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Floor Debate
March 13, 2012

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LB985A LB995 LB998 LB1039 LB1054 LB1079A LB1079 LB1089 LB1090 LB1090A
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PRESIDENT SHEEHY PRESIDING

PRESIDENT SHEEHY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the forty-second day of the One Hundred Second Legislature, Second Session. Our chaplain for today is Pastor Peggy Hall, vice president of mission and spiritual care from Immanuel Communities in Omaha, Senator Cook's district. Would you all please rise.

PASTOR HALL: (Prayer offered.)

PRESIDENT SHEEHY: Thank you, Pastor Hall. I now call to order the forty-second day of the One Hundred Second Legislature, Second Session. Senators, please record your presence. Please record, Mr. Clerk.

CLERK: I have a quorum present, Mr. President.

PRESIDENT SHEEHY: Corrections for the Journal?

CLERK: I have no corrections.

PRESIDENT SHEEHY: Messages, reports, or announcements?

CLERK: Your Committee on Enrollment and Review reports LB782, LB810, LB1039, LB995,... [LB782 LB810 LB1039 LB995]

PRESIDENT SHEEHY: (Gavel)

CLERK: ...LB1090, LB1090A, LB962, LB1079, LB998, all to Select File, some having Enrollment and Review amendments. Enrollment and Review reports LB209 as correctly engrossed, likewise LB536, LB735, LB820, LB820A, LB821, LB821A, LB861, LB949, LB961, LB1160, LB1160A, all reported correctly engrossed. Your Committee on Banking, Commerce and Insurance reports LB1054 to General File with amendments attached. A communication from the Executive Board regarding appointments to the LR365 Developmental Disabilities Special Investigative Committee. And a hearing notice from the Education Committee, Mr. President. That's all that I have. (Legislative

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Journal pages 887-894.) [LB1090 LB1090A LB962 LB1079 LB998 LB209 LB536 LB735 LB820 LB820A LB821 LB821A LB861 LB949 LB961 LB1160 LB1160A LB1054]

PRESIDENT SHEEHY: Thank you, Mr. Clerk. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign: LR431, LR432, LR433, LR434, LR435, LR436, LR437, LR438, LR439, LR440, LR441, LR442, LR443, LR444, LR445, LR446, LR447, LR448, LR449, LR450, LR451, LR453, LR454, LR455, LR456, and LR457. Mr. Clerk, we will move to the first item under legislative confirmation report. [LR431 LR432 LR433 LR434 LR435 LR436 LR437 LR438 LR439 LR440 LR441 LR442 LR443 LR444 LR445 LR446 LR447 LR448 LR449 LR450 LR451 LR453 LR454 LR455 LR456 LR457]

CLERK: Mr. President, Business and Labor Committee, chaired by Senator Lathrop, reports on the appointment of J.L. Spray to the Commission of Industrial Relations. (Legislative Journal page 802.)

PRESIDENT SHEEHY: Senator Lathrop, you're recognized to open on the Business and Labor Committee confirmation report.

SENATOR LATHROP: Thank you, Mr. President, colleagues. Good morning. The Business and Labor Committee considered the appointment of J.L. Spray to the Commission of Industrial Relations on February 13, 2012. Mr. Spray appeared in person and answered questions from the committee. He graduated from the University of Nebraska College of Law in 1986, the University of Nebraska at Lincoln in '83 with a bachelor's degree in political science and speech communication. He has been with Mattson Ricketts Law Firm in Lincoln since graduating from law school. His practice areas include state and federal constitutional law, commercial corporate litigation, insurance litigation, business and commercial law. From 1987 to 1992, Mr. Spray served as an administrative law judge for the Nebraska Department of Labor. From '92 to '98, he served as the Nebraska political Accountability and Disclosure Commission. Currently, he serves as a commissioner with the Nebraska Equal Opportunity Commission. The committee voted unanimously on Mr. Spray's nomination. I'd ask you to approve J.L. Spray's appointment to the Commission of Industrial Relations. Thank you.

PRESIDENT SHEEHY: Thank you, Senator Lathrop. You've heard the opening to the Business and Labor Committee confirmation report. Seeing no requests to speak, Senator Lathrop, you're recognized to close. Senator Lathrop waives closing. The question before the body is on the adoption of the Business and Labor Committee confirmation report. All those in favor vote yea; opposed, nay. Record, Mr. Clerk.

CLERK: (Record vote, Legislative Journal page 895.) 34 ayes, 0 nays, Mr. President, on adoption of the confirmation report.

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PRESIDENT SHEEHY: The confirmation report is adopted. We will now move to the first item under General File appropriation bill.

CLERK: LB1079A is a bill by Senator Mello. (Read title.) [LB1079A]

PRESIDENT SHEEHY: Senator Mello, you're recognized to open on LB1079A. [LB1079A]

SENATOR MELLO: Thank you, Mr. President and members of the Legislature. LB1079A is the A bill for LB1079 which the body advanced to Select File last week. As we discussed, the revised fiscal note for the bill provides that any administrative costs of the Department of Education for bridge programs under LB1079 could be handled utilizing existing resources. As a result, the bill has no General Fund impact and appropriates \$200,000 in each of the next three fiscal years from the Education Innovation Fund. I'd urge the body to advance LB1079A to Select File. [LB1079A LB1079]

PRESIDENT SHEEHY: Thank you, Senator Mello. You've heard the opening to LB1079A. Seeing no requests to speak, Senator Mello, you're recognized to close. Senator Mello waives closing. The question before the body is on the advancement of LB1079A. All those in favor vote yea; opposed, nay. Record, Mr. Clerk. [LB1079A]

CLERK: 33 ayes, 0 nays, Mr. President, on the advancement of LB1079A. [LB1079A]

PRESIDENT SHEEHY: LB1079A advances. We will now move to items under General File 2012 committee priority bills, Karpisek division. [LB1079A]

CLERK: LB963, Mr. President, a bill by Senator Pahls. (Read title.) The bill was introduced on January 11, referred to the Banking, Commerce and Insurance Committee, advanced to General File. I have no amendments at this time, Mr. President. [LB963]

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Senator Pahls, you're recognized to open on LB963. [LB963]

SENATOR PAHLS: Good morning, Mr. President and members of the body. LB963 was introduced at the request of the director of banking and finance. The bill would update our statutes relating to depository financial institution under the jurisdiction of the Department of Banking and Finance. An overview: The bill would implement two of the provisions of the federal Dodd–Frank Wall Street Reform and Consumer Protection Act with amendments to the state charter bank lending limits statutes to include derivative transactions and amendments to state restriction on bank interstate branching and

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merging. The bill would require out-of-state trust companies without a Nebraska office and out-of-state entities that may be appointed as trustees to pledge securities to the department. The bill would provide for the annual reenactment of the three wild-card statutes to provide state charter depository financial institution parity with their federal counterparts. Under the section dealing with Dodd-Frank: Two of the bills result from the federal Dodd-Frank Act signed by the President in July of 2010. First, bill would amend the bank lending limits statutes to authorize state charter banks to engage in derivative transactions in a manner and to the extent of credit exposure determined by the department. State charter banks may currently engage in a derivative transaction, but under the Dodd-Frank Act may only continue to do so until January 21, 2013, unless the state incorporates the authority to do so in its lending limits statute. National banks will operate under similar federal restrictions. The bank would authorize the director to determine the manner and extent to which credit exposure resulting from derivative transactions shall be taken into account in determining compliance with the lending limits statute. Second, the Dodd-Frank Act prompts updates in our Interstate Branching and Merger Act of 1997. Current law authorizes a national...a Nebraska bank to branch across state lines only if a purchase of a bank in another state that is at least five years old and converts the offices of that acquired bank to its own branches. Once the interstate merger is complete, the Nebraska bank is allowed to establish additional branches in that state. Out-of-state banks may have the same limitations on branching into Nebraska. The Dodd-Frank Act preexempts these restrictions and allows banks to establish branches outside their home state without first having to purchase another bank. The bill would provide clear authority for the de novo interstate branching. The bill would retain the ability of Nebraska banks to acquire and be acquired by an out-of-state bank. The bill would coordinate the powers that may be exercised by the Nebraska banks operating in another state with those of out-of-state banks that are currently in the state...that are exercised in Nebraska. The bill would make several updating amendments not necessitated by the Dodd-Frank Act. The bill would clarify the authority of the department to conduct examinations of Nebraska branches of out-of-state charter banks. The bill would extend restrictions on the use of confusing similar names of financial institutions in out-of-state charter bank offices in Nebraska. The bill would update the statute setting limits on a deposit that can be controlled following an interstate merger transaction to conform to previous amendments in the Bank Holding Company Act. Under trust companies: The trust company statutes currently require trust companies, financial institutions, and financial institutions with trust powers that have offices in Nebraska to pledge securities to the department. The bill would require out-of-state trust companies and entities without a Nebraska office that may be appointed as trustees in Nebraska to pledge securities to the department to be held against losses in administration of these trusts. As an outstate trustee with no Nebraska location may now serve as a trustee for Nebraska property without pledging securities, this bill would change that and would improve the safety of the trust funds so held. Under sections dealing with wild cards: The bill would reenact the wild-card statutes for banks, savings and loans, and credit unions. These statutes provide equal rights,

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powers, and privileges between a Nebraska state charter bank depository financial institution and their federal counterpart. These statutes are reenacted annually because of the separation of the powers provision in the Nebraska Constitution. With that, thank you. [LB963]

PRESIDENT SHEEHY: Thank you, Senator Pahls. You have heard the opening to LB963. Member requesting to speak, Senator Wightman. [LB963]

SENATOR WIGHTMAN: Thank you, Mr. President, members of the body. I wonder if Senator Pahls would yield to some questions. [LB963]

PRESIDENT SHEEHY: Senator Pahls, would you yield to Senator Wightman? [LB963]

SENATOR PAHLS: Yes. [LB963]

SENATOR WIGHTMAN: Thank you. Senator Pahls, it looks like perhaps the primary action taken by...would be under this bill would be to allow state banks to engage in derivative transactions. Is that correct? [LB963]

SENATOR PAHLS: Yes. [LB963]

SENATOR WIGHTMAN: Or one of the primary maybe. [LB963]

SENATOR PAHLS: Right. [LB963]

SENATOR WIGHTMAN: It would also allow intrastate banks to buy or have branch banks in out-of-state communities, is that correct? [LB963]

SENATOR PAHLS: Right. Currently, they can do that but there's stipulations that it must be five years, etcetera, etcetera. Those, all those restrictions are removed. [LB963]

SENATOR WIGHTMAN: So it would liberalize that rule, is that correct? [LB963]

SENATOR PAHLS: That is my understanding, yes. [LB963]

SENATOR WIGHTMAN: Now it talks...and I'm looking at the committee statement, reenacts the wild-card statute for banks. That would be something that would scare everybody a little bit I would think when we talk about wild cards, but. Could you explain what that's about? [LB963]

SENATOR PAHLS: Yeah. Well, every year it's the necessity that we do that because it affects the state charter banks, trusts, and also the credit unions. As you can...if you look at the...they did comment to the positive on this because the way our constitution is

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written, we must do this every year because we cannot promise the future. We are currently...that means we will currently comply with the laws at the federal level now. [LB963]

SENATOR WIGHTMAN: So that is something we've looked at every year. [LB963]

SENATOR PAHLS: Every year, and we will...next year at this time or in the session they will bring...they need to bring this up every year. [LB963]

SENATOR WIGHTMAN: So our card is not necessarily getting wilder, is that correct? [LB963]

SENATOR PAHLS: No, it is not. [LB963]

SENATOR WIGHTMAN: Okay. Now back to the derivative transactions. Obviously we've all heard a lot of that during the last financial downturn. Could you give us an example of a derivative transaction? [LB963]

SENATOR PAHLS: Yes. In fact, I have the definition of it and it is really...even though I'll give you the definition, it is actually in many ways, this is sort of the umbrella and I will read that definition because this...the bill defines it as: any transaction that is a contract, agreement, swap, warrant, note, or other option that is based on the occurrence of any event relating to one or more commodities, securities, currencies, interest or other rates, indices, or other assets. So you can see it is all encompassing. [LB963]

SENATOR WIGHTMAN: So when we're talking about a derivative transaction, we're looking at a type of security that in and of itself may have no value but the underlying assets have a value and they derive their value, is that correct, from the underlying assets? [LB963]

SENATOR PAHLS: Yes, that's my understanding. [LB963]

SENATOR WIGHTMAN: Okay. What else does the bill do? Don't go through it all. It looks like it's quite a bit--some of the major features. [LB963]

SENATOR PAHLS: Well, not really. To be honest with you, this year...just allow me to speak a little bit, this year the Department of Banking and Finance, what they...they came with three different bills, and we're not even going to get to one bill this year. So in the past there would have been one major bill. But this year, interestingly it was two different...three different bills. Well, one thing it does is...we've already talked about the ability for banks to cross state lines. Also, we're establishing that if you are a member of a trust, you must...and you're out of state, you must have securities pledged to that. [LB963]

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PRESIDENT SHEEHY: One minute. [LB963]

SENATOR PAHLS: Also...I'm trying to think, also we're allowing the department to set the credit, you know, limits. [LB963]

SENATOR WIGHTMAN: So to a great extent it's giving instate banks or state-chartered banks the same powers that the federal banks, national banks, already have. Is that a correct statement? [LB963]

SENATOR PAHLS: A good deal of that, and if we do not pass this, in 2013 these transactions will not be able to happen. And that causes I think great harm to the state-chartered banks because they will have to compete with the federal. And in the long run, that may force state-chartered banks to look at the federal government to be chartered. I don't know that. That's being very pessimistic. One nice thing about state-chartered banks, the state of Nebraska really works with them. We all know when you get to the federal government and you follow their guidelines, it gets a little bit more complicated. [LB963]

PRESIDENT SHEEHY: Time, Senator. Time. Thank you, Senator Wightman. Senator Hadley. [LB963]

SENATOR HADLEY: Mr. President, members of the body, good morning. Welcome to a new week. I just want to take one quick minute. Last week we heard LB209 and I asked the question of the reason that Lincoln and Omaha had been proponents of the bill and then had come in and, on the floor, were asking to be a part of the bill. I went back and I read the transcript of the hearing and found that Lincoln and Omaha were proponents of the bill if they could be included in the bill. So that answered my question. And I just wanted to get that on the record that they were proponents but they were proponents if they could be included in the bill. Thank you, Mr. President. [LB963 LB209]

PRESIDENT SHEEHY: Thank you, Senator Hadley. Mr. Clerk, you're recognized for an announcement. [LB963]

CLERK: Mr. President, very quickly, Revenue Committee will meet in an Exec Session at 10:30, 2022; Revenue Committee at 10:30.

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Returning to floor discussion on LB963. Seeing no additional requests to speak, Senator Pahls, you're recognized to close. Senator Pahls waives closing. The question before the body is on the advancement of LB963. All those in favor vote yea; opposed, nay. Record, Mr. Clerk. [LB963]

CLERK: 33 ayes, 0 nays, Mr. President, on the advancement of LB963. [LB963]

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PRESIDENT SHEEHY: LB963 advances. We will now proceed to LB870. [LB963 LB870]

CLERK: LB870 is a bill by Senator Adams. (Read title.) Introduced on January 6 of this year, referred to the Education Committee for public hearing, advanced to General File. There are Education Committee amendments, Mr. President. (AM2023, Legislative Journal page 540.) [LB870]

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Senator Adams, you're recognized to open on LB870. [LB870]

SENATOR ADAMS: Thank you, Mr. President and members of the body. LB870 is an expansion, a needed expansion, of our K-12 accountability system. It has been three years in the making. I had introduced a similar bill twice before in committee, both times did not have the committee take any action on it because it really wasn't ready to go but I wanted to stimulate the conversation. This year with LB870, we're ready to go. Currently within our accountability system, students take a state-developed assessment annually: an assessment for writing, an assessment for reading, an assessment for math, and soon to be completed the final assessment for science. We report the results of those statewide assessments in the State of the Schools Report. What LB870 does is to not change that. It does not change that. What it does do is add something that I think is absolutely critical to our statewide accountability system. It adds a broader picture. Instead of simply saying as we do today, this is how the York Public Schools or the Millard Public Schools or the Walthill Public Schools did in 11th grade math assessment or 4th grade reading assessment, and here's the proficiency level and here's where they landed, and then say that is a school, that is a school district, we paint a broader picture with LB870. What LB870 does is directs the State Board of Education to add to the accountability system, add to those statewide assessments in reading, in math, in science, and to add at least two critical components, one of them being a growth model. What does that mean? It means that we're going to recognize a school district's improvement, its growth. If we set the high-jump bar at six foot and we say to schools we want everybody to get there, the reality is though every school works for six foot, the reality is not everybody is going to get there. And I believe our accountability system should give schools some credit that don't quite reach six foot but they improved over where they were at. We have schools across the state, for whatever reason, predominately demographic, that may never show the kind of proficiency on science and reading and math and writing that we'd expect of them. They're not shunning away from the responsibility. They get it. But I think we ought to have an accountability that also gives them credit for their growth, their improvement. If they were high jumping five foot and you managed to get them to five-foot-four not to six foot, should we give them some credit in our accountability system? I say yes, we ought to. So in addition to our assessments, we would add a growth model. In addition to that, we would add

