulty that there is a place to go... [LB981]

SENATOR NELSON: Right. Uh-huh. [LB981]

SENATOR ASHFORD: ...that does not now exist. There is no... [LB981]

SENATOR NELSON: Yeah. Well, they're utilizing the space on each end for things like that and... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR NELSON: ...I guess it's not cutting down. You've got two, two of these...I mean two buildings like this, right? [LB981]

SENATOR ASHFORD: Correct. [LB981]

SENATOR NELSON: So same population in there,... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR NELSON: ...I guess, only just a little more confined, but also they have the ability to separate. So you could have younger... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR NELSON: ...younger kids in one area and up... [LB981]

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SENATOR ASHFORD: Right, that's the idea. Yeah. [LB981]

SENATOR NELSON: So you made some mention, I think I heard you say on the floor, the possibility of turning this over to Corrections. [LB981]

SENATOR ASHFORD: Correct. [LB981]

SENATOR NELSON: Would that make a difference how Corrections would operate if we go ahead and build this and...? [LB981]

SENATOR ASHFORD: I believe Corrections support...both Corrections and OJS support this configuration. If Corrections...I will say this, that whether or not Corrections takes this...the entire facility over or whether they are responsible...would be responsible for the discipline portions of parts of the YRTC, I don't have an answer for that yet. There's discussion about having a 24-month sort of transition time when Corrections and OJS would collaborate, one programmatically and the other on sort of the discipline side. And so I don't have an exact...I don't have...we're meeting yet this week to see if we can come up with a strategy on how to do that. [LB981]

SENATOR NELSON: Well, thank you. [LB981]

SENATOR HEIDEMANN: Senator Harms. [LB981]

SENATOR HARMS: Thank you, Senator Ashford, for testifying on behalf of this bill. This is not a secured facility, right? They could come and go? [LB981]

SENATOR ASHFORD: Correct. [LB981]

SENATOR HARMS: Do you electronically, as you design this, are you going to electronically be able to observe what's going on? I mean is there a place here where electronically you can observe what's taking place in these areas just for safety purposes? [LB981]

SENATOR ASHFORD: There is. There is now and there would continue to be a...there's a pod that would allow for staff to observe the general area. It is...they are locked at night. I mean they can't...the young people cannot get out of the dorm and go away. There are no fences around the facility so there is ample opportunity to leave. It doesn't happen very often, but it has happened. We have enhanced the punishment or penalties for leaving or running away. But when they're inside, the doors are locked. [LB981]

SENATOR HARMS: In regard to the meeting rooms that you have, for example, where

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you're having difficulty with one of the individuals, is that going to be, as you go through that whole counseling process and begin to try to get down to what's causing the problem, is that going to be filmed in any form or manner or is that going to be recorded? That's what I'm talking about, the electronic side of things, because it makes a big difference. You can really gather people in here that have the training psychologically and maybe can begin to understand and kind of dismantle what's happening with this teenager. [LB981]

SENATOR ASHFORD: Yes. I mean there is a request in, in the deficit appropriation I believe, to have additional mental health professionals to help with these young people. It's limited now. There is a psychiatrist that visits I believe five days a month. I look at Liz because I know she's probably got the exact answer. And then there are some other mental health professionals who do counsel with the juveniles. But it is...they need more of that support. They need more of that support. And the problem, I think, Senator Harms, and I think about this all the time and I can't figure it out, why is it that we...and the other problem in the western part of the state is the lack of capacity for other alternatives, so if the only thing we have is YRTC and we have somebody that is on the bubble, you know, is not a violent kid but can't be at home and the only place the county court in Ogallala, let's say, can send this juvenile is YRTC, they're being put into an environment with kids that are much tougher, have much more propensity for violence, and they come back. I mean they leave and come back. And I wish I had the golden nugget to figure out how to stop that from happening, but we have a high recidivism rate here and if we had more mental health counseling there, and I think the probation pilot would make a big difference in the 11th District because there is some real concern out there with capacity, as there is in other places. But I can't...I don't have the golden nugget answer to just why this is continuing to happen and why we're not...these kids aren't getting any better. [LB981]

SENATOR HARMS: Well, I think it's a much deep-seated issue that we find in our... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HARMS: ...in our American families... [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HARMS: ...because we don't have a family circle anymore. [LB981]

SENATOR ASHFORD: No. [LB981]

SENATOR HARMS: It's broken down. It's gone and these kids just drift from one place to the other and then... [LB981]

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SENATOR ASHFORD: And...right. [LB981]

SENATOR HARMS: And you know, if we could find...I've always believed very strongly the earlier we find these kids through intervention the better chance we have of helping them resolve the issue. It's when they get to where they are now it's too late so we're seeing more violence taking place. [LB981]

SENATOR ASHFORD: Right. [LB981]

SENATOR HARMS: And I don't know if those children were raised in a family that they had drugs before, the mother was carrying the child. I don't know what the answer to that is, but there's no question that there is just more violence and it's more difficult for us to control these things. [LB981]

SENATOR ASHFORD: You know, my...I don't want to belabor this, I'm sorry, Mr. Chair, but my son is 14 and he's at Westside, 9th grade, and I know we hear this all the time but it just is beyond me why this is happening, that there are...there's marijuana readily available at Westside High School at any time they wanted. And those drugs are coming into Omaha. It's being trucked in. And there are these drug wars and shootings, a lot of is over territory involving these drugs. I just...it's a terrible dilemma. But I think we can...we have a number of committed people out here; they're doing their best. The facility needs to be upgraded, the sleeping part of it for sure needs to be upgraded, and then we continue to think about all these other initiatives. But you're right, until the family unit is somehow put back together again, I don't know how we absolutely solve it. [LB981]

SENATOR HARMS: Thank you. [LB981]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. Will you be closing? [LB981]

SENATOR ASHFORD: Sure. I don't know if anybody else is...yeah, I'll stick around, unless nobody else speaks, you know. [LB981]

SENATOR HEIDEMANN: Does anybody else wish to testify in support on LB981? Welcome. [LB981]