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graduation rates. And the State Board of Education could choose other measures if they wanted to. At this point, the State Board of Education went to work two years ago working on the growth model, looking at graduation rates, and they're just about ready to go. With the passage of this and the completion on the part of the state board, we will be able to go on to the State of the Schools Report and not only see how 11th graders did in math, we'll also get to see how many of those 11th graders eventually graduated from high school, and we'll also get to see how much improvement kids are making in the 249 school districts that we have. There is not in this legislation, there is not an ax that falls. In prior bills that I had put in, there was an intervention mechanism. There is not in this. I intentionally took it out because it's a serious discussion that we need to have next after we have improved upon our accountability system, but not now, not yet. It's too serious. A lot of discussion needs to be had. There's a committee amendment that is forthcoming that is rather substantial. But the underlying bill, the essence of it, and frankly I think the most important part of it, is we are directing our State Board of Education to say there's more to a school district, there's more to a school building than just a test score. Let's add to that accountability system and broaden the picture. Thank you, Mr. President. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Adams. You've heard the opening to LB870. As was stated, there is an Education Committee amendment, AM2023. Senator Adams, you're recognized to open. [LB870]

SENATOR ADAMS: Thank you, Mr. President. The committee amendment, colleagues, really has three components, all three of them brought to us by other senators in the forms of other bills in the committee. The first component was actually brought to us by Senator Council, a member of the Education Committee. What Senator Council had done was to bring a bill that would have added a lot of different things to our accountability model. The committee decided to slow down on that, and there was good reason for slowing down. And I don't mean to speak for Senator Council. I wish she were here to speak for herself, but I do believe she recognized and understood our need to slow down. What we do in the committee amendment though is to add language that says that when that state of the schools report comes out, anybody in this state should be able to access that report and be able to find by demographic groups how well those groups did on the various performance indicators. So you could click on Millard Public Schools and you could see, well, 60 percent of the students were at or above proficiency in writing in the 11th grade. With this amendment, we also would be able to go in and see of all of the students in the Millard Public Schools or a particular building a breakdown by socioeconomic, by demographic category, how they did on that performance indicator, which might unmask and tell us a broader story about the demographics within a school district, about the curriculum, about the school district itself. That was important to Senator Council and we've included it in this committee amendment. By the way, the State Department of Education already has that data. We're not asking them to go out and provide anything new. It's simply to make it more

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accessible than what it currently is. The second part of the committee amendment takes a bill that was brought to us by Senator Lautenbaugh that had to do with teacher evaluation. We took one chunk of it and we put it into this amendment. Under current law it says that teachers in all school districts in the state...let me back up, all probationary teachers within all school districts in the state with the exception of Class IVs and Vs, which would be Lincoln and OPS, have to evaluate their probationary teachers once every semester. The committee believed that if it was good for other classes of school districts, it ought to be good for Class IV and V also. So the committee amendment says even Class IV and V school districts need to evaluate their probationary teachers every semester--seemed reasonable. I don't know what the history was that exempted them in the first place, but they would be included. And, finally, in the committee amendment is further, not brand new but further authorization for career academies. Senator Ashford brought us a bill for the creation of career academies. In reality, we already can. What this amendment does is to strengthen it. It puts more of the authorization over into the Department of Education to create them and help develop curriculum. It sets up the possibility for interlocal agreements. It sets up the further possibility of private funding to go towards these career academies. That's the amendment, Mr. President. Thank you. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Adams. You've heard the opening of the Education Committee amendment, AM2023, to LB870. Members requesting to speak: Senator Pahls, followed by Senator Harms, Senator Ken Haar, Senator Ashford, Senator Nordquist, and others. Senator Pahls. [LB870]

SENATOR PAHLS: Thank you, Mr. President. Would Senator Adams yield? [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield to Senator Pahls? [LB870]

SENATOR ADAMS: Yes, I would. [LB870]

SENATOR PAHLS: To me there are some very significant factors in this bill, and I understand why you merged some of these ideas. I just need a little bit of a clarification. You said you basically, I'm going to use the word hammer. When it comes to accountability, there's no hammer there. [LB870]

SENATOR ADAMS: Well, there is...technically there is a hammer and that's the loss of accreditation which already exists. What we're missing, Senator Pahls, in my opinion, is once we have an accountability system that really we feel comfortable with is telling us a good story. [LB870]

SENATOR PAHLS: Okay. [LB870]

SENATOR ADAMS: We have already in rule and in statute the loss of accreditation. I

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think there needs to be something in between the numbers and losing accreditation.
[LB870]

SENATOR PAHLS: Okay. And I agree with that because I think that if we could provide a good accountability system, I think when we give more money to public education people would be more ready to get on board. So that's why in the future we do need to take a look at accountability. And we need to measure a school against itself. You don't want to measure this school against another school because you're dealing with different people. And just to let you know right now, although I think achievement test scores are one way of looking at things, it's not the end-all. But every school that...it's my understanding every school that gives the achievement test, it'll show them a baseline where they should actually be obtaining, that particular level. And there are some schools that score way above and some that do not. Right now currently we have some of that information that we could use as a guideline. That way if you have a low-achieving school, you may see, well, I understand why. It's still achieving above where it should be according to this test. And we could have a school that's really achieving high yet they are actually achieving less than where the test says they should be. I think there are things out there or I shouldn't say things, there are assessments out there that if we utilized correctly and that way we'd get away from this idea that we're just giving money out with very little accountability. Another question that I have is in some states, and I suggested this when OPS was trying to take over all the suburban schools, that what you do, what you go in there with a team outside of your district. And I'm not talking about North Central. A team outside of your district would go in and analyze the school. There are states that do this. Low-performing schools, sometimes if you're working there, you sort of get caught up in the...everything that's happening and you do not have the sight, a larger vision. There are states that have done this. They have a team that comes in, let's say that is the low-performing school. They go in there and analyze it. They're not friends of the people in there, totally different group. They go in and analyze and see what can be done to improve that school's achievement. It could be its climate. There are about seven or eight different areas that they go in and take a look at. And some states that have done this have been very successful. I hope that some...that is in our future that we do have that. Currently, I know we do have certain school districts that do have outside agencies that come in, and they really evaluate the school on many different levels and many different aspects. And it causes you to take a look and reflect at what you're all about. Thank you. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Pahls. Senator Harms. [LB870]

SENATOR HARMS: Thank you, Mr. President, colleagues. Senator Adams, could you yield just for a couple of questions, please? [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield to Senator Harms? [LB870]

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SENATOR ADAMS: Yes, I will. [LB870]

SENATOR HARMS: Senator Adams, I applaud what you're doing here when we talk about graduation rates, student growth, student improvement, and state assessment. The one thing I want to focus on, just for a few minutes then I'll move on, is there any opportunity for us to separate out the GED from the graduation rates of the public schools? Because I think it's...we're not getting a full picture of the number of our teenagers who actually graduate out of high school. When you see all of the information that we've seen with kids dropping out, not going to school, we know that we have a fairly healthy dropout rate but we don't show that. We show a high percentage because eventually some of these students come back around and go into the community colleges, take the GED. For example, Western has the highest...last year was the highest graduating...had the largest number of seniors graduating through their GED program than anybody out there. But that never shows up in what we're trying to address about the graduation rates. [LB870]

SENATOR ADAMS: If I understand your question, Senator Harms, I don't have an immediate answer. If I had someone from the State Department of Ed standing here next to me, we could get you one. You know, we have gone to a new graduation, a cohort method of evaluating graduation rate. And we do disaggregate and recognize those who, for whatever reason, may graduate at a later date. Now how specifically that data is available right now I cannot answer. [LB870]

SENATOR HARMS: Well, when we did our long-range planning, they said it was not available. [LB870]

SENATOR ADAMS: Okay. [LB870]

SENATOR HARMS: And so my point is and I think we've got to find a way to get that separated out. I don't know if we have to do it by law, and if we do, I'll introduce legislation next year to try to address that issue. The other thing I have a concern about is in regard to the public schools and the teachers. How do we handle the teachers who are in special ed? When we know that these kids come in with a lot of disabilities, will never show any growth, will this protect them? I mean, how do we measure that? [LB870]

SENATOR ADAMS: Yes. This will be an improvement for them. Currently under No Child Left Behind, it's every kid. Regardless of disability, it's every kid. And right now the theory is every kid needs to be able to jump six foot regardless of. And we have teachers out there pounding the classroom pavement to reach what is probably not an attainable goal. By putting in, in this language, a growth model, we're taking a little bit, I don't want to say we're taking the stress off the teacher. But what we are doing, what we're saying here in Nebraska to the teacher of that special ed child, we are recognizing

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in Nebraska and we're going to give you some credit in our accountability system for showing some improvement with that child. It may never come close to the rest of the fourth graders that they are part of. [LB870]

SENATOR HARMS: Thank you. On your amendment, Senator Adams, page 2, line 14, let me just make it easy for you. Talk about providing a holistic education. Do you really think that's possible when we're going to start the career academies to provide a holistic education? Because I'm thinking about some of these smaller, rural schools, some of the places that I know in my district or north or south, that's almost going to be impossible. I mean, how do we actually do that? How do we provide a career assessment or a career academy that's going to give them a holistic view? That's...to me it's almost overwhelming. [LB870]

SENATOR ADAMS: Well, it's going to be more difficult for a smaller school system. [LB870]

PRESIDENT SHEEHY: One minute. [LB870]

SENATOR ADAMS: The ESUs and the community colleges can be active participants in doing that. [LB870]

SENATOR HARMS: Well, I'd just like to see as we think through this very carefully that I don't know if that can really be achieved in some of the schools that I'm thinking about. The other thing I wanted to look at again on page 3, and I know we're running out of time here. But on page 3, line 11, we talk about private donations. Are our public schools established and set up--and, again, I'm thinking of some of the smaller, rural schools--to be able to address private donations? Do they have foundations? How are they going to make that accountable and a clear record of how that's going to be addressed and handled? [LB870]

SENATOR ADAMS: Many of them do have private foundations and can be used that way. And even in the aid formula we recognized those special receipts. [LB870]

SENATOR HARMS: Do we know how many of these schools have foundations? I guess what I'm worried a little bit about is having the appropriate accounting structure set up where we don't separate out special accounts, and right... [LB870]

PRESIDENT SHEEHY: Time, Senator. [LB870]

SENATOR HARMS: Thank you, Mr. President. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Harms. Senator Ken Haar. [LB870]

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SENATOR HAAR: Mr. President, members of the body, I rise to strongly support LB870 and AM2023. As Senator Adams said, education is more than test scores. Way back many years ago I was...I taught at Tech High School in Omaha, and at the time...now Tech High School has been turned into their administrative building, but Tech High School was a tough inner city school. And I taught chemistry, math, and physics to some of the top kids at the school. And I remember that with some neat memories. The thing that isn't so cool in my memory is that I soon discovered that my students--and these are some of the best students, again, in the 10th, 11th, and 12th grades--were having trouble. And so I gave a reading test and the average reading score for those students was fourth grade--an enormous failure by the public school system at that time. You can't just look at scores. There was no way I could bring students from fourth grade reading level to tenth grade reading level. I would walk the halls some days. I knew that one teacher who taught social studies, and he'd brought in newspapers every day. The Omaha World-Herald provided free newspapers. And he just had mimeographed sheets and the kids would answer questions. And I recognized some of those students. I knew they couldn't read, and yet they were sitting there. They had been cowed to the point where they sat there, pretended to be reading and filling out those sheets. We have to come up with a way of solving the problems with the children as we receive them in school, and I think LB870 is a great beginning. When you look at accountability not just with a single kind of measure, you can't just look at test scores. One of the things not only I think does that hurt the students, but I think it also makes teaching much more difficult. And I think we're going to lose a lot more teachers if the only purpose is to teach to the test scores. One of the things, of course, that we have to recognize and this...we're going to hear more about this in the coming years, is we've got to get to kids before they get to school. The experiment that's going on with...in Omaha with the Buffett Foundation and so on, and now they're putting up the school in Lincoln, is that if you take kids that would otherwise enter kindergarten way behind, if you take them and start them as early as six months, the benefits are great. They wind up at preschool on average, on average. And included in that process is an education for the parents as well to get the parents and the students involved. So the best way to solve this problem is prevention, prevention, prevention. But we have to take the students where they are now and work with them. And so I, again, rise in strong support to LB870. The part of...we need the data because I think you can't manage if you don't have the data, if you don't know where things are at. So, again, I want to thank Senator Adams for this bill. It's a great bill. Thank you. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Haar. Senator Ashford. [LB870]

SENATOR ASHFORD: Thank you, Mr. Lieutenant Governor. I would just like to speak briefly on that portion of AM2023 that creates some expanded authority for career academies in the state. And I want to thank Senator Adams and the Education Committee for recognizing the role of career academies as part of the educational spectrum in Nebraska for young people. I was struck by the impact that career

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academies are having across the country for young people who, for whatever reason, would like to pursue a noncollege-bound or nontraditional high school curriculum that would allow them to find employment upon graduation. And there are examples across the country of the impact of these schools. In my experience in working with young people who have dropped out of school and are...to some degree have lost hope in their ability to work and to be educated, I was struck by the loss of the value of those individuals to our community and to their families and to themselves. I'm thoroughly convinced that if we can move forward with career academies, not only are we going to increase the confidence of these young people who have to some extent given up on the system as it now sits, but we're going to fulfill a need in our communities that is acute. I was struck in Grand Island by the career academy that is being built there with Grand Island Public Schools/Chamber of Commerce and Industry in Grand Island. They anticipate 500 young people from 7th grade...actually they're starting at 5th grade through 12th grade to develop a pathway to work. It is a cutting-edge program sponsored by many donors in the Grand Island area, including businesses. There are 7,000 industrial jobs in the Grand Island area, and those employers need skilled individuals. These jobs are great jobs. They're high-paying jobs with a career. I think we're losing kids for many reasons, but one of the reasons is the lack of opportunity for those young people who, for whatever reason, do not want the traditional pathway. The other piece of this is I want to make clear, and Senator Adams and I spoke about this, is that this kind of educational opportunity is not a second-class educational opportunity at all. And I think when we discussed this on General File there were some questions about that raised. Going through a career academy and building skills that will allow these individuals to...these young people to find jobs in places like UP Railroad or Valmont in our area or UP across the state are there's nothing second class about those opportunities in my view. They are first-class opportunities. In Omaha, I've sort of visioned about the Omaha Civic Auditorium which, rather than be torn down, could be made into a career academy and house upwards of a thousand students that could learn a trade as early as eighth or ninth grade. Every community has the needs that they can see themselves. But I think in Omaha it is a significant need that can be filled... [LB870]

PRESIDENT SHEEHY: One minute. [LB870]

SENATOR ASHFORD: ...with this kind of an opportunity. So I'm very thankful to the Education Committee for including this provision in AM2023 and recognizing that there is a pathway, an alternative pathway, to the traditional college-bound courses. Thank you very much, Mr. Lieutenant Governor. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Ashford. Members requesting to speak on AM2023 to LB870, we have Senator Nordquist, followed by Senator Mello, Senator Wallman, Senator Sullivan, Senator Pahls, and Senator Harms. Senator Nordquist. [LB870]

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SENATOR NORDQUIST: Thank you, Mr. President and members. I want to start by thanking Senator Adams and members of the Education Committee for this piece of legislation. I think it's an important first step, a step that acknowledges that a single test score or grouping of test scores is not the end-all, be-all measurement of school success. As Senator Adams pointed out, the importance of the growth model here of how kids succeed, how they grow, that needs to be the measure of school success. And I worked with Senator Council on the bill that she introduced, and there was a component in there that was not put into this bill at this point, I think for a couple of reasons, including the cost of it. But I think we need to move to a kindergarten readiness assessment that's included in this measurement somehow. Not all kids arrive at kindergarten at the same point. And we know research is absolutely clear that when kids are behind at kindergarten, a big chunk of those kids are behind in third grade, they're behind in sixth grade, they're the ones not completing high school credits, and they're the ones that drop out of high school. And for us to have a true measurement of how schools are helping those kids, we have to include a measurement like that ultimately. And I know it's going to take a significant investment and probably take some time in bringing the education community on board fully with it. But I don't think we're going to ever have a true picture of how well our schools are doing from K-12 unless we know where those kid are when they walk in the door. And we need to know how schools are doing not just with the mid-median, with the average kid, but we need to know how they're doing with the high performers coming into kindergarten and those that are far behind. But a kindergarten readiness assessment we also have to be able...we also should be looking back with it, too, because we invest a significant amount of state dollars and federal dollars into childcare subsidy programs in our state, and we need to see how...what we're getting for our money essentially. How...we need to tie it back ultimately to childcare providers and see who's doing things right, who's not meeting the mark, and how we improve those so that we can get more children in the door at kindergarten ready to learn and ultimately get them all the way through our K-12 system. So I appreciate the work that's been put in by the committee at this point. It's certainly a great first step. And I think, though, that in years to come we need to continue this dialogue and ultimately put in a measurement of kindergarten readiness so we know how these...where these kids are at when they come in the door. And I don't know if Senator Adams has any other pieces he'd like to add to that, but I'd yield him the remainder of my time. [LB870]

PRESIDENT SHEEHY: Senator Adams, you're yielded two minutes. [LB870]

SENATOR ADAMS: Thank you, Senator Nordquist. You've touched on a couple of things that I appreciate the time that I can follow up on. Kindergarten readiness. I don't think that there's a person in here that doesn't understand the growing importance of early childhood education. We do pretty good in Nebraska relative to other states, but I think that there's more that can be done. And Senator Council did bring in her bill some