JULIE DAKE ABEL: (Exhibit 17) Good afternoon, Chairman Heidemann and members of the Appropriations Committee. My name is Julie Dake Abel, J-u-l-i-e D-a-k-e A-b-e-l, and I'm the executive director for NAPE/AFSCME Local 61. We're the union that represents the state employees, specifically the employees at the Youth Rehab and Treatment Center at Kearney. I'm submitting my written testimony as well as here to

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give my testimony in support of LB981. I can absolutely echo all of what Senator Ashford just told to you. We are, unfortunately, at a very critical point with a number of issues, specifically at the Kearney YRTC. Upgrades to those facilities at Kearney is just one component but an important one that we believe could help lower the assaults and keep youth and staff safer there. As you have heard, there's been an increase of assaults, particularly over the past couple years, and those are assaults youth on youth and youth on staff. Last year additionally there was also an increase and a much higher number of workers' compensation claims, we have found out. In 2007, the Office of Juvenile Services of the state contracted with Chinn Planning to update the original master plan for the juvenile justice system. That updated report included recommendations for change in living units at YRTC in Kearney. Not only will this provide an increase of privacy and a more homelike atmosphere for the youth, but with the increased staffing needed we believe it will increase the safety and potentially lower the assaults of youth on youth and youth on staff. Right now currently there is approximately one staff for every 30 youth and that, in and of itself, is a problem. We have been working closely with as many of the staff as we can at the Kearney YRTC to discuss problems particularly that have come to a head over the last few months and it is absolutely incredible. Never seen staff so scared, of any that we have talked to probably within the last decade, scared of their own administration, scared of what's happening with the youth on youth and the youth on staff. And unfortunately, as Senator Ashford also talked about, there is a very high number of gang members that are in there. You have youth that have low offenses that are put in there with youth that are, you know, have some very, very almost scary records, if you will, you know, some very severe behavior and problems. So that, in and of itself, is a problem. Unfortunately, it's now coming to critical level that we need legislative support and some sort of oversight. As Senator Ashford had said, there are a number of things that I know various committees are looking at to try and address the issue, and I really commend Senator Ashford and also Senator Hadley on some of their leadership for this. But we do believe that this is one component that is necessary, for these renovations at the Kearney YRTC. And with that, I would conclude my testimony and be happy to answer any questions. [LB981]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB981]

JULIE DAKE ABEL: Thank you. [LB981]

SENATOR HEIDEMANN: Does anybody else wish to testify in support on LB981? Seeing none, does anybody wish to testify in opposition on LB981? Seeing none, does anybody wish to testify in the neutral position on LB981? Welcome. [LB981]

SARAH FORREST: (Exhibits 18 and 19) Thank you. Good afternoon, Senator Heidemann and members of the committee. My name is Sarah Forrest, that's S-a-r-a-h F-o-r-r-e-s-t, and I'm the policy coordinator for child welfare and juvenile justice of

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Voices for Children in Nebraska. We're testifying neutrally on this bill because it sort of gets to the question you asked, Senator Heidemann, about, you know, are the dollars spent getting us where we want to go. And we think that while the dollars provided here will take care of some of the minimal safety...the safety concerns that have been discussed by Senator Ashford and also Julie Dake Abel, we don't think that they address the underlying issues that face Nebraska's youth residential treatment centers. I've provided to you both a written testimony and a copy of an issue brief that we released in January which has some background data information on the YRTC's, a time line, some facts about which youth are served, and some of the key challenges that we really see with the YRTC's, which is they're not effective, they're serving the wrong youth, and they're costing us a lot of money. In other states, states have turned basically to closing down facilities, limiting admissions, because the outcomes that we're getting for the extensive dollars we're spending just aren't that good. Seventeen million dollars a year going to Nebraska's YRTC's, we serve only 600 youth with that and we have recidivism rates of 29 percent at Kearney and about 19 percent at Geneva. So these are a lot of dollars, and just to give you a little bit extra context on LB981, the \$1.6 million or \$1.8 million for construction is more than we give all of Nebraska's counties combined in state aid for juvenile justice. That's only \$1.5 million a year. So we certainly agree that the safety issues are important and need to be addressed at the youth residential treatment center at Kearney, but we need to be looking for broader solutions. We need to be making investments in our community. We really applaud the Judiciary Committee and Senator Ashford for being so passionate about juvenile justice and being willing to put new dollars on the table. We think that it will take new dollars to fix our juvenile justice system but we're just not sure that putting more dollars into the YRTC's, without thinking about how we can keep more children out of the YRTC's, is the way we should be going at the end of the day. So the real question is, how can we use dollars to foster growth and reform, saving us more dollars in the long run? Adolescence is such a crucial time. We know that strategic investments, even when the youth has made a mistake or is on the wrong track, they can truly be rehabilitated, but the YRTC's simply aren't doing a good job of that and we've seen nationally that no matter how many dollars states try to put into reforming these large institutions, they just don't work. So I welcome any questions and I appreciate your time today. [LB981]

SENATOR HEIDEMANN: Are there any questions? Senator Nelson. [LB981]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you, Ms. Forrest. Have you had an occasion to visit these small regional group homes down in Missouri? [LB981]

SARAH FORREST: I have not. There are others at my office who have and they're extremely successful. I know that some folks here at the Legislature, I think Doug Koebernick a couple years ago, went down. They're a national model and the reason is that because they're smaller, they're solely focused on treatment, and they're also

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regional. So, you know, Senator Harms, you sort of talked about families and the importance of family connections. Some of the reasons why these large facilities are so ineffective is because you can send a youth away and you can try to get them services, but when they go back and Mom and Dad still have the same problems and their community hasn't changed and there are no supports for them to reintegrate successfully into school or into their family, they end up making the same mistakes. And so when we change our approach to juvenile justice and really start looking at those community-based services or the small regional facilities for those high-offending, violent youth, that can have a chance at reintegrating them. We've seen that they're very successful. [LB981]

SENATOR NELSON: What I...when I think about small regional group homes, I think of kind of a family environment of type thing. [LB981]

SARAH FORREST: Uh-huh. [LB981]

SENATOR NELSON: And I'm from Omaha where we have some really hard-core violent youths. [LB981]

SARAH FORREST: Yes. [LB981]

SENATOR NELSON: I question whether that type of environment is going to make much difference with violent youth. Aren't they going to have to have some restrictions of some sort and really supervision? That's why I asked the question. [LB981]