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assessment for kindergarten readiness, and it was expensive and it's a big step and it's not included in here. However, it's my personal opinion that one of the things that the Education Committee needs to do during this interim is to have an interim study on that--on early childhood education and kindergarten readiness. We're investing money in it. We probably ought to invest more money in it. But we also need to see, be able to evaluate the results and the programming that's out there so it's not a shotgun approach. It's critical that we do that. Senator Nordquist has also touched on another thing... [LB870]

PRESIDENT SHEEHY: One minute. [LB870]

SENATOR ADAMS: ...this is a good first step. Maybe it's more like a second step but it's a step, and the point is it's continuing. And the State Board of Education I think is more than willing to continue to work with this body at other indicators as we go along. Thank you, Mr. President. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Nordquist. Thank you, Senator Adams. Senator Mello. [LB870]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. Without repeating exactly what Senator Nordquist and Adams said, I'd like to thank the Education Committee for moving LB870 out as well as trying to incorporate some of Senator Council's LB1124. As Senator Nordquist mentioned, it was a bill we worked on with Senator Council, Senator Ashford, and Senator Haar that looked at a couple of extra components on top of what Senator Adams' LB870 is. Yes, the early childhood education component was very critical. I'm looking to study that and I'm glad to hear Senator Adams and the committee is going to embark hopefully on an interim study to explore that continuum from birth to five and how ultimately our childcare system and subsidy activities integrate, so to speak, with our kindergarten readiness. There was another component as well in LB1124 that hopefully we can continue to embark on as we look forward to making more education reforms with this data system and the accountability system that is in LB870 which is the college readiness component. That, unfortunately, was not part of LB870 either. There's an opportunity I think as we move forward though in looking at, is what Senator Nordquist mentioned, the growth model, so to speak, that's being incorporated into LB870 of seeing how students progress, not just based on one test score but their growth on ongoing educational assessments, but at the end of that continuum leads them partially to what Senator Ashford's bill which creates a career academy, so to speak, is integrated into. But the reality is we have to know at the end of high school whether or not our students are ready for college. And I've had conversations with Senator Adams, understanding that this is a long journey that we're going to have to embark on. We know from interim studies I brought to the Education Committee this summer regarding not just bridge programs but career readiness certificates is another program that other states have embarked on that

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provides students an opportunity to be able to get career-level certifications, somewhat similar but not I would say identical to what a career academy does, but provides them certification processes for them to be able to get certified in high-level skills that make them marketable in the work force without a college degree. Ultimately we have to make our way towards some kind of college readiness, whether it's a completely separate system or ideally have it be part of what LB870 is seeking to do long term so that we know when high school students are ready to graduate, if they're ready for college. If you speak to a community college, if you speak to a four-year institution, we are seeing more and more high school students who are ultimately having to take developmental education to even be ready to take college-level coursework. That should raise alarms in the sense of what we know we're going to need to do in the future to ensure not only we have a work force that makes Nebraska competitive in the future, but ultimately makes individual workers competitive of ensuring that we are...have a high school system that's completely aligned with two-year and four-year institutions. And ultimately I think what LB870 is doing is it's getting us there. It's starting the journey. We understand the destination is a ways away. But I want to thank Senator Adams for at least acknowledging that and understanding that we have a ways to go of getting not just in the kindergarten readiness but the career and college readiness as well. And I'd be more than willing to yield the remainder of my time to Senator Adams to talk about it if he'd like. [LB870 LB1124]

PRESIDENT SHEEHY: Senator Adams, you're yielded one minute. [LB870]

SENATOR ADAMS: Thank you, Mr. President. Senator Mello has raised a good point. Career readiness, getting more students into the higher ed world, or getting more importantly or equally as important rhetorically is to say getting more students into some kind of education beyond high school is critical. And there may come a point where we can have more of that kind of definitive evaluation in our state accountability system, just not this year. Thank you, Mr. President. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Mello. Thank you, Senator Adams. Senator Wallman. [LB870]

SENATOR WALLMAN: Thank you, Mr. President, members of the body. Here we go: assessments, control, truancy, most of us this was running on local control. But we're trying to control things out of here. Would Senator Adams yield to a question? [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield to Senator Wallman? [LB870]

SENATOR ADAMS: Yes, I will. [LB870]

SENATOR WALLMAN: I agree these academies seem like a good thing. I had a nephew go through one of these in the south. But who's going to fund for this? Who's

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going to fund this? [LB870]

SENATOR ADAMS: We have several career academies already and they are funded just like anything else. They are funded through GFOE, through property tax, whatever schools want to do. [LB870]

SENATOR WALLMAN: Thank you. I had coffee the other morning with a homeschool parent. Three kids. Never spent a day in the schools. Got qualified for the university. What benchmark did they have? ACT or SAT. They graded very high on these two so they got accepted, and they're doing quite well. One is going to graduate pretty soon. This young man has three kids in college. So what are we doing in our public schools? We're trying to make everybody the same. We averaging out things so we're hurting the average student. So the brightest and best may be homeschooled or may go to private school. And would Senator Adams yield to another question? [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield? [LB870]

SENATOR ADAMS: Yes, I would. [LB870]

SENATOR WALLMAN: Thank you, Senator. On all these things that when you ask for benchmarks and assessments, have you ever checked into private schools, how they do it? [LB870]

SENATOR ADAMS: We've had those discussions, but they are, as you've identified, private schools, and as a result, there is "may" language rather than "shall" language. [LB870]

SENATOR WALLMAN: Thank you. Yeah. I appreciate how we're for kids here. But, you know, this is going to take more assessments. And the teachers for the average...especially the special ed students, it worries me how we're going to work this in there. That will...some kids, we never had those kids in school when I was in school--severe handicaps and all these issues. So we're slamming a lot down on the teachers. And should we be assessing the principals and superintendents as well? I think so because the superintendent and the principal should be evaluating the teacher from Day One. That's what we always required when I was on the school board. Evaluate the teachers because I'm evaluating you. And I evaluated our administrators and I signed my name and I was proud to sign my name. If they had trouble in school with administrative duties, sign your name, fill out a form. That's the school board's job. And I'd yield the rest of my time to Senator Harms. [LB870]

PRESIDENT SHEEHY: Senator Harms, you're yielded two minutes. [LB870]

SENATOR HARMS: Thank you, Senator Wallman. Senator Adams, would you yield for

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a minute? [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield? [LB870]

SENATOR ADAMS: Yes, I will. [LB870]

SENATOR HARMS: Senator Adams, I don't want you to misunderstand me. I really support what you're doing here. I think this is really a great first move and to begin to look at getting kids career ready and to understand what it takes academically to be successful and a career in the world is I think really important. I come back to just a concern that I have. Maybe, Senator, I'm looking more for a plan and this does not do that. It just lays out where we need to go. But I'd like...I guess I'm wanting to get into more of the details and that's probably not possible here. But I worry just a little bit about what's going to happen with rural Nebraska. When we talk about a holistic career academy, I just don't see how with some of these smaller schools and where we might be headed... [LB870]

PRESIDENT SHEEHY: One minute. [LB870]

SENATOR HARMS: ...how do we actually...excuse me, how do we actually get this thing established so we that we can make sure that in rural Nebraska in our education system we're not going to be shortchanged? And I worry about that because I see some of the things happen because financially they're not going to have it and financially some of those schools are already up against the max on their property tax. [LB870]

SENATOR ADAMS: I think, Senator, and I don't think that you misunderstand me, this is authorizing language, it is not mandating language. This would be the choice of schools. And I think to some degree, you know, you've raised a good issue, there's no question. My guess is we have larger districts, medium-sized districts that are wondering if we wanted to do a career academy, how do we afford this. It's currently being done through ESUs in some cases, through community colleges in some cases. A more stand-alone model that Senator Ashford is thinking about would probably be more difficult for a rural school. I do think that there...and this is Senator... [LB870]

PRESIDENT SHEEHY: Time, Senator. Thank you, Senators. Senator Sullivan. [LB870]

SENATOR SULLIVAN: Thank you, Mr. President, and good morning, colleagues. I hope you all realize how important this piece of legislation is to what in my estimation is helping all of our Nebraska kids on the way to educational success. In recognizing the fact that just one test score or a test score is not a true evaluation of that, that we're going to look at not only test scores but graduation rates, teacher performance, and all figure in to measuring how our kids are achieving educational success. And I recognize Senator Harms's concern about these career academies, and I'm not sure how that

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would play out in rural Nebraska either. But it occurs to me that at least we're giving them another tool and I hope then inviting the conversation, whether it's a conversation among the teachers and the administrators in a school district and certainly the school board, and, equally important, bringing in the business community in the area. Perhaps we are truly overlooking some alternatives that look at the individual experiences of a child and helping develop a pathway to educational success that maybe doesn't necessarily lead them on to college but leads them on a career path. You know, we've got some areas in rural Nebraska that are crying for job positions that are going unfulfilled--welders. We have some new businesses emerging with the wind turbines and the windfarms. Schools districts can play a pivotal role in helping prepare students for those kinds of careers that will ultimately invigorate some of these rural communities. So I don't think that we should look at the career academy approach as being something that doesn't fit rural Nebraska. I only hope that the State Department of Education, in developing some of its criteria, will take into consideration some of the circumstances in smaller school districts and help them see that there is some opportunities. Again, I go back to where I started in that we need to look at this from the standpoint of helping all our kids achieve educational success. And in the conversations I've heard so far this morning, undoubtedly it is a complex approach. We've heard the need for preschool education, kindergarten readiness. We need to look at if we identify schools that are struggling, then how do we help those struggling schools? And certainly, how do we make sure that we get the very best teachers in the classroom? Does LB870 and AM2023 address all of those? Certainly not. As I said, it's a complex process. We're not done yet. But this sets us on a path of achieving true educational success for every child. Thank you. [LB870]

PRESIDENT SHEEHY: Thank you, Senator Sullivan. Continuing floor discussion on the Education Committee amendment, AM2023, to LB870. Members requesting to speak: Senator Pahls, followed by Senator Harms, Senator Wightman, Senator Carlson, Senator Council, and Senator Price. Senator Pahls. [LB870]

SENATOR PAHLS: Thank you, Mr. President, members of the body. I think one of the salvations for the rural schools is going to be on-line education. Some of the programs that are out there are just unbelievable. The role of the teacher or the educator is going to be changing the more and more technology becomes part of the curriculum. And I don't mean just sitting down by the computer, actually the interaction of that. I think it's interesting where we're talking about kindergartners or preschool, we should be working with those, and we're having a hard time with some people of saying we should have the children...or the young adults around until the age 18. So you can see there's even a mix in this body on that. And I do hope that Senator Ashford's idea of using that auditorium in a different way does come to pass. I do have a question, though, for Senator Adams. [LB870]

PRESIDENT SHEEHY: Senator Adams, would you yield to Senator Pahls? [LB870]

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SENATOR ADAMS: Yes, I will. [LB870]

SENATOR PAHLS: Now as I stated earlier, there are different components of this bill and one of them that intrigued me a little bit is the evaluation section. And it says that the probationary teacher should be evaluated once in the...each semester basically. [LB870]

SENATOR ADAMS: Correct. [LB870]

SENATOR PAHLS: Do you know is that not happening now? [LB870]

SENATOR ADAMS: Actually it is happening now. When we held the hearing on this, the larger school districts were there to testify that they are evaluating their probationary teachers. It was a good hearing, but it seemed to the committee if it's happening, and it should be happening, why would we have this exception left in the statute? So we're taking the exception out. [LB870]

SENATOR PAHLS: Okay. So...but your general feeling is that it is happening; we just want to make sure it's in statute. [LB870]

SENATOR ADAMS: Yes. [LB870]

SENATOR PAHLS: And I'm just going to talk to Senator Wallman when he made a comment that administrators and superintendents should be evaluated. I'll just give you an idea of my life, the people evaluated me, of course the superintendent and the people below him or her. Teachers evaluated me. The students evaluated me. Parents were randomly selected and evaluated. So that is going on out there. Right now it is going on and I'm hoping that more school districts, if they're not already utilizing those different ways of trying to find out what's happening in their school, they look at that. Now here's another thing I like to...it seems like we're saying testing is bad. Well, number one, I don't think it's the only thing to look at, the only reason why to look at a school or a student. But if you utilize the information from testing, it allows the teacher or the administrators to take a look at their schools and to be able to make adjustments because those tests are broken. They're different segments. So you can say, oh gee, we're weak in this segment. Same way with the writing. If it's still on the six traits, those are the things you're looking at. Many of us when we were going to school, the teacher would say, okay, write a story about your summertime. That doesn't happen anymore. We actually teach the children how to approach that topic. And there are six or seven traits and that's what they look for. So in other words, if that information came back to the school and said, whoa, in this grade level they're missing this particular part of writing, it would cause us, okay, we need to take a look at that. So I don't see testing as the enemy. If it's only utilized as a hatchet, yes, I agree. That's one of the reasons why I

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think outside groups should come into a school if that school cannot get itself turned around. I have one more question for Senator Adams. [LB870]

SENATOR COASH PRESIDING

SENATOR COASH: Senator Adams, will you yield? [LB870]

SENATOR ADAMS: Yes, I will. [LB870]

SENATOR PAHLS: Okay. It is my understanding that as we leave this bill right now that the state board, if they decide... [LB870]

SENATOR COASH: One minute. [LB870]

SENATOR PAHLS: ...to say we are going to have intervention teams, they could do that. [LB870]

SENATOR ADAMS: No. This does not authorize that. That was pulled out of the bill. And that's what I was saying in the opening. In two bills that I had previously introduced, there was an intervention mechanism. But when I introduced LB870, I took that out. [LB870]

SENATOR PAHLS: Okay. What power does the state board have? [LB870]

SENATOR ADAMS: Accreditation. [LB870]

SENATOR PAHLS: Do we have very many schools lose accreditation? [LB870]

SENATOR ADAMS: I don't think so. [LB870]

SENATOR PAHLS: So that tells me...and I understand I do not wish that upon schools, but if you look at the end result if almost every school is accredited and their performing may be lower than what they should be, that's why you need somebody else to come in and take a look and say, hey, doesn't mean you're bad; you're doing something wrong. Are you analyzing the tests? Are you talking to parents? Is this a place where teachers and students want to be? We know what a good school should look... [LB870]

SENATOR COASH: Time, Senators. [LB870]

SENATOR PAHLS: Thank you. [LB870]

SENATOR COASH: Thank you, Senator Pahls and Senator Adams. Senator Harms, you're recognized. [LB870]

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SENATOR HARMS: Thank you, Mr. President, colleagues. Senator Adams, can we maybe finish our dialogue? [LB870]

SENATOR COASH: Senator Adams, will you yield? [LB870]

SENATOR ADAMS: Yes. [LB870]

SENATOR HARMS: Senator Adams, when we were...when I was looking at this, this is really an option for the schools, not something that's mandatory. Is that correct? [LB870]

SENATOR ADAMS: That's correct. [LB870]

SENATOR HARMS: Does that lead us then to the haves versus the have-nots here? I guess what I worry a little bit about if we really are committed to these kinds of approaches, which I think we ought to be, they can make a big difference what happens to our children. Should we make it mandatory? I mean, what about the schools just are going to ignore it and what happens to the fairness of the kids in one side versus the school in two districts away? [LB870]

SENATOR ADAMS: You raise an interesting question, Senator Harms, that when it comes to schools in Nebraska, whether it's funding, whether it's curriculum, whether it's the size of the bus, or the quality of the football field, there is always the issue of what's fair. [LB870]

SENATOR HARMS: So my question is, how do we approach that? I mean, how do we actually address that issue? I mean, let's just get right down to it. Is the State Department of Education going to encourage the schools to go this direction or do we have to help them to make it mandatory to put it together? I mean, what is that actual plan? That's what I'm worried about is that some children or teenagers or kids, however you want to approach that terminology, will have access to this holistic approach, and then you'll have a whole bulk of other kids who don't. And that's my worry about going back into rural Nebraska again is what we're going to have. You're going to have a few schools that do and a whole group of students...schools that don't, and then you have that disparity. [LB870]

SENATOR ADAMS: I think in part what we're doing here is saying to the Department of Ed this needs to be more of a focus. And that doesn't mean that we're mandating that schools have this, but developing curriculum, authorizing the existence of these kinds of schools. We also have ESUs, and as I've said before, community colleges that have already embarked down this road and are providing these kinds of opportunities. And I would also add that in terms of funding, though that's always an issue, if a school went out and they're providing some of these kinds of things at the school's general fund

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expense, that ultimately rolls over into GFOE and is accounted for in the aid formula as a need. [LB870]

SENATOR HARMS: Okay. Coupled with this now as we look at this, we know...and I think you're very much aware of this because I think we've had this conversation in regard to what's happening in our rural schools, that we're seeing a major decline. I think maybe last year was the last year that we were holding our own. I think after that about ten years ago straight down. And as we look at this and we're looking at providing appropriate education, looking at building academies, what are we going to do about that structure then of these rural schools that we're seeing the rapid decline starting to appear and to occur that eventually would fit into this? And in many cases if we don't get ahead of some of these things, it will be a crisis for us. You and I won't experience that but whoever stands on this floor will. What is being done in regard to that overall picture of making sure that we have a plan, that we're walking a pathway, that we're starting to look at these kinds of issues? [LB870]

SENATOR ADAMS: Yeah. I can't answer that question specifically for you, Senator Harms. The ESUs, I keep coming back to them because you understand they are critical particularly to our small schools in providing resources and planning and discussion and dialogue and direction on these kinds of things that in oftentimes larger schools can go their own way on. That's one thing and I don't need to remind you how... [LB870]

SENATOR COASH: One minute. [LB870]

SENATOR ADAMS: ...important the community colleges are in their outreach to the K-12 environment. [LB870]

SENATOR HARMS: Well, thank you very much, Senator Adams. I want to say that I do support this, and I think it's a really good way to go. But I have a lot of questions about what our plan is and what direction we're going to take because we haven't even begun to see the major issue that's going to confront this Legislature, and that's what to do with these rural schools that are declining. We're talking about quality education. We're talking about a holistic approach to career academies. That's going to be nothing compared to the issue you're going to have to face on this floor if we don't start to address the issue now. And so thank you, Mr. President. [LB870]

SENATOR COASH: Thank you, Senator Harms and Senator Adams. (Visitors introduced.) Returning to discussion, Senator Wightman, you are recognized. [LB870]

SENATOR WIGHTMAN: Thank you, Mr. President and members of the body. I do want to applaud Senator Adams and the Education Committee for bringing forth LB870. I think it is a very important first step as has been mentioned here before. It's very

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important to a school district like our home school district in Lexington, Nebraska, which has one of the highest rates of immigrant population probably in the state of Nebraska. It certainly would be in the top two or three. And then I think the career academies are very important here in empowering these school districts to create academies within the school district. I, like Senator Harms, would agree that funding may be a problem for that. I also like the evaluation change that we could take into account student growth and improvement. I think that hasn't been done in the past when we go to national testing. And so I think this will be a great step forward in some of these school districts where a majority of the students require ESL preparation, and it becomes very difficult for them to meet those standards, particularly in language arts, but all of the coursework that they may take when they're struggling to learn the language. If Senator Adams would yield, I would have a few questions of him. [LB870]

SENATOR COASH: Senator Adams, will you yield? [LB870]

SENATOR ADAMS: Yes, I will. [LB870]

SENATOR WIGHTMAN: Thank you, Senator Adams. This is a substantial step forward in including student growth and student improvement in the evaluation system. Is that right? [LB870]

SENATOR ADAMS: I believe so, yes. [LB870]

SENATOR WIGHTMAN: And a school district that has trouble meeting perhaps the normal evaluation standards could show growth in student improvement even though they might not be measuring up to the standards set by the national and state boards. Is that right? [LB870]

SENATOR ADAMS: You zeroed in on it exactly, Senator. Yes. [LB870]

SENATOR WIGHTMAN: On the career academies, as I say I have some questions about funding of that down the road. I think it's extremely important that we do it, and I've heard you say that this is an empowerment rather than mandatory that school districts can create the career academies. Right now the only funding as I look at your bill would be to take into account private donations, and then the rest of it would come from property tax. Is that correct? [LB870]

SENATOR ADAMS: And it would be calculated into the expense, of course. If it's general fund expense, it would be part of the GFOE of a school when they turn their forms in for calculation of TEEOSA aid. [LB870]

SENATOR WIGHTMAN: Now what would we do with the schools that are unequalized, which we have many of in outstate Nebraska, the smaller schools? And they've been

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limited as far as their tax levy. They can't go beyond the local effort, that \$1.05 that is provided. Is that correct? [LB870]

SENATOR ADAMS: That's correct. [LB870]

SENATOR WIGHTMAN: And would they be given any consideration if they wanted to form a career academy as far as increasing that amount? [LB870]

SENATOR ADAMS: There is nothing in this bill that would raise levy limits or spending limits for this specific purpose. [LB870]

SENATOR WIGHTMAN: And I'm assuming down the road we could be looking at something in which it would be taken into account in the TEEOSA formula but it would not be right now. Is that correct? [LB870]

SENATOR ADAMS: Actually in effect it's considered right now because we do have some schools in Nebraska that are participating in career academies, and those expenditures... [LB870]

SENATOR COASH: One minute. [LB870]

SENATOR ADAMS: ...will show up in their GFOE. Now depending on how that weighs up, how the needs calculation weighs up against their resource calculation will determine whether or not, as you well know, whether they get TEEOSA aid or not. But we're actually recognizing some of this now. [LB870]

SENATOR WIGHTMAN: Okay. Thank you, Senator Adams. Thank you, Mr. President. [LB870]

SENATOR COASH: Thank you, Senators. Senator Carlson, you're recognized. [LB870]

SENATOR CARLSON: Thank you, Mr. President and members of the Legislature. I've gotten intrigued with AM2023 and the concept of a career academy. I think that as I've spent time in the Legislature, I understand a whole lot better today the value of the community college system to the citizens of Nebraska than I did prior to being in the Legislature. I also understand somewhat the value of our ESUs and what they can contribute to our educational system. And I really like the possibility of high schools and community colleges working together to maybe accomplish some of what Senator Ashford is referring to in his amendment here. I think in the long haul, it's so very important that those who use the community college system have a high school diploma or at least a GED. As I've listened to testimony this morning though, I'm sitting in my chair thinking this sounds good but how can we afford it? And a thought runs through my mind that the career academy aspect should be funded by all outside dollars, and

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that's not very realistic. With what I'm listening to, I do have a question or two I'd like to address to Senator Adams if he would yield. [LB870]

SENATOR COASH: Senator Adams, will you yield? [LB870]

SENATOR ADAMS: Yes, I will. [LB870]

SENATOR CARLSON: And I'm getting away a little bit from the career academy idea by itself. But how could a cooperative effort between high schools and community colleges work? [LB870]

SENATOR ADAMS: Well, let's take for instance just a simple opportunity of a community college offering coursework where there could be both college credit and high school credit offered within a career area, like health sciences, auto repair, something like that. [LB870]

SENATOR CARLSON: Now that's currently happening, isn't it? [LB870]

SENATOR ADAMS: Yes, it is. [LB870]

SENATOR CARLSON: How's it funded? [LB870]

SENATOR ADAMS: It is funded through the community colleges. It is funded through the general fund operating expenditures of school districts. [LB870]

SENATOR CARLSON: So currently community colleges, out of their budget, are paying for the tuition for the high school student to take a course? [LB870]

SENATOR ADAMS: It may not necessarily. It depends on the situation. They may be offering tuition. They may be offering discounted tuition. The school district may be paying the tuition. The parent may be paying the tuition in order to get college credit. [LB870]

SENATOR CARLSON: So some of that is paid for by the public school as it's going on now... [LB870]

SENATOR ADAMS: Could be. Yes, yes. [LB870]

SENATOR CARLSON: ...which I've got a little question with that. Now if the parents are paying it, I think that that is fine. And I go back to my idea that I don't know how much of anything should be free. I think if there's a course taken by a high school student in the community college system, it's not out of line if that student pays a little bit of that cost of education. But I don't know whether that's possible or not. Is there a specific plan...and I

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maybe should ask Senator Ashford this, is there a specific plan that would bring his idea into play? Senator Ashford, would you yield? [LB870]

SENATOR COASH: Senator Ashford? [LB870]

SENATOR ASHFORD: I will yield. Thank you. Is there a plan? Not that I...the only plan that I know of that's specifically moving forward with now is the Grand Island career academy that's being constructed or retrofitted now. [LB870]

SENATOR CARLSON: How did you, Senator Ashford, become interested in this concept to bring the amendment? [LB870]

SENATOR ASHFORD: I think it was I have a colleague or friend in Omaha, Cliff Levitan, who has been in the construction business his entire career, and he for the last couple of years... [LB870]

SENATOR COASH: One minute. [LB870]

SENATOR ASHFORD: ...has been pounding on me to bring up this issue, and so I listened to him. [LB870]

SENATOR CARLSON: Okay. [LB870]

SENATOR ASHFORD: There's no large interest of any kind that I'm...that have come to me with this. [LB870]

SENATOR CARLSON: Okay. I'm...and I'll ask you, Senator Ashford, is this something...there's a lot of possibilities here and I think important considerations. Does this type of thing, even if it becomes a part of this bill, merit an interim study? [LB870]

SENATOR ASHFORD: It could. I think we're ready to move on this. I think the Department of Education has in place sufficient guidelines to start a career academy. It could, but I think we're ready to go. I don't think we should waste any more...not waste, I think we should focus some efforts and get a couple of these going because I think the department is on top of it at this point. [LB870]

SENATOR CARLSON: Then more of a pilot study type approach. [LB870]

SENATOR ASHFORD: Right. Maybe a pilot school of some kind. [LB870]

SENATOR CARLSON: Okay. Thank you. [LB870]

SENATOR COASH: Time, Senators. [LB870]

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SENATOR CARLSON: Thank you. [LB870]

SENATOR COASH: Thank you, Senators. Those still wishing to speak: Senators Council, Price, and Harms. Senator Council, you're recognized. [LB870]

SENATOR COUNCIL: Thank you very much, Mr. President. I begin by thanking my colleagues on the Education Committee for advancing LB870 and AM2023. I also want to thank them for thoughtfully and thoroughly considering LB1124. My colleagues who assisted in the development of LB1124 have already commented on the purpose and intent of LB1124, much of it which in a revised fashion is still capable of being undertaken under LB870. And I want to thank Senators Ashford, Nordquist, Haar, and Mello for working with me on developing LB1124. And I'll tell you the intent was to provide for far more measurements of student achievement, performance, and growth than is expressly stated in LB870. But I'm confident and comfortable based upon the extent of the discussion that occurred during the committee, the extent of the discussion that occurred after the hearing with the Commissioner of Education as well as director of the educational service units that there's an acknowledgment of the need for there to be multiple measures and that we need to be measuring student growth as a part of it. If you look at LB1124, it went much farther, too, and the intent was if we identify low-performing, low-achieving schools that we provide some intervention. And it's not a part of LB870 for the most part due to the cost associated with it. But there was a recognition and acknowledgment by the members of the Education Committee that LB870 is a first step, and we must move towards a system of once identifying schools that are having difficulty to provide the necessary resources to enable them to improve. I was particularly concerned, and the senators who assisted me on LB1124 were concerned about kindergarten readiness rates for a number of reasons, not the least of which is the amount of money that the state has invested in early childhood education programs, and to date not having a true method of measuring the outcomes that we are achieving with the utilization of those dollars. A kindergarten readiness rate would enable us to get a feel for how we are performing with regard to early education programs. And as Senator Nordquist so aptly stated that kindergarten readiness is a determinate of how youngsters perform in those very critical primary years from kindergarten to third grade, and in the fourth grade where we start measuring them by the standardized assessments. I was also concerned about truly how we measure student growth and improvement. And although again not expressly stated in the bill, assurances were provided by the Nebraska Department of Education that as a part of the accountability system, the measurements that would be utilized and the reports that would be provided would be able to be segregated on the basis of how schools are doing with respect to those youngsters who are in the higher quartiles as well as those in the lower quartiles. [LB870 LB1124]

SENATOR COASH: One minute. [LB870]

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SENATOR COUNCIL: And what my concern was, if you look at how we now compare schools, we'll see last year's test scores and this year's test scores. And if we see improvement, the assumption is that all the children are improving. Well, it may very well be that that improvement is only indicative of those youngsters in the higher quartiles doing better and not the children in the lower quartiles or it could be the exact opposite in many cases. The children in the lower quartiles are doing better and the children in the higher quartiles are remaining constant. We need to know all of this information so that we can direct our instructional programs to best serve all of the children in our public education system. And I would urge your advancement of LB870 as amended by AM2023. [LB870]

SENATOR COASH: Thank you, Senator Council. Senator Price, you're recognized. [LB870]

SENATOR PRICE: Thank you, Mr. President, members. This is a great effort going in a great manner to take care of a growing need. We've talked about on the mike before and I've talked to people in the construction trades, and they're having a difficult time finding a labor pool for the work that we need to get done. But in reading this I do have some questions, and I'm not sure how this bill will work. And I would...I'll talk about it and then I would ask if Senator Adams would yield to some questions. [LB870]

SENATOR COASH: Senator Adams, will you yield? [LB870]

SENATOR ADAMS: Yes. [LB870]

SENATOR PRICE: Thank you, Senator Adams. The question I have is how does this map to existing directives and things like No Child Left Behind and AYPs? The reason is we see that there is social promotion within schools, and this deviates from the fundamental purpose for measurement in my mind. So I'm wondering how does this help a teacher when they're being held to No Child Left Behind and AYP criteria and now we're going to do this different continuum type of measurement? [LB870]

SENATOR ADAMS: Well, I think what it does, first of all, it does not necessarily deviate. We still have our responsibilities to the fed. We still have that. But what this does I think, it frames it in a more realistic manner and doesn't just look at test scores and say this is the end. [LB870]

SENATOR PRICE: Okay. So knowing that, we've now set up a dual-track system. We're going to have what we believe is the best way to go about it by looking at it in a holistic manner, the progress of the student through the education system, outcomes, performance. Yet we're still going to have this evaluation system like Damocles' sword hanging over teachers' heads saying you have to take a student who's at the 5 percent

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AYP who is socially promoted and now you're going to be impacted if that student isn't at 80 percent. That sets up a conflicting set of standards for our teachers, doesn't it? [LB870]

SENATOR ADAMS: I don't think it does. I think our teachers absolutely understand, like it or not and most don't like it, that they have to live up to the federal standards. Until Congress changes that, it is what it is. What this does is to complement that and take it one step further and say, hey, look, the feds may not recognize that there's other things to look at. We're going to recognize that here in Nebraska. [LB870]

SENATOR PRICE: So am I to understand then that if a teacher, without what we're doing here in LB870 and the amendment, right now the only standard they would be measured against would be the federal one and that could impact their pay. And now we're adding something to it that will soften the blow of the federal one and their pay may not be impacted by the federal guidelines? [LB870]

SENATOR ADAMS: I don't know about pay being impacted, Senator. I do know that we're currently required to turn in our assessment results to the fed under No Child Left Behind. And granted a school district internally could say that's going to impact Teacher A, B, C or D. But from a state perspective, we're looking at this at a school district level. [LB870]

SENATOR PRICE: Thank you, Senator Adams. Ladies and gentlemen, I'm going to support this because I believe it's the right thing to do to move forward. But I do believe that we are entering an area where we're going to have two sets of standards, and everybody knows two standards don't ever equal up to a better outcome. We need to get to a place, obviously we can't because of the federal directives, but we need to get to a place where teachers and students can move through this continuum. [LB870]

SENATOR COASH: One minute. [LB870]

SENATOR PRICE: ...thank you, can move through this continuum of education to get the best outcomes we can without having to worry about the impact of federal regulations and, of course, the overlying tendency for social promotion which doesn't help either in the outcome. Thank you very much, Mr. President. [LB870]

SENATOR COASH: Thank you, Senator Price. Seeing no other members wishing to speak, Senator Adams, you are recognized to close on AM2023. [LB870]

SENATOR ADAMS: Thank you. Colleagues, thank you for your questions and let me very quickly summarize the committee amendment so we can get on to a vote. The committee amendment does three things. It allows for the career academies. Although they are currently already authorized, it defines the authorization even further. It takes

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the evaluation of probationary teachers that needs to be done each semester and extends that also to Class IV and V school districts. And I would repeat what has already been stated for the record during debate, and that is they're...the Class IV and V schools are already evaluating probationary teachers. The committee just thought why should we have this exception in the statute, and we're taking that exception out. And then finally what we're also doing is what Senator Council has asked. We're making sure that the State Department of Ed in the collection of their data also breaks down so when we go into the State of the Schools Report, we can unmask that data on a school district's basis and see how various subgroups are doing on our state assessments. That's the amendment, Mr. President. Thank you. [LB870]

SENATOR COASH: Thank you, Senator Adams. Members, you've heard the closing to the committee amendment, AM2023. The question before the body is, shall the committee amendment be adopted? All those in favor vote aye; all those opposed vote nay. Have all voted who wish? Record, Mr. Clerk. [LB870]

CLERK: 38 ayes, 0 nays on adoption of committee amendments. [LB870]

SENATOR COASH: The committee amendment is adopted. [LB870]

CLERK: I have nothing further on the bill, Mr. President. [LB870]

SENATOR COASH: Senator Adams, you're recognized to close on the advancement of LB870. [LB870]

SENATOR ADAMS: Thank you, Mr. President. Members, the questions have been valid, they've been good, they are the kinds of things that need to be asked on floor debate. And if for no other reason than as committee Chair and fellow committee members sit and listen, we kind of have an idea of what our further marching orders are in terms of accountability as the years progress. I have a lot of things on this slip of paper I'd like to talk about. I'm not going to. I'm going to whittle it down to something very simple. In the latter years of my teaching career when it came to No Child Left Behind, I kept my head down. It made no sense to me. It didn't seem appropriate. Now here we are 14, 15 years later, I don't recall the exact date of its original authorization, No Child Left Behind, and here's what we do know. Whether we like the federal language or not, it's reality. And you know what is most reality? Whether we like the way that No Child Left Behind is enacted, I don't think that after all these years there's any argument anymore from anybody--teachers, administrators, any of us--the schools have to be accountable. There has to be accountability. We may not like the method, but there has to be accountability--hence LB870. I'm of a mind and the committee is of a mind and we're hoping that you're of a mind that we're not here to eliminate accountability. What we're here to do is say we know it exists, we don't particularly like the way that it's handed to us or the way that it works. We can do it better in Nebraska.