SARAH FORREST: Right. Well, I'm certainly happy to get you more extensive research, but actually in Missouri that is where they send their most violent offenders. Now they are secure facilities. They have staff who are very well trained. It's about the right staffing ratios and really addressing those underlying issues. And when you have a small enough group and enough staff to do that, you can really get at that. They've found a lot of success. Their recidivism rates are actually lower than ours for YRTC's and they're dealing with kids who have much more extensive criminal histories. So it can be done. It's just about finding the right resources and mix of services to do that. [LB981]

SENATOR NELSON: But are we talking about six, eight, or ten kids in a group home if...? [LB981]

SARAH FORREST: About 30, and I think my issue brief... [LB981]

SENATOR NELSON: 30? [LB981]

SARAH FORREST: Yeah, 30 with small sort of clusters in rooms, kind of like the dorm

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setup Senator Ashford was talking about but smaller and regionally based, which is also nice for kids in, you know, western Nebraska. If we build a facility there, they have access to that, their families have access to them. You're looking at different needs between Omaha and, you know, Kearney or North Platte. [LB981]

SENATOR NELSON: Okay. Well, thank you very much. [LB981]

SARAH FORREST: Sure. [LB981]

SENATOR HEIDEMANN: Do we have a higher rate of sending, percentagewise, sending kids into these facilities, type of facilities, than does Missouri or Kansas or Iowa? [LB981]

SARAH FORREST: I'm not sure about percentages compared to neighboring states. I do know that we're sending a different population of kids to these facilities than other states. For example, North Carolina has restricted who can go to these types of facilities. Texas, California, New York, you have to have committed a violent felony offense to go to these facilities because they are understanding we need to balance public safety. I think what happens in Nebraska is that we don't have enough services in communities and so what ends up happening is a kid has a mental health need, a kid keeps running away from their placement or their foster home, and so we have no option but to send them to the YRTC. And Senator Ashford spoke to it, it's a very mixed bag of needs. In your issue brief, there is a chart on why kids are sent to the YRTCs. Only about 27 percent are for violent offenses. You have a lot of property offenses, a lot of public order offenses. So what are those underlying issues? What are the cheaper and more-effective community services that we could be investing in as Nebraskans that would really do better by our state budget and our kids? I know that Senator Ashford spoke of the probation pilot project and I think that shows a lot of promise, but it will require some smart investments. [LB981]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for testifying today. [LB981]

SARAH FORREST: Thank you so much. [LB981]

SENATOR HEIDEMANN: Is there anyone else wishing to testify in the neutral position on LB981? Seeing none, would Senator Ashford like to close? [LB981]

SENATOR ASHFORD: I would just very briefly and I don't want to take...there is absolutely no question that, in my mind, that the YRTCs' mission should be changed to the more violent offender. No question, that should be done, that must be done. But we don't have any other options in the...especially in the western part of the state. In my trips out to North Platte this year and some other venues and talking to the judges, they

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literally have no other options. There is no...there are no local facilities or their programming has been cut back dramatically. There are 2,000 juveniles across the state who come into...2,200, 2,300 juveniles who are adjudicated as delinquent and the...of those a certain number are violent. And at YRTC, as was mentioned, 29 to 30 percent are violent offenders, about 40 to 45 percent are gang members. The best solution would be to have this facility secure for the more violent offender and those that are less violent to go back into their community or to community-based services. It's \$60,000 or more for each young person at YRTC and, you know, they could be treated so much more efficiently in their communities, so that should be the end game. But in the short term, we must address what is a critical need now and hopefully the probation pilot can be expanded into the 11th Judicial District and...because they have such a dire need for community-based services. That program does result in more funding for community-based services because the funding follows the juvenile. And we're seeing in Douglas County an expansion of community-based services that...and a reversal of taking kids out of the home, almost just flipped it from what it was three years ago; 87 percent or so are now in their homes. I don't want to...I guess my point is this is a very, very critical time for us. We could be doing a lot more but this would be a great first step, along with the probation pilot. So I appreciate the extra time. Thank you. [LB981]

SENATOR HEIDEMANN: Thank you very much. Seeing no further questions,... [LB981]

SENATOR ASHFORD: Thank you. [LB981]

SENATOR HEIDEMANN: ...I'm going to close the public hearing on LB981. And I'm going to turn it over to Senator Harms. [LB981]

SENATOR HARMS: We'll now have a...open up a public hearing for LB960. Welcome, Senator Heidemann. [LB960]

SENATOR HEIDEMANN: Good afternoon, Vice Chairman Harms and members of the Appropriations Committee. I'm Senator Lavon Heidemann, spelled L-a-v-o-n, Heidemann, H-e-i-d-e-m-a-n-n. I represent District 1 down in southeast corner of the state. I'm here today to introduce LB960. LB960 as written would have changed the way certain programs are funded through the Health Care Cash Fund by requiring the funds to be directly appropriated to those programs. The purpose of this bill is to improve the consistency in the way the programs are funded through the Health Care Cash Fund and require them all to go through the appropriations process. That's the easy part. And actually that's what the bill states. I got a feeling there's people behind me right now that probably don't have a problem with that. But there's been a lot of conversation from this bill and one of the reasons that I worked with the fiscal analyst, with Liz Hruska, to bring up a vehicle to talk about the sustainability of the Health Care Cash Fund. The Health Care Cash Fund was created to be a perpetual fund to provide for the use of dedicated revenue for healthcare-related purposes. I believe...I was not here when this was

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created, but in my opinion I believe that it was meant to be sustainable as an ongoing fund. During the interim, the Appropriations Committee and the Health and Human Services Committee heard LR282. And during the public hearing, in late November of last year, the Nebraska Investment Council provided the committee with the information that showed the current annual transfer of \$59.1 million exceeds contributions by approximately \$22 million. The committees were told that if spending consistently exceeds the contributions by more than approximately \$10 million, the Health Care Cash Fund's assets would likely decline and the cash fund transfers will not likely be sustainable. Many worthy programs receive funding through the Health Care Cash Fund. If you really dig into this fund--and we're going to, hopefully, do this in Appropriations--there are General Fund implications with this. It will not only affect people that are sitting behind me and, I got a feeling, that are going to come up and testify on LB960, not so much with the intent of the bill but what our discussions might be in Appropriations. We are all in this together. And eventually...or we are at a point and I suppose right now we have a decision point to be how urgent is this for us to do something should we set it out and see things might improve. A lot of the problem that we're seeing today, if I listen to the people from the Investment Council and if I get the story straight, the market has not treated us very well. And because of that, we're seeing the sustainability of this fund not working. Unfortunately--and this is where my fiscal conservative part of me comes out--once we start working, and that's what we're going to start doing, if we're not doing that already, we're working on the principal. This fund has been able to be able to continue on by what the market is giving us back and what's still coming into the fund, I believe. We're probably at a point right now that that's not working, so we're starting to work what I call on the core part of the fund, the principal part of the fund. And once you start with that process, it accelerates, because the more you use your core, the next year the more you're going to have to use your core again to make it work, because you're not getting a market return on that core anymore. So I think this is a discussion that I think we should have. I think we're going to have to look for priorities here as Appropriations Committee and as the Legislature and as the state of Nebraska as a whole. I will say personally, as I looked into this issue and I have found out over the years what other states have done with this settlement money, we have a lot to be proud of. And what we are able to accomplish with this fund year after year after year amazes me. That will affect us not only here but people in this state and possibly across the country with what we invest in biomedical research. And I am a huge supporter of that. But what I really want to see, and I hope happens, is that it can continue on. And if we have to slow things down--and this is just my opinion--if we have to slow things down just a little bit for everybody so that it can continue on forever, that would be what I think needs to be done. But it's going to be part of a discussion, hopefully, we have in Appropriations and maybe as the Legislature as a whole. With that, if you have any questions, I would try to answer them. [LB960]

SENATOR HARMS: Thank you, Senator Heidemann. Do we have any questions? Seeing none, would you like the pleasure of closing? [LB960]

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SENATOR HEIDEMANN: At this time probably not, but if I feel the need, I might pop up. But if you don't see me pop up, we can continue the discussions in Appropriations when we finalize. [LB960]

SENATOR HARMS: Thank you, Senator Heidemann. Appreciate that. We'll now take testimony in favor of LB960. Do we have anyone who would like to testify in favor of LB960? Welcome. [LB960]

DAVID HOLMQUIST: Thank you. Certainly I can't be the only one who supports this, but I will hedge my bets a little bit here. The American Cancer Society. My name is David Holmquist, D-a-v-i-d H-o-l-m-q-u-i-s-t. I am the director of state legislative government relations for the American Cancer Society and the American Cancer Society Cancer Action Network in Nebraska. I appear today in support of the concept behind LB960. We feel that the concept of greater oversight and more transparency in how these funds are appropriated is certainly something that we should recognize and support. I also appear because I want to make sure that we--as we look at these numbers--that we're not being a bit shortsighted. When we go to the eye doctor and they have us look through a lens and they say, "Which is better, number 1 or number 2?" We say, "Number 2." "Okay, which is better, number 2 or number 3?" "Number 2." "Which is better, number 2, number 4?" You get the drift. We never choose the one that's not best. And I think we need to make sure that we're not choosing the lens that is not best for the people of Nebraska and for the overall efficacy of this program. Therefore it would be my intent to tell you that I believe the Legislature needs to seek ways to make the Health Care Cash Fund sustainable over the long term by infusing it with new funding. Cutting programs and services will only exacerbate public health problems, leading to higher costs in the future. We can save 20 cents today and spend \$1.50 in the future. And I think we need to not be shortsighted, and we need to figure out a way to make this fund sustainable over the long term. I want to make sure that on the fiscal note that funding is not intended to be cut for Tobacco Free Nebraska through this fund transfer, transfer of monies from the Health Care Cash Fund into the Tobacco Prevention and Control Cash Fund, so that they don't end up getting cut even more. Last year they were cut about \$500,000. As you know, they are...statutorily \$3 million is transferred from the State Treasurer into a fund every year. We want to make sure that they are sustained at the current level of funding for the rest of this biennium, and then we would like to see them increased as well. There are a number of ways that we all could look at to make this Health Care Cash Fund sustainable. One way would be, and it's not popular this year, but it would be using new tobacco tax funds. The original funding mechanism was the Tobacco Master Settlement Agreement, and so it makes perfect sense to continue funding utilizing a portion of the new tax increase. If the tax increased by the \$1.35 that has been proposed by Senator Gloor, new revenue projected from the Nebraska Department of Revenue would be \$78.2 million averaged over the first four years of the program. That could be used for a lot of purposes. We

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could extend this fund and make it an endowment that would be sustainable pretty much forever. We could build a cancer center at the University of Nebraska Medical Center. We could also provide for provider rates under the Medicaid system, to keep those rates sustainable. So I simply ask you to look very carefully at all the measures that are on the table and make sure that we sustain this fund over the long range and not do something that's shortsighted. Thank you. [LB960]

SENATOR HARMS: Thank you for your testimony. Any questions? Seeing none, thank you very much. [LB960]

DAVID HOLMQUIST: Thank you. [LB960]

SENATOR HARMS: Do we have anyone else who'd like to speak in favor of LB960? Welcome. [LB960]

JENNIFER LARSEN: (Exhibit 20) Thank you. Good morning, Chairman, who's not here, and substitute chairman Senator Harms and members of the Appropriations Committee. I am Dr. Jennifer Larsen, J-e-n-n-i-f-e-r, Larsen, L-a-r-s-e-n, vice chairman of research for the University of Nebraska Medical Center as well as representing the four institutions that receive biomedical research funds from the Health Care Cash Fund. So today that is Creighton University, the University of Nebraska-Lincoln, Boys Town, and UNMC. And first and foremost, we want to give our support to LB960 as currently drafted. We also want to commend the committee for its efforts to ensure the sustainability of the corpus of the Health Care Cash Fund. That's clearly the long-term interest of the committee. It's the long-term interest, certainly, of the institutions that I represent today. But at the same time, it's important to explore ways to make sure that the Health Care Cash Fund is...or the ways that we do this, it's important to make sure that it's done carefully because of the potential consequences of those changes. The most important reason for having these biomedical research funds is it makes a difference. It makes a difference in that it allows us to recruit research leaders which change healthcare, decrease health disparities, improve science, makes a difference to the people in our state. Some of the ways that those changes have been made, I've given three examples. I gave a lot more when I testified back in November. And I would be happy to give ten more examples, because there are that many where these funds have made a difference. But the other aspect that is important to this particular fund is its economic impact. And it does so in two ways. One is that by recruiting or using these funds to recruit new faculty, new research faculty to the state, they bring new dollars to the state. By bringing new dollars to the state, then that means that's spending and economic benefit to the state. Oftentimes an investigator will bring two or three new grants to the state. And so, overall, that research impact is not just about the impact it can make but also the economic benefits that it has. Also by seed grants, giving out seed grants, that brings new research grants to the state and new dollars to the state as well. Overall, by using the analysis of the Ernie Goss report, every dollar that we get in