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We can either sit back and complain or we can take steps to make the Nebraska system better. And maybe in time, and maybe this is the partial response to Senator Price's question, maybe in time we can go to the feds and ask for a waiver on some of those No Child Left Behind requirements. We're not ready for that. Our accountability system quite frankly is too immature. Once it's been around longer, once we have more benchmark data, there are things we may be able to do with the fed, and frankly the reauthorization of the act on the federal level is still in limbo. But as long as it is, is or not, we just as well make our system more reflective of the way we believe we ought to evaluate and assess school districts in this state. That's what LB870 does. Thank you, Mr. President. [LB870]

SENATOR COASH: Thank you, Senator Adams. Members, you've heard the closing to LB870. The question before the body is, shall LB870 advance? All those in favor vote aye; all those opposed vote nay. Have all voted who wish? Record, Mr. Clerk. [LB870]

CLERK: 36 ayes, 0 nays, Mr. President, on the advancement of LB870. [LB870]

SENATOR COASH: LB870 does advance. Mr. Clerk for items. [LB870]

CLERK: I do, Mr. President. Thank you. Resolutions: LR463 is by Senator Wallman. That will be laid over. LR464 and LR465 are by Senator Smith, both calling for interim studies. Those will be referred to Reference. LR466 is by Senator Lambert, again a resolution to be laid over and considered at another time. Amendments to be printed: Senator Ashford, LB985A; Senator Schilz, LB391; Senator McCoy, LB344. Enrollment and Review reports LB1079A to Select File. And a new A bill: Senator Campbell offers LB540A. (Read LB540A by title for the first time.) Senator Pirsch would like to add his name to LB963. (Legislative Journal pages 896-900.) [LR463 LR464 LR465 LR466 LB985A LB391 LB344 LB1079A LB540A LB963]

And a priority motion, Mr. President. Senator Bloomfield would move to recess the body until 1:30 p.m.

SENATOR COASH: Members, you've heard the motion. All those in favor say aye. Those opposed, nay. We are in recess.

RECESS

SENATOR CARLSON PRESIDING

SENATOR CARLSON: Good afternoon, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber. The afternoon session is about to reconvene. Senators, please record your presence. Mr. Clerk, please record.

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CLERK: I have a quorum present, Mr. President.

SENATOR CARLSON: Thank you, Mr. Clerk. Do you have any items for the record?

CLERK: Two items, two resolutions. LR467 by Senator Price; LR468 by Senator Harms. Both will be laid over. That's all that I have, Mr. President. (Legislative Journal page 901.) [LR467 LR468]

SENATOR CARLSON: Thank you, Mr. Clerk. We will now proceed to the first item on the afternoon's agenda.

CLERK: Mr. President, LB968 is a bill introduced by the Speaker at the request of the Governor. (Read title.) Introduced on January 12. Referred to the Appropriations Committee. Advanced to General File. There are committee amendments, Mr. President. (AM2123, Legislative Journal page 830.) [LB968]

SENATOR CARLSON: Thank you, Mr. Clerk. Senator Heidemann, as Chair of Appropriations, you're recognized to open on LB968. [LB968]

SENATOR HEIDEMANN: Thank you, Mr. President and fellow members of the body. The committee amendment will replace LB968 and I will just open it on the committee amendment, if that would be all right. [LB968]

SENATOR CARLSON: Proceed. [LB968]

SENATOR HEIDEMANN: Thank you, Mr. President and fellow members of the body. Going to present and talk first about the biennial, the deficit request part of the budget. There's two other ones following. I'm going to talk first about the General Fund budget adjustments, and then I'll talk about some capital construction projects that the Appropriations Committee is going to put before you. That discussion could be had either on the Appropriations bill or the Cash Reserve bill. We can start that discussion now if you so desire. This has been a very interesting budget year. In my six years of Appropriations Chair, we had a couple that was easier to begin with. The last four, as a lot of you are aware of, were a little bit tougher to deal with because there was major revenue shortfalls. This is the first year, and my last year, that we could actually have a little bit of room to breathe. Sometimes it's easier to do without than to have something and try to figure out what to do with it. With that, when it comes to General Fund budget adjustments, it is the committee's proposal in fiscal year '11 and '12 and '12-13 that in connection with what the Governor has requested for childcare deficit to put in \$12 million each year for a total of \$24 million. The child welfare shortfall, which is what we have been dealing with a lot, General Fund appropriations, there was some reappropriations in the first year, but General Fund appropriations dealing mainly in fiscal years '12-13, for a total of \$17 million. In the fiscal year '12-13 dealing with the

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FMAP rate which we knew was all coming our way, we have to put in additional twelve point...approximately \$5 million. Here's where, when it comes to partial restoration provider rates cut on Medicaid, this is something that the Appropriations Committee took a lot of time, we deliberated, we debated what we wanted to do. It became the will of the committee to restore 1.5 percent of the Medicaid cuts that we did last year to make our budget work. In doing so, that will cost the General Fund right at \$9.7 million. There's a lot of thought and a lot of different thoughts when it comes to Medicaid provider rates, and I'm sure there could be some discussion on the floor. This is...anytime you're talking about Medicaid provider, it becomes a very expensive item very fast. But last year when we presented our budget and passed our budget, there was a deficit or a reduction to these providers. And it's the thought of the committee and the will of the committee that the Legislature as a whole, hopefully, will adopt that we want to restore 1.5 percent of that. The next item is something that was in the Governor's budget which is \$8.9 million to the Governor's emergency program. I, and the committee, think it's very important that we properly fund this. A lot of this money goes to fund NEMA. The NEMA money matches FEMA money which we get from the federal government when there's federal declared disasters. We have to be able to have enough money into NEMA to access that FEMA money. The FEMA money is 75 percent. NEMA money is 12.5 percent and the counties or cities, whichever one it would be, is the other 12.5. Unless they get their 12.5 percent from NEMA, they cannot access FEMA money, so we think it's very important that there's enough money in this program to make things work. This is the one...the next thing that is up is the only thing on the capital construction side that affects the General Fund budget and that's the Diagnostic Center Lab on East Campus at the University of Nebraska. This was a bill that was brought to the Appropriations Committee and we incorporated in our budget about the Diagnostic Lab. This is the only...when it comes to capital construction costs, the only ongoing cost that we have. We allowed them to bond it for up to \$50 million. If they use their whole \$50 million, there will be an annual payment for ten years of approximately...just a little bit over \$6 million. We can talk more about the Diagnostic Lab when I do the rest of my capital construction talk. Another thing that the committee...it became a priority of the committee was the DD waiting list. Senator Lathrop brought a bill in to us and I believe it was LB901 that would help with the waiting list, to at least slow it down. There was, once again, a lot of discussion of what we could do and this became a priority. We might not have been able to do as much as we would like with the amount of money that we had before us, but it was decided by the committee and, hopefully, by the Legislature as a whole, to put \$4 million into helping with the developmentally...DD waiting list. Also there's a cost of \$2.6 million for child support incentive federal match change. We was losing...I believe, this is where we was losing some General Funds which we cannot do anymore, and we have to put this in to make things work. TEEOSA state aid to education, there was an anticipated savings of \$50 million. The numbers that we know now from the Department of Education, it's not \$50 million savings anymore, but there is a savings of \$27 million, which we realize in our budget, which will actually then help our bottom line. Homestead exemptions--it

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wasn't utilized to the part that...it wasn't utilized to what we thought we had projected when we built our budget last year so there will be a savings of 4.2 in the first year, 5.2 in the second year for a total of 9.4. Then there...lastly, revised program costs and the estimates for the Department of Health and Human Services programs of 5.2 in the first year and 5.9 in the second year for a total of 11.2. All other costs at \$822,000 first year, with 2.1 in the second for a total of 2.9. When you look at the financial status after all of those actions, we're showing \$17.6 million above the 3 percent minimum reserve. That would be left for A bills, or that would be left for other purposes as the Legislature sees fit. I will throw out that if you leave money above the Cash Reserve, there's no penalty for that. I think that is sometimes prudent in itself. I am going to touch briefly on capital construction projects. I think it was the committee's thought when we come in here that we didn't add a lot of additional ongoing spending. And I'm actually fairly proud of the committee. We did do some things on provider rates and the DD waiting list, but percentagewise, when you look at the budget as a whole, we did pretty good. Where the committee got a little bit more bold, got fairly bold, was in capital construction projects which are a one-time expenditure out of the Cash Reserve. We have on the table for us, if it's...it's the Appropriations Committee recommendations and, hopefully, the Legislature will adopt this, \$79.2 million out of the Cash Reserve into the Nebraska Capital Construction Fund... [LB968 LB901]

SENATOR CARLSON: One minute. [LB968]

SENATOR HEIDEMANN: ...to fund capital construction projects across the state. They range from the Omaha Cancer Center Research Tower; the Diagnostic Lab, which will be funded through General Funds; Centennial Mall at \$800,000; nursing college at Kearney at \$15 million; Armstrong Gymnasium at Chadron at \$6.7 million; Peru, Oak Bowl Stadium at \$7.5 million. I hope I got them all. It is a very bold plan, one-time use of funds, something that I think can be considered to be a very good investment in Nebraska. With that, I will quit, or if there are any questions, I would more than be willing to try to answer them for you. Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Heidemann. Mr. Clerk, for an amendment to the committee amendment. [LB968]

CLERK: Mr. President, I do, but Senator Flood had the first, but I have a note he wants to withdraw. And then I had a second amendment to the committee amendments from Senator Cornett with a similar note that she wished to withdraw. So at this time, Mr. President, I have nothing pending to the committee amendments. [LB968]

SENATOR CARLSON: Thank you, Mr. Clerk. Members, you've heard the opening on LB968 and AM2123. The floor is now open for debate. Those senators wishing to speak: Senator Mello, Senator Wightman, Senator Nordquist, Senator Gloor, and others. Senator Mello, you're recognized. [LB968]

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SENATOR MELLO: Thank you, Mr. President and members of the Legislature. I rise in support of LB968 and the Appropriations Committee amendment. And I'd like to first start off today's...this afternoon's conversation first with a personal note of gratitude. Senator Heidemann has been the Chairman of the Appropriations Committee the four years I've been in the Legislature and served on this committee. I think many of you have seen us quarrel, debate, grovel, and sometimes just all-out have an argument on the floor of the Legislature regarding the variety of issues that are involved in the Appropriations Committee process. Through it all, I've looked back and, frankly, I've had the pleasure and will always be humbled in regards to the leadership he's been able to display, both in the committee and on the floor, even in times when I had the strongest disagreements with him. Colleagues, I find that personally of why our form of government in Nebraska works. I have a tendency to disagree with Senator Heidemann on issues whether it's on Medicaid, whether it's on TEEOSA, whether it may be general operations, budgeting of variety of state agencies. But as I've said before and I'll continue to say, he's been a fair chairman. He listens, he provides those in the minority an opportunity to share our opinion, to share our perspective, and most of the time he strives and goes to the greatest of lengths to find compromise. And that's something I will always look back on my time in the Legislature and be grateful for because I don't know how the other committees have a tendency to operate, but I know with Senator Heidemann being the chairman for the last four years, he's worked his hardest to ensure that process works to the Appropriations Committee. Second, I'd always like to thank...and I know Senator Heidemann would echo this, the Legislative Fiscal Office this year has been a very unique time, so to speak, in regards to the variety of issues involving child welfare reform, amongst many other issues regarding to the revenue side. And I would like to always provide my gratitude and thanks to the Legislative Fiscal Office. I know sometimes we have a tendency on this floor, and I did as a young, unknowing freshman senator, to sometimes question those fiscal notes we always get and always question the assumptions that they make. But I can tell you through the four years of learning what they do and how they do it and how serious and how much due diligence they do in regards to helping this Legislature run from a fiscal point of view, I've come to appreciate what they do. And sometimes we may have sometimes a disagreement of how we get to the same conclusion, but I think the more senators talk with the Fiscal Office, talk with fiscal analysts, they've come to find out that they know a lot more than we do in regards to the fiscal impacts of the activities and actions we sometimes take, and ultimately help provide a very nonpartisan, judicious perspective on the fiscal matters of our state. Without belaboring a lot of what Senator Heidemann mentioned in the opening of LB968 and the committee amendment, LB968 was a product of a lot of give and take amongst the Appropriations Committee. And as Senator Fulton and I were just discussing, the Appropriations Committee is made up of a variety of viewpoints, a variety of ideologies, and a variety of interests that "encomb" the entire length of our state. And when we can find a way to agree at the end of the day, usually I would say, overwhelmingly, that is a good product that benefits the entire

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state, because you have people from Omaha, from Lincoln, from greater Nebraska, from Scottsbluff, from Scottsbluff to North Platte, that we are constantly looking for what's good for the entire state, not just what's good for one section of the state over the other. I think Senator Heidemann mentioned a couple of points that are worth mentioning. We did take some aggressive action, I think, on trying to deal with the ongoing issue of... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR MELLO: ...the developmental disability waiting list. It's an issue that, as we've all acknowledged in the Appropriations Committee the last four years, it's something that we did not solve overnight but we're seeing commendable progress year after year and that's something you're seeing in the Appropriations Committee budget this year, as well as looking to try to restore some aspects of the Medicaid provider rates, which we know we still are losing rural Medicaid providers. But the thought is, with the action we're trying to take in this budget, we may hopefully stem some of that loss of our rural Medicaid providers across the state. I know we'll probably talk more about the capital construction as we get further along in some of the other bills, but I urge the body to take a strong consideration and thoughtful measures put forward in LB968 and the rest of the Appropriations Committee budget. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Mello. (Visitors introduced.) Senator Wightman, you're recognized. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. President and colleagues. I wanted to rise in support of LB968 and AM2123. I, too, want to thank Senator Heidemann for the many hours that he puts in. I know we, as committee members, put in a lot of hours but they probably pale in significance when compared to the hours that our chairman has put in over the years, and this year was no different. Also would like to thank the Fiscal Office for all the work that they do in providing us current figures. So a couple of items I want to talk about are the restoration of provider rate cuts on Medicaid. As the chairman told you, last year we took a 2.5 percent cut. We would be restoring 1.5 of that 2.5 percent cut or about 60 percent of what we cut a year ago. The provider rate is extremely important to outstate Nebraska and I'm sure it's important to Lincoln and Omaha and the eastern part of the state as well, but we really have seen it in outstate Nebraska. We've lost providers. We're going to lose more. One of the things that occurred was that as many of these facilities, particularly care homes, maybe some assisted livings were constructed, they received federal grants. And it's my understanding, and Senator Campbell could correct me if I'm wrong, but I think that if they received grants from the federal government, then they had to take Medicaid patients for a period of ten years following that grant. I'm not sure if that's correct, but she's shrugging, so. But that's my understanding and as that time narrows and we're getting there with regard to some of

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those providers, they will not have to take Medicaid patients. They won't be required to under the terms of their grants. So this is going to become a very important bill that we provide those rates. I know in the briefing this morning Chairman Heidemann talked about the fact that if we don't keep those rates, not only will we lose providers, but also we are going to, in addition to losing them, are going to see the people who have more money that are paying for their own care, or those that are covered by insurance, those rates are going to have to go up to offset the loss that these providers see with regard to Medicaid patients. So I think it is extremely important that we keep those rates as current as we can. I'm sure at the 1.5 percent restoration of funds they're still going to be looking at operating at a loss as far as those Medicaid patients. So it gets down to a matter of fairness. Is it fair that the taxpayer pay part of that so that those who can provide for their own care don't pick up all of the additional costs? And I think it is extremely important. Now, next turning to the waiting list, Senator Harms did a great job two years ago in addressing the waiting list. I don't remember the figures, something like \$12 million I think that we took out of General Funds. I think we may have withdrawn it from Cash Reserve to try to address that waiting list. And we did make some gain on it. I don't know the numbers then, but I think there's still 1,200, 1,400 people remaining on that waiting list. If we don't continue to fund that, that may be thousands instead of hundreds. But at any rate, if we don't continue to address that, we're going to get further behind. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. We're going to get further behind as we continue down the road and then we're going to have to play catch-up again. And so, I don't think the \$4 million that we're talking about does any more than just to help us stay current. It's probably not going to eat into that waiting list much. At some later time I will want to talk about capital construction funds that will come from Cash Reserves. With that, thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Wightman. Mr. Clerk for an announcement. [LB968]

CLERK: Thank you, Mr. President. Revenue Committee will meet in Exec Session now in Room 2022. Revenue in 2022. [LB968]

SENATOR CARLSON: Thank you, Mr. Clerk. Senator Nordquist, you're recognized. [LB968]

SENATOR NORDQUIST: Thank you, Mr. President and members. I, too, would like to thank our Chairman, Senator Heidemann, of the Appropriations Committee for his willingness to listen to all sides when issues come up before our committee, to be fair and give everyone a say, and to kind of let the committee lead the way and not, you

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know, be overbearing. He's certainly willing to let the will of the committee go forward, even if sometimes it doesn't always jibe with his positions. And also, obviously, I have to thank the great work of the Fiscal staff. They are true professionals who are committed to making sure that we, as legislators, have the best information in front of us to know the impacts of the decisions that we're making, and they spend a lot of time to make sure that that's done right. You know, I think a key part here is, you know, this deficit bill, even with the committee amendment, isn't that far off from what the Governor presented to us early on this session. Senator Heidemann highlighted a few of the key areas and other members have talked about, we as a committee were very judicious about the decisions we made and we decided to invest the resources that we have into the areas that we thought were critical. We know that a budget is a moral document. And we take scarce resources in the form of taxes from our constituents to invest in societal good. And that's what we, as a committee, tried to do here with this proposal. And, hopefully, this Legislature as a whole will move it forward. A few of the areas, I know Senator Wightman and Senator Mello both discussed the provider rate issue. We know that the reimbursements that we pay under Medicaid are less than the cost of providing services, and we need to work to keep those levels up to an adequate level to keep services in all communities in our state. According to studies that have been done, the average cost for nursing home care is still about \$20...or the loss of the care is \$20 a day for Medicaid patients. And that compounds when you see 57 percent of the days of care in nursing facilities in our state are paid by Medicaid, over half. And only 31 percent is private pay. And private payers ultimately pick up the difference. So those are costs that are being shifted onto people, to private payers, and we know the impact that those reductions are having. And recently, we've seen facility closures in Scottsbluff, Gering, Gothenburg, Nelson, Sargent, Beatrice, Tilden, Campbell, Spalding, and more are planned in the coming year. These are services...nursing home services in rural Nebraska that are being closed, and we need to do our part to make sure that Nebraskans have access to those services in their community close to their families. Another key piece that we did, we kept funding in the budget for critical Medicaid services. In the Governor's proposal, after a letter from the Department of Health and Human Services on December 1, they outlined significant services that were going to be reduced or eliminated including services, private duty nursing services, the elimination of oral nutritional supplements, limit for personal assistance services. And then also they listed a long list of cuts that they would consider making in the coming year should they need to. And those included dental services; chiropractic services; eye glasses; hearing aids; occupational, physical, and speech therapy; and limiting the number of prescription drugs. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR NORDQUIST: This committee decided after a very powerful hearing from Nebraskans who rely on those services, decided to keep that money in our budget and put specific language in the budget that said those cuts cannot go forward at this time.