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this program results in 8 new dollars to the state. And likewise, every dollar cut from this program will result in a \$8 loss to the state's economy in the future. Remember that the funds (sic) supported by biomedical research funds are not funded through any other mechanism. So when the funding is reduced or lost, the future impact on the economy and healthcare are lost. If the disbursements from the Health Care Cash Fund are reduced, we must carefully consider how to do it so as not to lose the momentum and the economic engine of the biomedical research program that it has become. Thank you. And I would be pleased to answer any questions you might have. [LB960]

SENATOR HARMS: Thank you for your testimony. Do we have any questions? Seeing none, thank you very much. [LB960]

JENNIFER LARSEN: Okay. [LB960]

SENATOR HARMS: Do we have anyone else who'd like to speak in support of LB960? Welcome. [LB960]

CHRISTINE STEWART: (Exhibit 21) Good afternoon. Christine Stewart, C-h-r-i-s-t-i-n-e, Stewart, S-t-e-w-a-r-t, and I am one of the cochairs of the Nebraska Respite Coalition. And I'm here supporting LB960 as well as, of course, the Nebraska Respite Network, as always. I'm trying to formulate in my head what's been said today to try and use the time as wisely as possible. I've talked oftentimes to you folks about the Nebraska Respite Network. Back in 1999, when the legislation established the Nebraska Respite Network, I think the senators should be commended that they realized that we would be relying more and more on our family caregivers to provide care at home so that we could keep down the billions of dollars spent in long-term care paid under Medicaid. And I guess what I'd want to share that would be along the lines of what we've heard so far is, with the Nebraska Respite Network, not only are we supporting family caregivers in caring for their loved ones at home but we're also building partnerships across the state between the Respite Network and also community organizations across the state providing supports to family caregivers, easing the access for families, finding those services that they most need. Because typically when we first hear from family caregivers it's when they're in a crisis situation; they need to be able to talk to someone who understands and knows the resources within that community. The Nebraska Respite Network is also unique in that we serve all ages and all special needs, because our focus is on the family caregiver and making sure that they get the care that they need. Also, it is a statewide program. So that it is very important that everything is equally divided, realizing that people in the eastern area of the state have a lot of resources but they might have other challenges that people in the rural areas would not have but have fewer resources. So it's very driven by each area of the state. And also it's important to note that the majority of people served by the Nebraska Respite Network are of incomes that do not receive other state funds for services. So the families are paying for services out of pocket to pay for the

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care of their loved one, and they simply don't have any left to pay for an occasional break. And that's why the Nebraska Respite Subsidy is so important. By providing just \$125 a month, they can allow that family caregiver the break when they most need it. And that way they don't have to look for out-of-home options to get the care that they need for their loved one. And I think that kind of sums it up. Again, thank you for your continued support. And I should also throw out there that the Nebraska Respite Network was used by Congress as a model through the Administration on Aging to provide three-year grants for all states to be able to start a program like we have in Nebraska. So again, kudos to you senators for your forethought. Any questions? [LB960]

SENATOR HARMS: Well, thank you very much for your testimony. [LB960]

CHRISTINE STEWART: Thank you. [LB960]

SENATOR HARMS: Do we have any questions? Seeing none, thank you very much. [LB960]

CHRISTINE STEWART: Thank you. [LB960]

SENATOR HARMS: Do we have anyone else who would like to speak in favor of LB960? [LB960]

BRIAN KRANNAWITTER: (Exhibits 22 and 23) Good afternoon, members of the committee. My name is Brian Krannawitter; that is spelled K-r-a-n-n-a-w-i-t-t-e-r. [LB960]

SENATOR HARMS: Welcome. [LB960]

BRIAN KRANNAWITTER: Thank you. And I am the government relations director for the American Heart Association. On behalf of the American Heart Association, I want to express our support for LB960. And on behalf of the AHA I also want to express support for looking at strategies to enhance the fund as well. There are a number of health challenges our country and state faces, including the cardiovascular health arena. In a policy statement in the January 2011 edition of Circulation: Journal of the American Heart Association, according to an AHA panel of experts, the cost of treating heart disease in the United States will triple by 2030. Cardiovascular disease remains a leading cause of death in the United States and in Nebraska, and it accounts for 17 percent of all overall national healthcare expenditures. It's important that this fund be viable for the long term so it can continue to address health needs and new opportunities as well, such as enhancing heart and stroke systems of care in Nebraska. One item I forgot to hand out as well is, this is the journal statement on the cost of cardiovascular disease. [LB960]

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SENATOR HARMS: Christina can distribute that for you. Thank you very much for your testimony. [LB960]

BRIAN KRANNAWITTER: Sure. [LB960]

SENATOR HARMS: Do we have any questions? Seeing none, thank you very much. [LB960]

BRIAN KRANNAWITTER: Sure. [LB960]

SENATOR HARMS: Do we have anyone else who would like to speak in favor of LB960? Welcome. [LB960]