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This committee heard from Nebraskans who have to choose, if those services weren't there, they would have to choose between quitting their jobs or putting their loved one in an institutional setting. We heard from one of Senator Flood's constituents who was a nurse. Her husband, a police sergeant, both worked 8 to 5 and absolutely rely on those services for their child to be able to maintain lifestyle, and if not, they would either have to leave their jobs or institutionalize their child. And that's a decision that they should not have to make, that no Nebraskan should have to make. Thank you. [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR NORDQUIST: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you. Thank you, Senator Nordquist. Members, the treats that are being passed out are in honor of Senator Ken Haar's birthday, which was March 10. He turned an age divisible by 23. So Happy Birthday, three days late. Senators wishing to speak include Senator Krist, Senator Avery, Senator Harms, Senator Lathrop, and others. Senator Krist, you're recognized. [LB968]

SENATOR KRIST: Thank you, Mr. President. Good afternoon, Nebraska and colleagues. I have a couple general comments and then a question. First of all, I want to compliment the Appropriations Committee on a job well done. I'm sure that there are things that still need to be worked out but you've done a great job. And then for the record, this morning while we were in a preview of the budget, I suggested that during the capital construction process we should in some way employ a study group that tracks how much revenue we derive from capital construction investment. To that end, comparing that to the Advantage Act and to the TIF that we give out to see if it's better for us to put capital construction money out there as a state to incent to get the construction going and where we would be on the other side. Senator Heidemann has talked to me, as well as some of the committee members, about making that happen, and we'll be looking to do that between now and Select. I think it's very important we not miss the opportunity to document what kind of reinvestment that brings back to the state, what kind of construction money is out there, the taxes that are gleaned from those who are working, and from the revenue that's gleaned in that area. I would also like to say that I think that it goes a long way in terms of capital investment in making a statement to the state our commitment to make sure that the infrastructure which has suffered during the last few years in reinvestment now becomes a priority of our bill. And I'm wondering if Senator Conrad would give way for just one question, one quick question. [LB968]

SENATOR CARLSON: Senator Conrad, would you yield? [LB968]

SENATOR CONRAD: For my good friend, Senator Krist, absolutely. [LB968]

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SENATOR KRIST: Thank you, ma'am. Is it fair to say that there's good rationale this year to invest the \$800,000 in the environs? I notice that is a line item. I know that's been asked many times, having sat on the Government Committee. What provoked...or what's the right time, this time to do that? [LB968]

SENATOR CONRAD: Thank you, Senator, it's an excellent question. And to be clear, members, I have filed a conflict of interest statement in regards to this specific item within the budget because in the private sector I work for a nonprofit organization that is raising funds in support of this project. But when it comes to the overall budget as a whole, indeed the committee did feel that this was important to move forward this year because of the time line of the private fund-raising, the commitments that they've been able to bring forward, what this would help to leverage, and because I know one issue that weighed very heavily on our minds was how the statutory infrastructure of the Capitol Environs District is established in law. The state does indeed have some liability issues that we'd like to address in relation to ADA improvements and otherwise. [LB968]

SENATOR KRIST: Thank you, Senator. Great explanation. And with that I will yield the rest of my time to Senator Price if he should wish to take it. [LB968]

SENATOR CARLSON: Thank you, Senator Conrad and Senator Krist. Senator Price, you have 2 minutes. [LB968]

SENATOR PRICE: Thank you, Mr. President and thank you, Senator Krist, for yielding me the time. In looking over the document and looking at the budget, I was struck by a disparity that I feel obligated to bring out. As the Chair of the State-Tribal Affairs Committee, I notice that there is a delta between what is labeled number 68 and number 76 in our guide and you would find that on page 43. And what that is, is a difference between how we fund the Latino-American Commission and the Nebraska Commission on Indian Affairs. For some reason we have felt it to be the policy of this state to hold the Nebraska Commission on Indian Affairs down \$11,271 from that of the Latino-American Commission. And I don't understand the reason for this, but I do know it did result in the loss of a body in that office. That means outreach doesn't happen. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR PRICE: Thank you, Mr. President. And in talking with a few members of the committee, I would hope that we can address this, if not this year, for sure next year, and to ensure we have equity between the commissions because they both serve equally important roles in our state, and I believe it's incumbent upon me to call this out. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Price. (Visitors introduced.) Returning to

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debate, Senator Avery, you're recognized. [LB968]

SENATOR AVERY: Thank you, Mr. President. I want to join with the others who have commended the committee for its hard work. I think this is a creative and innovative budget. I am particularly interested in and intrigued by the Cancer Research and Treatment Center at UNMC and the other investments in capital construction in higher education. I believe that these investments will become very important in Nebraska's future as the university in all of its forms throughout this state benefits from these investments. We must have a thriving scientific community in this state where the best minds can get together and help shape the future, not only of the university, but the future of the state and the local economies of this state. You cannot, in my opinion, overemphasize the importance of research. This is where the generation of new knowledge takes place, and generation of new knowledge is the bedrock of any respectable university. We are, in this state, as many other states, we're trying to launch a 21st century knowledge-based economy. We're investing in this budget in datacenters. We don't know exactly how much but we believe that the impact on the state will be significant. Nebraska's future depends on these kinds of investments. Our future depends on our ability to attract and retain talent in our state and these investments will help do that. The University of Nebraska is Nebraska's leading source of research and development generating more than \$350 million in research and development activity annually. I believe the investment, particularly in the Med Center, will go a long way toward boosting that number. This is particularly important as the university here in Lincoln enters the Big 10. The Big 10, as I've said to many of you, is more than an athletic conference. It's not about X's and O's so much as it is about academics. One of the things that I have observed when I was at the university is that we would hire faculty from Big 10 schools, but we would send our graduate schools to places like Oklahoma State. That will change. Over time you will see Nebraska competing with other Big 10 schools for the prime positions on faculties throughout this country. It's also important that we do this in light of last year's news that UNL was expelled from the AAU, a prestigious scientific research organization of universities. So this is not the time to withdraw from the challenges that we face as a state. In fact, it's the time for us to confront those challenges head-on. This budget does that. It's a step in the right direction. The committee showed great leadership by proposing investment. It's forward-looking, it's creative, and it is a crucial step toward maintaining and enhancing the university's profile in research. So I'm particularly intrigued by what is happening at UNMC because of what this investment will help them do in the leveraging of private sector money and federal money for that project. It is a significant part of the funding... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR AVERY: ...but we have seen in newspaper reports of the hundreds of millions of dollars that the private sector will be contributing. This money is important

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seed money to make that possible. So I stand here very pleased that we are facing an opportunity to vote for this budget. I think it's a good budget. It is responsible and it is creative. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Avery. (Visitors introduced.) Senator Harms, you're recognized. [LB968]

SENATOR HARMS: Thank you, Mr. President and colleagues. You know, I've been on the Appropriations Committee now...I finish my sixth year. And through all the six years I've had the fortunate opportunity, along with some of my colleagues, to work with Senator Heidemann. And I can honestly tell you I've worked with a lot of people in my lifetime and never seen a man who has more patience. This committee is not an easy committee to work in. It's a committee that has diverse views, diverse opinions. And one thing I had to learn when I came here to get involved in, that what might be good for urban America, on the other hand, may not be the best for rural America, but overall, it's a good plan. And what I learned was that it's important to understand that you have to be a state senator. You have to understand that what's important...you have to choose those items that you think will move your state forward. And sometimes in that committee, that will put you at conflict. It may put you in conflict with your own values, your own principles, your own community, but you have to think carefully about what's the right thing that will move this great state forward. And I can honestly tell you, that's not always easy. But it becomes easier when you have a person like Senator Heidemann who is...has such a great ability, and I call it a gift, to be able to bring diverse groups together and find a middle road so that we can make the right decision. He lets debate go. He lets it develop. He doesn't shut it down. And he keeps it growing. And so we're fortunate to have had that leadership, and to be honest with you, I've learned a lot from him in regard to those issues. Sometimes I can be a rather impatient man and I've learned that patience in this business, in this committee, is very important. I also have found in the six years that I have had this fortunate opportunity on this committee, we have one of the finest fiscal legislative staffs that I have ever had the opportunity to work with. I don't know if you really realize how good these people really are. They're absolutely outstanding. And the neat thing about each one of those individuals is they come in and they review that portion of the budget that they're responsible for and we have all these questions, they lay it out very nicely for you but they make no decisions for you. They give you the pro, they give you the con, it's your responsibility to figure out now where you want to go. And that's a great combination and it's important to have a diverse group as we have today in the Legislature because you've got about every side represented. And I think that's extremely important when it comes to the fiscal matters of this great state. I want to focus, if I could, just for a minute on the capital construction side of things. I think it's a very creative budget. I think it's forward and it's forward-thinking. And it's really important for us to understand that there are times where we have to make these kinds of investments. When I look at the University of Nebraska and I look at their Cancer Research Tower and Center, that's

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critical for what's going to happen in America...in Nebraska. I've had the opportunity to go there at the university on more than one occasion and have a chance to visit with some of the researchers that are there--some of the brightest researchers, some of the most creative minds I think I've ever had the opportunity to visit with. And that's what it's going to take for us to move forward. That's what it's going to take for us to get control of and learn how to handle this terrible disease called cancer. We need to make that contribution. This is the time to make that... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR HARMS: Thank you, Mr. President. It's time to make that contribution. Too many people are dying and they have the key to start making some of those cancers...so we can actually correct and slow down, and in the long haul, we hope we can heal. The other side of it is that I had the fortunate opportunity to visit both Chadron State College and Peru. And I'm here to tell you folks, they have some serious issues with the facilities that we have here. They need help. Peru's facility was built in 1900. I shouldn't have to go any further because it made very little improvements in that. Chadron State College has issues with their facilities that go way beyond what anything...any students should have to participate in. They have liability issues on both sides that are horrible. We're just so fortunate that we haven't had something filed on one of our athletes got hurt or a student in health and physical education got hurt in those facilities, on either campus. So it's important for us to look at. [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR HARMS: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Harms. Senator Lathrop, you're recognized. [LB968]

SENATOR LATHROP: Thank you, Mr. President and colleagues. I wanted to join those who have expressed their appreciation to Senator Heidemann for his service to this state. This is a little bit of a swan song for him. He has been the dean of the budget for the entire time I've been here; and I want to join those who have expressed their appreciation for his service, his thoughtful approach to putting a budget together. I also want to express my appreciation for the members of the Appropriations Committee. I know we all have some appreciation for what goes on in a committee; and I've always been impressed with the amount of time and work that the Appropriations Committee puts in to bring us a budget which has, for the most part, done the balancing before it comes to the floor. And I think we could...maybe there's things that you would like to see better funded, but generally in my time here I've watched budgets come to the floor and be approved in fairly short order. That's good if it's because there's good balance, which I think mostly is what's happened, and that is a testament to the work of the committee

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and the leadership of Lavon Heidemann. I also want to take this opportunity to talk a little bit about the waiting list. You will see that the budget now includes an appropriation for the waiting list, \$4 million. When we did our work initially at the beginning in the BSDC committee, the thing that caught the state's attention was what was going on at Beatrice State Developmental Center. And it was bad. We were violating people's civil rights. There was abuse and just plain mismanagement. And when we got into that process and we began the process of looking at services to the developmentally disabled in this state, we appreciated more problems than just those that existed at the Beatrice State Developmental Center. We had problems with services in the community which we have tried to develop, but we also appreciated something that was, I think, unforgiveable, and that is the waiting list. We had a waiting list that hadn't been touched in four or five years. And this Legislature made an appropriation of \$15 million in the last biennium and now we are appropriating \$4 million more. I just want to stop in this process and tell you how important it is that we are making that appropriation and how much it is appreciated by the families. We oftentimes think that the pro-life issues are those that involve only the unborn. I think the waiting list is a pro-life issue. If we as a body make policy and restrict the right of a woman to choose, it is important that we stand with these families who have a child with a developmental disability. That is our responsibility. It is our commitment and when we leave them languish on a waiting list, we have turned our back on them. I appreciate the \$4 million that has been appropriated by the Appropriations Committee, the work of the Appropriations Committee. And I know, and I will share with you that since we started taking people off of the waiting list, I have had more people come up to me and say, you have just saved a marriage, you have saved our family. This is... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR LATHROP: ...providing somebody who was going to provide respite care. That might be what it is, or some transportation, or maybe it's an apartment or supports, but it is vitally needed and greatly appreciated. Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Lathrop. Those senators wishing to speak include Fulton, Hansen, Gloor, Campbell, and others. Senator Fulton, you're recognized. [LB968]

SENATOR FULTON: Thank you, Mr. President and members of the body. I'm pleased to be able to follow Senator Lathrop. I actually was going to touch on this topic about which he spoke, and so we don't agree on many things, but on this issue we did. And I remember talking to him early on with respect to this waiting list in what I do think is an obligation of the state with respect to those caring for a loved one with a developmental disability, and so that is part of this budget. And for those who will be here in this body in years to come, we should continue, as I'm sure Senator Lathrop will and others, to keep an eye on that waiting list because it's something that many of us inherited. But I think it

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would be nice if we can say that it was satisfied by the time we left office. The overall financial status, I think, I was...I had placed my light on in the queue with the intent of responding to any concerns or questions or queries, and there aren't a whole lot of those to respond to at this point. So I think I'll spend just a little time touching on the overall financial status. Nebraska, as you have heard over and over, is in a better fiscal position than others with respect to our budget, and that's all true. I want here in this body, probably don't need to in this body, but it probably does need to be said outside this body, to remind people that this didn't happen by accident. We've put forward responsible budgets in the past as a body, as an Appropriations Committee, as a unit of government. And going forward, I believe we've been able to do this again. Now as Senator Heidemann touched on, Chairman Heidemann, it's actually more difficult to comprise...or to put together a budget comprised of the entirety of our committee's decisions when we have money to spend, and it just is. Well, we've put forward what I think is a responsible budget. If you'll look in the...our General Fund financial status, page 5 of this green handout that the committee provided earlier, you'll see that we have a Cash Reserve. That, while we do make expenditures from the Cash Reserve, remains robust. And when you compare what we have in our Cash Reserve as well as our budget to what has happened in other states and what's going on in other states, it's remarkably robust. So \$341.2 million in our Cash Reserve at the end of our biennium. That's important to know. We have seen the economy tracked very closely with respect to our predictions. So we need to keep a sane mind about that when we hear that taxes are up or down, or receipts to the treasury are up or down. It doesn't necessarily mean that that's what the economy is doing. It means they're up or down with respect to the prediction that we're working on. And I see this time and time again in the media played up or down based on where our net revenues are. So we say all of this...I put this out here in the objective order such that we can all apprehend these concepts because these are the things that we talk about in our Appropriations Committee. Is it prudent to spend this money now recognizing that this money builds? As you notice in state government, we usually don't appropriate less than in the year before. When you hear that there are cuts, oftentimes it's actually mathematically more than what was provided in years past. It was a shock to me when I came here that you get \$10 this year, \$11 next year, and \$12 the following year, and some people call that a cut. Well, when you bear in mind the responsibilities we have in government, the... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR FULTON: ...cost that we provide for benefits and whatnot, it can be regarded as a cut, but mathematically, that's not the case. All of these things got talked about and get talked about in the committee. We look four years out in our committee as we do as a Legislature. Our federal government, they don't do that. In fact, they haven't even got a budget to operate off of now. We have a budget that's put together. It's balanced. We actually have looked forward into the future, and we're going to debate about that, I'm sure, on future bills. But this is a hard process. For those who have a desire to serve on

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the Appropriations Committee, it is a lot of work. Next year, at least there are going to be two people that won't be back who are on that committee. I'd recommend it to you, maybe not for your family life but you really do learn an awful lot about what state government does and what the obligations of a government really are. I'll stop there. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Fulton. Senator Hansen, you're recognized. [LB968]