KATHY JACOBITZ: (Exhibit 24) Thank you. Good afternoon. My name is Kathy Jacobitz, K-a-t-h-y J-a-c-o-b-i-t-z, and I'm the managing director of the Nebraska Regional Poison Center. And I'm testifying in support of LB960. The Nebraska Regional Poison Center provides services to Nebraska, Wyoming, American Samoa, and the Federated States of Micronesia. It's the only poison center in Nebraska. Our center provides a 24-hour emergency telephone service that provides immediate assistance to parents; other family members, kids and adults; and healthcare providers, in the management of poisonings. Each year our poison center handles 40,000 incoming calls; over 27,000 of those calls are from Nebraskans. Our staff of nationally certified registered nurses and physicians provides triage and management of poisoned patients. We provide primary care in the home setting and consultations to healthcare providers. In addition, we provide poison prevention education to the public and education to healthcare providers, including on-site academic training for physician residents, pharmacy and nursing students. No other agency provides these types of healthcare services in Nebraska. The poison center saves medical costs by eliminating needless visits to emergency departments. Using a conservative ER cost of \$600, our service saved over \$7.8 million, because every year 13,000 Nebraskans with suspected toxic exposures do not need to seek emergency department care. We recently did a survey of our callers regarding their health insurance coverage and found that 28 percent of Nebraskans whose poisonings were managed in the home by poison center staff had Medicaid or Kids Connection. This translates to over 3,600 Nebraskans with state-funded coverage who did not need to visit an ER. This saves Nebraskans over \$2 million each year. Our poison center nearly closed in 2003 due to a lack of funding. We were able to temporarily secure other funding, but much of that support was eliminated within that two-year period prior or after that. In 2008 our center began receiving \$200,000 annually from the Health Care Cash Fund. This helped. And we continue to seek creative ways to fund the service in addition to that. In 2009 our center initiated a fee-for-service structure for Nebraska hospitals, which has helped generate support. Unfortunately, federal grants for poison centers and bioterrorism support were reduced this year, so our efforts to maintain funding continue. Last year the Nebraska

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Legislature, realizing that poison center services are critical for Nebraskans, unanimously passed LB525, which provides a federal-funding match for poison center state dollars through the Children's Health Insurance Program. We're very grateful for that support. We're not asking for an increase in state funds; we are only asking that the state continue to provide support at the same level. This will allow a federal match to be applied to the state funds that are currently being used to support the poison center. If Nebraska's poison center does not continue to receive its state support of \$200,000, it will lose a federal match of \$466,000. This would result in a 42 percent decrease in its \$1.6 million annual revenue each year. And if this occurred, our center would not be able to sustain its operations; Nebraska would be the only state in the U.S. without poison center services. So this is an opportunity for the state of Nebraska to continue to support its poison center and keep its lifesaving and cost-effective healthcare services available to the 27,000 Nebraskans that use it every year. Thank you. [LB960]

SENATOR HARMS: Well, thank you for your testimony. Do we have any questions? I do have several I'd like to ask. [LB960]

KATHY JACOBITZ: Okay. [LB960]

SENATOR HARMS: I see where you handle 40,000 incoming calls per year... [LB960]

KATHY JACOBITZ: Yes. [LB960]

SENATOR HARMS: ...and 27,000 of those are from Nebraska. Are the rest just surrounding states, or do they come from all different areas across America? [LB960]

KATHY JACOBITZ: We have a contract with the state of Wyoming... [LB960]

SENATOR HARMS: Okay. [LB960]

KATHY JACOBITZ: ...to provide poison center services. We've done that for about 20 years. [LB960]

SENATOR HARMS: Okay. [LB960]

KATHY JACOBITZ: And primarily it brings in additional revenue, because the volume is about 10,000 calls a year. So we can handle that with, you know, our existing staff that we need. And then we also provide, through a HRSA grant, we provide services to American Samoa and the Federated States of Micronesia. And we do receive a few calls from surrounding states, but those states all have their own poison centers. [LB960]

SENATOR HARMS: Okay. How many people do you have actually working for you? To

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handle 40,000 calls is a lot of calls. [LB960]

KATHY JACOBITZ: Yes. In addition, we make over 20,000 follow-up... [LB960]

SENATOR HARMS: Yeah. [LB960]

KATHY JACOBITZ: ...calls as well. We have a total of 10.5 FTEs. So typically, being a 24-hour service, we have...always have at least two of our nurse specialists on at all times and one on in the middle of the night, overnight. [LB960]

SENATOR HARMS: What kind of medical expertise do you have in the center that you have to call upon in the case of an emergency? How does that function and work? [LB960]

KATHY JACOBITZ: In terms of the expertise that our staff have? [LB960]

SENATOR HARMS: Um-hum. [LB960]

KATHY JACOBITZ: They are all registered nurses. They're required to have a clinical, hospital background. And that varies; many of them have critical-care backgrounds. They go through an extensive three-month training in the poison center. And then they go through a national certification process; they must take and pass a certification exam every seven years in order to maintain that. So they're nationally certified. Many of them have been there 20 years or longer. And then we have physicians who are boarded in medical toxicology and emergency medicine that oversee and provide 24/7 call as well. So if a healthcare provider has a seriously poisoned patient and wants to talk directly with the medical toxicologist, they immediately have the ability to do so. [LB960]

SENATOR HARMS: Do you have any difficulties with language because of all the different cultures that are going to call in? I know these call centers that...I've talked with people at other different kinds of call centers, and that seemed to be somewhat of a problem. How does that impact you? How do you deal with that? [LB960]

KATHY JACOBITZ: We have a language line service that we do frequently utilize, Spanish being our most, you know, common language that we need to utilize those services for. They're able to get on within a matter of seconds. It's kind of interesting, though; because we handle the Federated States of Micronesia, we have languages such as Chuukese, Yapese, Samoan from American Samoa; and, again, we have the ability to get translators. [LB960]

SENATOR HARMS: Well, thank you for your testimony. Do we have any other questions? Senator Wightman. [LB960]

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SENATOR WIGHTMAN: Thank you, Senator Harms. What can you tell us about the numbers--the 40,000, the 27,000--are these things that keep creeping up? Or do they...pretty much stable or...? [LB960]

KATHY JACOBITZ: They're pretty much stable. We've seen a slight decline in some of the calls from the public but not necessarily in just requests for information. Those keep going up. So we do not only poison exposures, we have drug information, drug identification. And what we're seeing as a national trend is the percentage of the calls on poisoning exposures that we receive from healthcare providers is actually increasing. More and more, you know...poisoning is, you know, the second-leading cause now of unintentional deaths, and in some states it's number 1. In Nebraska it's number 2. But that recently...it used to be third. Now it's only second to motor vehicle accidents. And so I think healthcare providers are seeing more and more seriously poisoned patients. And we're...it's being reflected in the calls that we're receiving to the poison center. [LB960]