SENATOR HANSEN: Thank you, Mr. President and members of the Legislature. I, too, would like to stand and thank Senator Fulton and Senator Heidemann for their service in the past and to the Fiscal Office that has done a great job, answers the questions, and writes all the fiscal notes to the best of their ability and with the best information that they have. They do a great job. Senator Heidemann has again this year led us from the darkness into the light and this is how we came to this budget. And I'd like to talk for just a few minutes about one part of the capital construction budget, not that I favor this one over any of the others, and it's a package. And we've all agreed to keep this as a package, and that's one thing we do with the leadership of Senator Heidemann is compromising those and come out with a unified vote. But the Veterinary Diagnostic Center, and I'll refer to this as the VDC in the future, but the Veterinary Diagnostic Center is the only accredited veterinary diagnostic lab in the state and it's located on UNL's East Campus. And it performs a vital service that supports UNL research and teaching programs. It's the lab that serves the State Department of Agriculture, the Department of Health and Human Services, Nebraska Game and Parks, zoos, local humane societies, companion animal owners, the biological and pharmaceutical industries of the state, as well as the significant animal industry. Because it does more than just diagnosis, with the interrelationships with research, teaching, consultation, and continuing education, it's critical that Nebraska has an accredited lab that can be counted on to address Nebraska's needs. Without the capabilities created because Nebraska does have a diagnostic lab, the university likely would not have had the ability to compete successfully for the recently awarded \$25 million grant on E. coli research, which addresses critical human health needs. The VDC partners with UNMC college of public health on infectious diseases, those issues that impact human health. Faculty members from both institutions are working together on joint research programs. The VDC is responsible for the detection, prevention, and understanding of animal diseases. Because approximately 80 percent of animal diseases are transferable to humans or they are zootic, the lab is critical for the protection of human health. Diseases that impact animals and human health such as anthrax, avian influenza, H1N1, rabies, West Nile viruses, must be identified rapidly to limit their spread throughout the population. Therefore, timely and accurate diagnosis at the state lab is critical. Using another state's lab would slow the accurate diagnosis. The VDC faculty and members play a significant role in educating Nebraska students in the professional program in veterinary medicine with Iowa State University. This program is developing the next generations of

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veterinarians for Nebraska. Students include those interested in small animal, mixed animal, and large animal practices. All Nebraskans expect a safe, wholesome food supply, yet a number of pathogens such as E. coli can put the citizens of Nebraska at risk. Scientists at UNL are working each day to discover new diagnostic methods and prevention methods... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR HANSEN: ...that will protect the citizens of the state. The VDC is a vital component of this overall effort. We had a great testimony when we heard the bill on the Veterinary Diagnostic Lab and I've got just a few comments from some of those testifiers. And this first one, I'd like to just mention is from Richard Cockerill. Dr. Cockerill is a veterinarian from Albion, immediate past president of the NVMA. Simply stated, the Nebraska Diagnostic Center is continuously at work for Nebraska in key ways, improving animal and public health through disease surveillance, supporting food safety, the E. coli 0157:H7, an infectious disease research, training Nebraska veterinary students, supporting continuing education programs, and Nebraska veterinarians and livestock producers. As we consider the many important requests for state funding this year, we must consider the importance of this project to our state, keeping in mind the protection of our animal industry and ultimately our citizens. [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR HANSEN: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Hansen. Senator Gloor, you're recognized. [LB968]

SENATOR GLOOR: Thank you, Mr. President and good afternoon, members. I, too, would like to extend a thank you to the committee, to the staff that helped with all this. And I think it's an opportunity to also point out that we don't have to lose...or it's a shame, I should say, we have to lose talents like Senator Heidemann and Senator Fulton. We have before us a bill that would allow us an opportunity to let the public help make decisions that there are additional terms that people can serve that would allow us to keep some of that talent, once developed, here continuing to work on behalf of the people of the state of Nebraska. But I want to talk also about the issue of Medicaid reimbursement. Senator Nordquist used the term that Appropriations bill is really a moral document. And that's a great term. I'm going to try and file that away for future usage. I'm pleased that we have been able to get that reduction to a 1 percent reduction, but still and then, as a reminder, we're talking about a number of years now where providers of Medicaid services in this state have seen not just no increase, but an overall decrease. And in the meantime the cost of heat and light, and pharmaceuticals and supplies, cost of staff to provide care, have continued to go up. That's not

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sustainable. It's not sustainable in any way, shape, or form. And there has been reference to, although the term has not been used, to cost shifting, which means when the government doesn't pay its share, that cost shift to be able to stay open goes over to those other payers, which means it's a hidden tax that's out there that people with insurance or people who pay privately have to pay. It is no different to me, or at least it is similar to shoplifting, when people walk out without paying for goods, it goes into the overall cost of doing business. And that certainly happens with Medicaid. That cost shift costs somebody something. And the fact that it's hidden and out of view is an unhealthy part of our healthcare system that we have to come to grips with. One of the ways we've got to come to grips with that is through changing the delivery system. And I would be remiss if I didn't point out also that several years ago you approved a bill of mine that set up pilot projects for medical homes for Medicaid across the state. It's a way that we can change the delivery system to control costs and also to focus on quality care. We have those pilots set up and, in fact, the department is looking at extending some of those within its managed care contracts in the future. I expect that we will continue to see success with those medical home pilots to the extent that we can come in legislatively and compel, through legislation, the department to expand medical home because we have to change the delivery system. Continuing to cut reimbursements does not have a good end. It is a death spiral. It is a death spiral. I would leave you with that. I have some comments to make also when it comes to the capital expenditures, but I appreciate your time and the opportunity to speak to this. Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Gloor. Senator Campbell, you're recognized. [LB968]

SENATOR CAMPBELL: Thank you, Mr. President; and good afternoon, colleagues. I'd also like to lend my thank you to the staff and to the Appropriations Committee, but especially to Senator Heidemann. Not many of you would know that this past year as we worked on LR37, there were times in which I would call Senator Heidemann, and at all times of the day, always took my calls, always gave me good advice and counsel, and several times I even imposed on his time and said, would you sit in on several meetings with me. And I was so appreciative of that guidance and help. A couple of comments about the budget. I think that this is a budget that not only takes a look at what our short-term responsibilities are, but what are long-term responsibilities. And that to me is a good budget document. This morning I went to Liz Hruska and I said, could you remind me what lower FMAP rate means? And you'll note that in your budget. And she said, that's a lower Medicaid match rate. And I went, how could that be? I mean, we have all these needs. Basically what that's based upon is what is the per capita in the state of Nebraska, per capita income relative to all other states. And, colleagues, while we're losing that money, it does say to me that we as a state have held our own in terms of that per capita income. And that's a good news factor. The second point I'd like to make is I very much appreciate the suggestion by the Governor and the department and particularly by the Appropriations Committee's inclusion of the child welfare dollars. The

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reason being is that these dollars will go to lower the caseload of the case managers across the state. And as we have talked, that is really one of the most important priorities that we should put in place. And the last, I would like particularly to note and appreciate those Medicaid cuts proposed that are not, that are not, repeat, going to go into practice. And particularly that there is language that does not allow the department to take those cuts when we are gone. We, too, in the Health and Human Services Committee heard that testimony from many clients and their heartrending stories about what this cut would do. So I'm very much appreciative of the work of the Appropriations Committee and would certainly support this budget as presented. Thank you, Mr. President. [LB968 LR37]

SENATOR CARLSON: Thank you, Senator Campbell. Senators still wishing to speak include Senators Dubas, Karpisek, Wightman, Mello, Nelson, and others. Senator Dubas, you're recognized. [LB968]

SENATOR DUBAS: Thank you very much, Mr. President. Good afternoon, colleagues. I guess I will add my thanks to the long list of thanks to Senator Heidemann for his leadership and the Appropriations Committee for their hard work and especially to our Fiscal staff. Had the opportunity to sit down and visit with these people and they are a wealth of knowledge and very helpful and always wanting to help individual senators understand what any particular decision we might make means. But if Senator Heidemann would yield to a question, I'd appreciate some dialogue. [LB968]

SENATOR CARLSON: Senator Heidemann, would you yield? [LB968]

SENATOR HEIDEMANN: Yes. [LB968]

SENATOR DUBAS: Thank you, Senator Heidemann. We've been talking a lot about what's in the budget, the capital expansion and those types of things. But one thing we haven't talked very much at all about is line 30 on the General Fund financial status and that's our variance from the minimum reserve. And while we have a positive of \$17.6 million for this budget cycle, looking at the out years, and I think you've taught me or told us or warned us many, many times, that's a number we really need to focus on. And for those of us who will be coming back for the next biennium, what are your words of caution as we look at a pretty significant deficit there? [LB968]

SENATOR HEIDEMANN: That's a good question. You're looking at \$460 million right now. Inside of those numbers are projected spending as we have seen them historically or which is what is in current statute right now. I think if TEEOSA would be one of them, what's in current statute right now, calls for quite a large spending increase. And that's what's inside of the \$460 million. So the process next year is going to be able...you're going to have to look at that...what you're going to have to do to balance the budget, you're going to have to look at everything in statute and then...I mean everything will be

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on the table. The challenges are there. As we normally have gone through things, just as we have the last four years, we couldn't fund things like we would like to have. Sometimes there's needs and wants and there hasn't been a lot of wants lately. But, hopefully, we've done okay on the needs, but we're not going to be able to do everything that, you know, is projected where the needs are at. [LB968]

SENATOR DUBAS: So by having that number out there, I mean, it's very important. I think Senator Fulton alluded to this as we move forward in putting the next budget cycle together, we can't ignore, we can't ignore this figure by any means, can we? [LB968]

SENATOR HEIDEMANN: The out years are always...have been a concern. I mean, this is my eighth year. I've always looked at the projected, the out year numbers. It's always been a deficit lately. So I've always looked at the out year numbers. They have always been a concern of mine. My actions somewhat reflect the out year numbers because when you have ongoing spending, it not only affects your current biennium but the out biennium. [LB968]

SENATOR DUBAS: So we have...I mean, we recognize what we're spending today impacts us today, but it also impacts us tomorrow. [LB968]

SENATOR HEIDEMANN: If they're ongoing, yes. [LB968]

SENATOR DUBAS: Well, again, I appreciate...you have been very good about bringing that message to our attention over your time as the Chair of the Appropriations Committee and, you know, all of the reports are indicating, you know, we're not completely out of the woods yet. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR DUBAS: But we are, you know, we are holding our own as Senator Campbell just said. But I think we need to be very cautious about how we move forward and the types of decisions that we're making today. We're able to put some money into things that in my estimation do need money put into it. But I'm going to carry Senator Heidemann's warning with me into the next budget cycle, and looking at those numbers we can't ignore the decisions that we're making today. Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Dubas and Senator Heidemann. Senator Karpisek, you're recognized. [LB968]

SENATOR KARPISEK: Thank you, Mr. President and members of the body. I didn't make it to the briefing this morning, and I apologize that I didn't do that. I wish I would have. But as I look over the budget, there are definitely things that I like, and then there are some things that I don't like. And I know that sitting in this committee...I don't know

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because I haven't been there and I don't want to be there. I've said before, I wouldn't be on Appropriations Committee if you threatened me a lot. So I know that there's a lot of give and take and it's a moving target. Things are always moving and they're going to move out here on the floor. As I look at it, and I haven't studied it enough, there are some things that really jump out at me. And I wonder if it's really the way we need to go. I think that we cut the budget a lot last year. We cut the heck out of the budget. And I guess if I had my druthers, we would replace some of those cuts rather than going off and spending a lot of money on new projects. Now I can't say that these new projects aren't worthwhile because they all are. And they're definitely worthwhile to someone and definitely more to some people than others. I'm not going to file any amendments today, but maybe as we go along and see how the session progresses, Select File may have some coming. And I don't like to try to do those things on the floor. I know the Appropriations Committee works very hard at this and they don't like to see amendments coming, just like none of the other Chairs like to see amendments come on bills that they put out of their committee. But they sure do come. So I don't think of this as the sacred cow that we can't touch. But I think a lot of questions need to be asked and where these numbers came from and why we're going in this direction rather than another direction. I think the university has some wonderful ideas that they want to do. I think that they need to look at their wish list a little closer and really think about what they really want. I think that is a very big number. Again, I think they're all very worthwhile projects. We need more nurses in the state. The vet lab is crucial. Cancer research is very, very needed. But again, as I said, as we cut the budget so bad last year and I saw a lot of things go away, and I've seen the things that have happened because of some of the cuts that we made, we're replacing some of it, but, boy, I don't think we're going far enough. There also seems to be some pet projects in the budget that I don't really think are right and I haven't seen that in the budget before, either I didn't pay close enough attention or they weren't as glaring. I don't think that's right. I think some of this...I hear pork barrel a lot. I think some of these might qualify. I know we all stand up and say what a great job the Appropriations Committee did and I agree. They did. And they need to work it out and put out on the floor and have it talked about. I know there's been years that we have been really beat up in the paper because we didn't talk about things long enough. So last year I brought an amendment to do away with the \$25 million for Innovation Campus. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR KARPISEK: You want to talk about getting beat up? My God, how dare you have the audacity to even ask that question? So that's why I think we're here. Again, I think as the session goes and how some people act here is going to decide how this goes. I think we need to be very careful. I'm glad we have money. I'm glad that the committee has done a good job in the years I've been here to be mindful of the budget, but I think we do need to ask questions. Thank you, Mr. President. [LB968]

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SENATOR CARLSON: Thank you, Senator Karpisek. Senator Wightman, you're recognized. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. President. Good afternoon again, members of the body. I promised you earlier that I would speak on the construction and facility funds that we are talking about spending. I know some of you could have lived with my not carrying out my promise, but I didn't want to be in that position. At any rate, I do want to discuss that. I'd like to discuss just a moment first, though, some of the points that Senator Karpisek brought forth and I think probably, you know, it always gets down to a balancing issue. I think we actually did some fairly bold steps in that regard. We restored 60 percent of the funding in the...that's 1.5 as opposed to 2.5 percent cut that we took with regard to Medicaid provider rates. We restored \$4,000 to the waiting list and I know Senator Lathrop has addressed that issue. But I think we did really reach quite a ways to try to restore some of those main items in the budget. But turning to the capital expenditures, as always when we have a committee as we have here that represents various areas of the state, there has to be some balance, and that's what we were looking at. And I know Senator Dubas expressed pretty plainly that we need to be very aware of what the out years look like, and I think we have taken that into account. But just going through these, the Chadron State College, Armstrong Gymnasium, there is \$6.7 million in there for that. That's contingent upon raising \$2 million of private funds. The existing structure was built in 1964, prior to a substantial growth in women's athletics so that alone requires a lot of extra space. Now I don't think Chadron, Nebraska, is going to raise a substantial amount of this. The Peru State College Oak Bowl, which may seem like a little bit of a gift at this point, but I don't think it is. If you look at that, you'll see that much of that construction took place in the early 1900s; it's been over 100 years. It really is a dangerous facility. I know that Senator Harms and Senator...ah, two or three of the senators, I think, took a trip and viewed those facilities. Senator Heidemann, I know was with Senator Harms when they did that to Peru. They discussed items that could result in substantial liability for Peru State College. I don't know whether it would carry over to the state of Nebraska or not. Going on then to the UNMC College of Nursing at Kearney. There is a tremendous shortage of nurses outstate Nebraska. Many of those are educated at the Kearney facility, and again we have committed \$13 million to that...\$15 million out of \$18 million, excuse me. Three million would be raised by private funds. Now I suppose if you look to any of them as window dressing, you could probably take aim at the Cancer Research Tower. But remember, we're putting up \$50 million of that money. They're going out and raising I think it's \$240 million from private sources. If any of you have been involved in any fund-raising in your home community,... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR WIGHTMAN: ...you know that raising \$2 million or \$3 million is a problem. And when you get an opportunity to get a matching grant of \$240 million, that's an

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amazing contribution and something that would be impossible I think in outstate Nebraska. Centennial Mall improvements, I know that's been questioned a little bit on the floor. I think now is the time to do it. We're putting up about 10 percent of that. If this were assessed like it would be in many communities to the buildings that had their fronts on that street, the Centennial Mall, you would find that the university...or that the state of Nebraska occupies far more than 10 percent of that. And it is...really it's become kind of an embarrassment it seems to me to the state of Nebraska. So I think it is time to move forward on that. So all in all, it's a balancing act. [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Wightman. Senator Mello, you're recognized. [LB968]

SENATOR MELLO: Thank you, Mr. President and members of the Legislature. And thank you, colleagues, who have asked questions about the budget, whether it's an existing agency or some issues that have been raised in regard to some of the changes and challenges that currently face our state. Obviously the budget is the guiding point for a lot of our fiscal decisions that we are going to be discussing as we move forward the rest of this legislative session. As you look on our agenda here, you start to see a green sheet behind our agenda that lays out the number of bills that have some kind of A bill that has a General Fund impact, whether that's a spending bill or whether that's a revenue bill. And it's only fitting that today we start to move the budget from General File to Select File, with the understanding that now this Legislature no doubt will have much bigger conversations in regards to our fiscal health and the ability for us to be able to balance not only this budget but future budgets. One unique thing that Senator Dubas did mention is on line 30 of the Appropriations Committee report on the General Fund status is our out year budget. And now that's something that Senator Heidemann I know has discussed extensively on this floor and within our committee in regard to decisions we make today obviously have significant financial impacts into the future, not just for the remainder of this biennial budget but obviously for budgets to come, depending upon whether or not an appropriation is part of a base agency budget. Now when you start to have a conversation in regards to changing revenue sources or reducing revenue, it's only fitting that that reduction in revenue ultimately has a counterbalance in regards to the appropriations or spending on any particular agency or particular line item. Ultimately this Legislature no doubt will have to have a conversation, and those who obviously see the Appropriations Committee process as one step and a Revenue process as another step, will have to be able to explain how do we pay for all of this. Ultimately, at the end of the day, our Legislature has a process much different than Washington in the sense of we pay for things up-front. We don't pay for things down the road. We don't make tax cuts we can't afford. And when we want to reduce taxes, we