SENATOR WIGHTMAN: And I'm assuming just the population growth itself, you're going to expect about a certain percentage of the population to call in, I suppose, a year. So if you have a 5 percent or 6 percent increase, you're probably going to see a 5 percent or 6 percent increase. Would that be a fair statement? [LB960]

KATHY JACOBITZ: Yes. Yes. And we receive calls from every county in Nebraska. And, again, the volume tends to be population based, yes. [LB960]

SENATOR WIGHTMAN: Right. Thank you. [LB960]

SENATOR HARMS: Thank you, Senator Wightman. Senator Nelson. [LB960]

SENATOR NELSON: Thank you, Senator Harms. Thank you for coming today. I'm just looking at the data sheet here: 78 percent of poisonings are managed at home with poison center advice. Do those calls originate from those homes--from parents, mothers or fathers--or do they come through some other agency? [LB960]

KATHY JACOBITZ: Very good question. The vast majority do originate from parents, but it's a variety. We receive calls from day-care providers, from, you know, various caregivers, grandparents, schools, you know, it's a wide variety of folks. And we think that number would even be higher if everyone knew to call the poison center, because some people don't know. They self-refer to an emergency department, and then we receive the call from the emergency department physician or nurse. And sometimes we can say, they don't need to be there; you can go ahead and discharge them. So that's why we do education. We think it would be closer to 80 percent to 85 percent if everyone knew to call us first. [LB960]

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SENATOR NELSON: I'm...I'm...thank you. And I'm looking at the funding here, and you talk about self-paying and copaying general public. Do any of these persons that call in, are they sent a bill of any sort? Do they contribute in any way financially? [LB960]

KATHY JACOBITZ: No. We don't charge anyone from the public. We do have the relationship with the Nebraska hospitals, where, you know, they are paying fees for our services, which was initiated in 2009. But no, the general public is never charged for services; it's completely free to them. But we just decided on our own to ask at the end of the call what their insurance coverage was. We thought that would be interesting in going, you know, just to have that knowledge of, you know, who is, basically saving the funding, you know, who's saving money as a result of poison center services. And so, you know, one of the groups would be the self-paying and copaying public, because, you know, again, because we're able to keep...manage so many poisonings out of a healthcare facility setting. [LB960]

SENATOR NELSON: You're asking that because, on the basis of your answers and your help, they aren't going somewhere else and using their health insurance coverage and things of that sort. [LB960]

KATHY JACOBITZ: Yes. And there have been other studies where...and we also asked that question. And we sent out satisfaction surveys, and we asked if the poison center wasn't available, what would you have done? And the vast majority say: I would've gone into an emergency room; I would not have known what to do. Some say, you know: I might have tried to call my doctor, but, you know, I typically don't get a quick answer back. So we found that, you know, just supports our reason for being here. [LB960]

SENATOR NELSON: Well, you stated that you almost closed last year because of lack of funding, but--and maybe it's impractical--but it looks to me like, with that large a number of just the public seeking help from you and not having to do copays and things of that sort, that there is a source that perhaps you can get some additional funds if you can figure out a way to do it. Is that impractical? [LB960]

KATHY JACOBITZ: Our accreditation through the American Association of Poison Control Centers prohibits us from charging the general public but does not prohibit us from charging healthcare providers. So we've gone, you know, we've gone that route with the healthcare providers but, you know, not through the general public at this point. If insurance companies would reimburse for our services, that would be nice, but, you know, that is not yet to be worked out. [LB960]

SENATOR NELSON: You'd lose your accreditation if you charged individuals? [LB960]

KATHY JACOBITZ: Yes. Yes. [LB960]

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SENATOR NELSON: Okay. Thank you. [LB960]

KATHY JACOBITZ: The way it's currently set up, yes. [LB960]

SENATOR HARMS: Thank you, Senator Nelson. [LB960]

KATHY JACOBITZ: Good questions. [LB960]

SENATOR HARMS: Any other questions? Seeing none, thank you very much for your testimony. [LB960]

KATHY JACOBITZ: Thank you very much. [LB960]

SENATOR HARMS: Do we have anyone else who would like to speak in favor of LB960? Welcome. [LB960]

C.J. JOHNSON: (Exhibit 25) Senator Harms and members of the Appropriations Committee, my name is C.J. Johnson, C.J. J-o-h-n-s-o-n. I'm the regional administrator of the Region V Systems. I'm here on behalf of the remaining regional behavioral health authorities throughout the state. There are six total behavioral health regions. I'm here in regard to LB960 in support of the Health Care Cash Fund. The regional behavioral health authorities are responsible for the development and coordination of publicly funded behavioral health services within the behavioral health regions, pursuant to rules and regulations adopted and promulgated by the Department of Health and Human Services, including, but not limited to, administration and management of the regional behavioral health authority, integration and coordination of the public behavioral health system within the behavioral health region, comprehensive planning for the provision of an appropriate array of community-based behavioral health system (sic) and the continuum of care for the region, the submission for approval by the division of an annual budget and a proposed plan for the funding and administration of publicly funded behavioral health services within the region, submission of an annual report and other reports as required by the division, initiation and oversight of contracts for the provision of publicly funded behavioral health services, and coordination with the division in conducting audits of the publicly funded behavioral health programs and services. The Nebraska Health Care Funding Act, as passed in 2001, provided the six behavioral health authorities with approximately \$10.5 million annually for addressing rate increases, expansion of behavioral health services, and the emergency protective custody system. This funding was intended to support the eventual implementation of LB1083, otherwise known as the Nebraska Behavioral Health Services Act, that eventually passed in 2004. The initial Health Care Cash Fund allocated to the behavioral health regions had six priorities as established by the Governor and the Legislature at that time. These priorities were to decrease the number of post-commitment days, to decrease the number of emergency protective custody

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situations, decrease the number of days consumers are served at inappropriate levels of care, decrease the number of commitments to regional centers for substance abuse, and increase the service capacity available to special populations, including those who are in the criminal justice system, and ensure services are equitably provided in all counties within the region, based on this need. I have provided a variety of charts to show the various services that have been funded through the Health Care Cash Fund, which include over 60 different services. The Health Care Cash Fund has been critical in establishing the foundation for LB1083. We strongly support...all the regional administrators strongly support looking at other ways to support the Health Care Cash Fund so that it can maintain its current level of appropriations in the future as well as be there "ongoingly." And again, as was mentioned, last year we were ready to support the cigarette tax increase and would be willing to work with the Appropriations Committee to look at potential other funding potentials to maintain this cash fund. [LB960]

SENATOR HARMS: Well, thank you for your testimony. Do we have any questions? Seeing none, thank you. [LB960]

C.J. JOHNSON: Thank you. [LB960]

SENATOR HARMS: Do we have anyone else who'd like to speak in favor of LB960? Seeing none, do we have anyone who would like to speak in opposition of LB960? I do want to bring forth to the record that we do have a letter from the Nebraska Hospital Association opposing LB960. (Exhibit 26) Welcome. [LB960]

RICHARD LOMBARDI: (Exhibit 27) Thank you. Members of the committee, my name is Richard Lombardi, L-o-m-b-a-r-d-i. I'm appearing today on behalf of Friends of Public Health. I scratched out "Support" after I heard the opening. We have no problem with the bill as drafted. What we are deeply concerned about, however, is efforts to reduce funding to what we regard as the crown jewel of public policy in the state of Nebraska. And your predecessors and yourselves have gone through an incredibly tumultuous decade of post-9/11, two wars, the biggest recession that this country has ever seen since the Depression. And you had an incredible hearing last week on...and a number of members of this committee spoke very eloquently about the precipice that we're facing as a state in coming to grips with the healthcare challenges that we have. And very, very articulate testimony was provided with regard to getting the necessary work force up and running, the buildings to teach those people. When you take a look at your recipients in the Health Care Cash Fund, that's where those people are going to go. And that you are challenged as Nebraska's challenge in this great ship of state with a situation where you have the aging work force, you have 220,000 Nebraskans that we're going to try to put into a medical home before the end of the next decade, and this tool has provided a transparent, accountable--annual reports always provided--and a targeted investment in an array of underfunded areas. Too often we with our ship of state, on health care...when it comes to healthcare, I think one of the truths that we've

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learned after all these years--and I've learned listening to this committee all these years--is that when it comes to healthcare, you can run but you can't hide. And too often our public policy has been, not to stretch the ship analogy too long--but we have a leak in our ship, and we think if we drill another hole in it that the water is going to go out. That doesn't work when we come to healthcare policy. And you have...I passed around to you the latest public health rankings that can show the good and the bad and the ugly of how we're doing in Nebraska. Seventy-five percent of all our healthcare costs come from chronic illness. And this committee is made up of an array of fiscal conservatives. And if we want to talk about containing costs, you would do what has been done with the Health Care Cash Fund; you would invest in behavioral health; you would invest in developmental disabilities care; you would invest in a public health system. You built a public health system here that is one of the major tools that you're going to have in going forward in trying to target strategies that work on a local basis with regard to chronic disease management. Again, the cleaning up of this statute that basically says, the Appropriations Committee appropriates, the Legislature appropriates, I don't think there's any problem with that. But I would think it would be a major, major mistake at this critical time in the history of this state that we would diminish and stagnate the Health Care Cash Fund. And I'd like to conclude my...that concludes my comments.  
[LB960]

SENATOR HARMS: Thank you for your testimony. Do we have any questions? Senator Fulton. [LB960]

SENATOR FULTON: Thank you, Mr. Chairman...Mr. Vice Chairman. The concerns, can you speak to the concerns about the corpus being depleted? That's really what we're up against here. [LB960]

RICHARD LOMBARDI: Let me just tell you, when we started this, this was to be a beginning, not an end. This journey is beginning; this is not an end. The Health Care Cash Fund affords you a tremendous tool for investment in a number of targeted areas. So I don't think we should go backward. I think we need to go forward and that we need to look at whatever strategy is going to be necessary to infuse this fund with additional dollars. Because I think that...and you've heard it as much as I have. If you go down every one of those Health Care Cash Fund categories and say, oh, we're going to cut back here, we're going to cut back here, these are all essential services...that you will be driving other costs in your system. And I...that's why I think that the discussion of sustainability is all fine and good, but I think that it's...we've had a fund that was to be a start, not a finish, in that with the challenges that we're facing, I think that the strategy is not to look at how will you try to cut back healthcare, because I think every time we do that it pushes someplace else, when we've decreased...I mean, you just had it before you today. You decrease funding in other areas on mental health, and what happens? We see a tremendous influx into our correctional systems, which are becoming one of our major institutions for a variety of mental health care today. It's that you can run, but

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you can't hide. And this is one of the truths that the Health Care Cash Fund had recognized. So sustainability I don't think is an answer when you say sustainability is that you're going to cut into this. It's that you've got to build up this fund and that this will allow you the multiple flexibilities that you're going to need going forward in the myriad of challenges, notwithstanding whether the Supreme Court rules part of it or all of the Affordable Care Act unconstitutional. Because it doesn't matter what the Supreme Court does. You're still facing a state where you've got over a quarter of a million people that don't have health insurance, and you have the healthcare community on total edge as to the challenges. And I don't need to tell this committee. This committee has wrestled with this long and hard. But I wanted to be very careful in the public record of...the substance of that bill is supported by folks in public health. But I felt compelled because I think that there could be a direction, as a result of this hearing, going to say we need to cut back, at a time when I think that we need to invest. [LB960]

SENATOR HARMS: Senator Fulton? Thank you. [LB960]

SENATOR FULTON: Thank you. [LB960]

RICHARD LOMBARDI: Thank you. [LB960]

SENATOR HARMS: Thank you, Senator Fulton. Any other questions? Thank you for your testimony. [LB960]

RICHARD LOMBARDI: Thank you. [LB960]

SENATOR HARMS: Do we have anyone else who would like to speak in opposition of LB960? Seeing none, do we have anybody...anyone who would like to speak in a neutral capacity for LB960? Seeing none, Senator Heidemann, would you like the pleasure of closing? He waives closing. This closes, then, officially our hearing for LB960. Thank you for coming. [LB960]