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lay out to Nebraskans here's how we're going to pay for it one way or another. I'm over there right now underneath the balcony talking with our Fiscal Office to further provide myself a little bit more information of how do we go about doing that, not just within the current bill we're discussing, LB968, but as we move forward. Because essentially tax relief is an issue that many of us have talked about. Even some of us introduced legislation on it. I myself did one on property tax relief. The question though is, how do you ultimately make that fall into a parameter where ultimately we tie in revenue reductions with a budget? That's the one question that I continue to ask colleagues of mine, as well as have conversations with our Fiscal Office. Because that's the unique thing about the Unicameral and the way our fiscal operations work, is that we have a budget that's tied directly with our revenues, whether it's a revenue reduction, a revenue increase, or a spending increase, which is laid out in this green sheet here on our agenda. So, no doubt, as we start moving along, not just on LB968 but other pieces of legislation on the capital construction, on tax credits, tax incentives, tax reductions, or new spending items that have a General Fund impact, we no doubt will have to have that conversation and find a way to tie all of those into one package. Because right now, just because we're moving a budget forward, doesn't mean that we can't move other things forward. But at the end of the day, they have to connect. They have to fit like a piece of a puzzle, so to speak, because unlike what they do in Washington we don't... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR MELLO: ...we can't, under statute or under constitution, be able to have an unbalanced budget. We have to balance the budget every year, and ultimately that's what we will be trying to do. Obviously with LB968, as is, we have a balanced budget. But as other ideas and other senators come forward with proposals, we have to keep that in mind, because ultimately we don't just stop balancing the budget this year. Colleagues, many of us will be coming back next year and we'll have to balance the budget that year as well as the year after that and the year after that. For those us who will be coming back, we have that obligation and we're going to have to have a conversation about how we go about doing that for the sake of Nebraska, for the sake of obviously the public investments we've made in K-12, higher ed, amongst many others, as well as for the general fiscal responsibility and fiscal sustainability for our state as we move forward, not just with LB968 but other bills for the remainder of the session. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Mello. Senator Nelson, you're recognized. [LB968]

SENATOR NELSON: Thank you, Mr. President and members of the body. As a member of the Appropriations Committee, I want to stand in a long line here extending our thanks to Senator Heidemann for his leadership over the past six years. As usual,

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when he's not on the floor he's under the balcony conferring with members of the Fiscal staff. I first met Senator Heidemann, Chairman Heidemann, Senator at that time I guess, when I was running for office, and I think it was at a State Chamber dinner. And we were introduced, and I remember talking with him at length, and his penetrating questions at that time both about why I was running and our respective agricultural backgrounds and our views. I didn't know at that time that I would be elected or that I would serve on the Appropriations Committee with him for six years, but that's the way it turned out. There is a movie I think, first a Broadway show, that was called The Secret of My Success. What is the secret of Senator Heidemann's success in his six years of tenure? Senator Hansen talked about his bringing us out of the darkness into the light. I'd like to examine some of the dark aspects of Senator Heidemann's life. The dark in the middle of the night, 3 a.m. in the morning, when he would wake up thinking about a particularly difficult problem we were having in Appropriations. The hours between 5 and 6:30 when it's dark when he was out doing chores, feeding the cattle and that sort of thing, as he was mulling over these problems. And then the additional time that he has spent outside the ordinary meetings five days a week, working with the Fiscal staff, to make sure he understands, and then coming up with what is the real secret of his success: a proposal that would give us a base for discussion, a proposal that had some sense and reasoning behind it that we could talk about and then amend and then finally vote on. That gave us stability I think...has given us the stability in the Appropriations Committee that we need to appreciate. And I can think of only one time where he might have come close to losing it. That was just this year. He didn't throw a pencil at someone. He threw a pencil down on the desk, rose abruptly, and said we are adjourned. Of course, it was only five minutes before adjournment time, but nevertheless we left a little early. That's the one time I remember where it was necessary to take a little break. Moving on to the budget, I brought LB1089 regarding capital construction--and this was before the committee--capital construction of the appropriation for the Cancer Research Center. And I will talk about that later. It's a \$50 million project and there are a lot of benefits to that. Most of you I think should have received this folder from the University of Nebraska. There's a lot of material inside. But if you can, I would encourage you later this afternoon or over the evening as we continue to look at some of the information there, and in particular, a study by Jerry Deichert, the director of the Center for Public Affairs Research, University of Nebraska at Omaha. And there you will find two tables regarding the economic impact on the state of Nebraska of the construction activities concerned with this project and with the projects at Kearney and also the diagnostic laboratory... [LB968 LB1089]

SENATOR CARLSON: One minute. [LB968]

SENATOR NELSON: ...here in Lincoln. Read those if you can to get an impression and an idea of the great economic benefits and the impact from employment, labor income, total value added, and the sales and income taxes that will be generated. In the short time I have left I also want to thank the Fiscal staff for their great work, and I can't add to

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anything that's already been said. We really appreciate their hard work and their efforts. And finally, I want to thank Senator Fulton for the hard work he has done over the years, his ability to whip out his computerized gadget and give us good forecasts or on the outcome of what the spending may amount to of some of the things that we were considering. And we will certainly miss him on the committee. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Nelson. Senators still wishing to speak include Council, Lathrop, Hadley, Nordquist, Howard, and Dubas. Senator Council, you're recognized. [LB968]

SENATOR COUNCIL: Thank you, Mr. President. I want to begin by expressing my understanding of the hard work that members of the Appropriations Committee put in to developing the biennial budget, trying to balance all of the competing priorities that they are presented with during the preparation of the biennial budget, as well as dealing with annual budgetary issues. And I know that it requires significant time. It requires strong leadership, and many that have spoken before me have acknowledged that. But what is before us is LB968 with AM2123. And in looking at the mid-biennium budget adjustments and hearing the discussion, I have a few questions. I'll make it clear, I have some concerns about some of the budget adjustments. And some will be quick to say, well, you're talking about spending. Well, most assuredly I am speaking about spending in the context of what this body's responsibilities and obligations are to meet the needs of the residents of the state of Nebraska. And I look at one of the items being the partial restoration of provider rate cuts with Medicaid. And again I must preface it with I understand the need to be fiscally responsible; I understand the need to look at the impact on out years. But I can't ignore the commentary that I hear often, particularly from my outstate colleagues, about the impact of actions that this body takes on their communities. And when I look at the issue of Medicaid and Medicaid provider rates and read some of the e-mails and listen to some of the messages that are left in my office about providers who are forced to leave the area because of the inadequacy of provider rates...and I'm going to ask a member of the Appropriations Committee, I think Senator Nordquist may be knowledgeable of what would be required to fully restore Medicaid provider rates to the level at which they existed prior to the action we took in preparing this biennial budget. If Senator Nordquist would yield. [LB968]

SENATOR CARLSON: Senator Nordquist, would you yield? [LB968]

SENATOR NORDQUIST: I'd be happy to. [LB968]

SENATOR COUNCIL: And again, Senator Nordquist, we are...as I understand it, in order to provide this partial restoration of the provider rate, the proposed budget adjustment is \$9.7 million annually? [LB968]

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SENATOR NORDQUIST: Yeah. Yep...9.66. Yep. [LB968]

SENATOR COUNCIL: And if you recall, what would be required to restore Medicaid provider rates to the level that they existed prior to the approval of this biennial budget? [LB968]

SENATOR NORDQUIST: Well, each half of a percent is a little more than \$3 million. So if we're going to do the additional full percent and get us back, it would be a little over \$6 million. So a total of I think 15 or 16, somewhere in there. [LB968]

SENATOR COUNCIL: Okay. Thank you. And I think it's important that we know what those figures are as we begin our deliberations on whether or not to advance AM2123. Someone mentioned earlier about unintended consequences and resulting costs and shifting of costs. And I think we need to be concerned about it, particularly in this Medicaid provider rate area, because there is going to be some shifting of costs. But I guess of greater concern to me is loss of providers associated with not reimbursing these providers at the rates that they need to continue to provide medical services to residents, particularly in those portions of the state where we know for a fact we have limited providers. In fact, when we start talking about juvenile justice reform issues and trying to extend some of the services that are being piloted in Douglas County, for example, one of the difficulties in piloting those kinds of programs in other parts of the state is the lack of providers. And a lot of those providers have left. [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR COUNCIL: Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Council. Senator Lathrop, you're recognized. [LB968]

SENATOR LATHROP: Thank you, Mr. President and colleagues. Good afternoon once again. I'm wondering if Senator Heidemann will yield to some questions. [LB968]

SENATOR CARLSON: Senator Heidemann, would you yield? [LB968]

SENATOR HEIDEMANN: Yes. [LB968]

SENATOR LATHROP: Senator Heidemann, we were all provided a green book that says "Appropriation Committee Budget Recommendations." That was given to us last week. [LB968]

SENATOR HEIDEMANN: Yes. [LB968]

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SENATOR LATHROP: And you're familiar with that book? [LB968]

SENATOR HEIDEMANN: Fairly familiar. Yes. [LB968]

SENATOR LATHROP: Okay. And, you know, one of the concerns...I've expressed this before about service here, all in eight years, is some of us never have a chance to serve on Appropriations. And so just to make sure I'm familiar with the process I'd like to direct your attention to page 5 of that green book if you would. And as I look at this, maybe you can tell us where it says "Biennial Budget, '11-12 and '12-13," that's this biennium, is that right? [LB968]

SENATOR HEIDEMANN: That's correct. Yes. [LB968]

SENATOR LATHROP: And so what this tells us is what our financial shape is this year (inaudible). [LB968]

SENATOR HEIDEMANN: For the current biennium budget. Yes. [LB968]

SENATOR LATHROP: So the third... [LB968]

SENATOR HEIDEMANN: It begins June 30 of 2013. [LB968]

SENATOR LATHROP: Okay. The third column tells us that we started with a cash balance of \$178 million, and if we go down to line 30 it tells us we have \$17,640,000--in a square. Is that right? [LB968]

SENATOR HEIDEMANN: Correct. [LB968]

SENATOR LATHROP: Do you see that? What's that tell us? [LB968]

SENATOR HEIDEMANN: That we have \$17.6 million above the 3 percent minimum reserve. [LB968]

SENATOR LATHROP: Okay. So effectively from now until the end of the year we have \$17,640,000 to work with in order to balance the budget, and leave \$341 million in cash reserve. Do I have that right? [LB968]

SENATOR HEIDEMANN: There's \$17 million above the 3 percent reserve that is there for this biennium. Yes. [LB968]

SENATOR LATHROP: Okay. And if we...we have appropriation bills or bills that we've all put into the works that we have to take up, including things like child welfare, that are going to eat up that \$17 million. Is that right? [LB968]

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SENATOR HEIDEMANN: I think the bills that are on Select File now--and I'd have to go to the green copy--we would have on Select File and above, we could do all of them and still have right at \$6 million left is what I'm looking at. [LB968]

SENATOR LATHROP: Okay. And if we did that and then jumped over to next year, Appropriations Committee is also looking at the out numbers or the out years. Is that right? [LB968]

SENATOR HEIDEMANN: We always keep them in mind. Yes. [LB968]

SENATOR LATHROP: Okay. And using assumptions given to us by the Forecasting Board and assumptions based upon what current law is in statute, for the next biennium line 30 shows a negative \$460 million. Is that right? [LB968]

SENATOR HEIDEMANN: That is right. I will say that those are LFO numbers right now at 3.6 percent revenue growth in the out years. It will be the next October Forecasting Board that will determine the actual revenue numbers. [LB968]

SENATOR LATHROP: But as budget creators, we have to rely on some... [LB968]

SENATOR HEIDEMANN: That's what we're working on right now. Yes. [LB968]

SENATOR LATHROP: And this is the type of information generally relied upon by the Appropriations Committee in making their budget. [LB968]

SENATOR HEIDEMANN: Yes. And it's actually...they have a pretty good track record. [LB968]

SENATOR LATHROP: Okay. So we can as we look into the out years, and if nothing else changes, if we don't raise taxes or cut our way to a balanced budget, we are going to be in a \$460 million hole next biennium. Is that true? [LB968]

SENATOR HEIDEMANN: That's if we don't spend any money of the that \$17 million for A bills. If we spend money out of that \$17 million figure, that affects the out year, and then the deficit will grow. [LB968]

SENATOR LATHROP: That will actually make the \$460 million closer to a full half a billion dollars. Is that right? [LB968]

SENATOR HEIDEMANN: Closer there. Not quite get there but closer there. [LB968]

SENATOR CARLSON: One minute. [LB968]

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SENATOR LATHROP: Okay. Are you familiar with the tax cuts the Revenue Committee just put out? [LB968]

SENATOR HEIDEMANN: Somewhat familiar. Yes. [LB968]

SENATOR LATHROP: And if those tax cuts passed, what would it do to that \$460 million number next year? [LB968]

SENATOR HEIDEMANN: If the numbers that I remember, it would probably add another \$140 million to that, so you'd probably be looking right at a \$600 million shortfall as we know it now. [LB968]

SENATOR LATHROP: Six hundred million is the hole we will be in next year given the forecast and given the tax cuts were they to pass. Is that your answer to me? [LB968]

SENATOR HEIDEMANN: As we see it now, yes. [LB968]

SENATOR LATHROP: Do you consider that prudent? [LB968]

SENATOR HEIDEMANN: That's a good question. I mean... [LB968]

SENATOR LATHROP: Well, maybe it's a difficult question because it's also loaded with politics. Six hundred million dollars is going to be the shortfall... [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR LATHROP: Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Lathrop and Senator Heidemann. Senator Hadley, you're recognized. [LB968]

SENATOR HADLEY: Mr. President and members of the body, I do stand in favor. I just wanted to thank the Appropriations Committee for their work and thank them for the allied health program and nursing program at the University of Nebraska at Kearney. The military has a saying, "boots on the ground." We need allied health and we need nurses in outstate Nebraska. I just want to take a minute and tell you what the states north of us and south of us are doing to try and get the healthcare to their states. In South Dakota, their legislature got done about the first of March. They increased their medical school budget by 10 percent. They increased the number of students in their program from 52 to 56. They also established a rural track as an option for their third-year students to go to small towns and stay there for the year to take their third year. The University of Kansas opened a new medical school campus that provides "a

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novel solution to their persistent problem: an inaugural class of eight aspiring doctors will receive all of their training in exactly the kind of small community where officials hope they will remain to practice medicine." That is in Salina, Kansas. "The new school, operated by the University of Kansas, is billed as the smallest in the nation to offer a full four-year medical education. More importantly, supporters say, the students will remain personally and professionally rooted in the agricultural center of the state, a three-hour drive from the university's state-of-the-art medical and research facilities in Kansas City." I look forward to the future where we do more to help outstate Nebraska help to solve the problem of having healthcare professionals in outstate Nebraska. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Hadley. Senator Nordquist, you're recognized. [LB968]

SENATOR NORDQUIST: Thank you, Mr. President and members. I appreciate the discussion that has kind of begun here on looking at our out year projected budget deficit that we would be facing--\$460 million. That's based on the current projections. And I think...I can't remember the exact number, but we were here about a year ago discussing a bill that had a very big fiscal impact on those out years. And at that time, I think even with that bill included, we were looking at maybe in the neighborhood of a \$300 million projected budget shortfall in that year. So in the last year that number has increased, and now we're looking at \$460 million if we do the spending as Senator Heidemann said of the remaining dollars that we have in General Funds available to us, which a significant part would be for child welfare. There's a long list of other bills that we've already advanced to Select File and Final Reading that we would be looking at nearly a half a billion dollars right there. And I encourage you to look at the green sheet and look at those key priorities we've already moved to Select File and Final Reading, both revenue decreases and appropriation increases. What does that mean, \$460 million shortfall in the next biennium? It's based on projected spending levels, yes. But if you turn to page 10 in the green appropriations book, you can look at the list of what's all included in that. Some of these things are things we probably can't do much about--employee salary increases and health insurance, 2.5 percent for salary increases; 10 percent projected for health insurance. That's based on historical averages. That's negotiated. There's not a lot we can do about that. DHHS eligibility and utilization--not a lot we can do about that. Replacing one-time funds in DHHS aid and operation programs--not a lot we can do about that. Homestead exemption increase--unless we're going to go in and make significant changes to the homestead exemption, not a lot we can do about that. So how do we get to \$460 million? Well, it's actually if you look on the green sheet, if we pass all the bills we've already advanced, it's \$480 million. Well, first of all, we can completely wipe out TEEOSA. That would get us \$260 million there. That's completely flat for TEEOSA for the next biennium. Agency operations--zero increase for state agency operations. That's only \$16 million. You say you want to cut state government? Holding all those agencies flat only gets us \$16

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million there. Community colleges--flat. That's only \$9 million. Provider rates--If we go flat on provider rates, that's \$92 million. If we do all of that, if we hold TEEOSA flat, provider rates flat, state agency operations flat, community colleges flat, we are still \$100 million short of getting to \$460 million. That's where we're at right now without doing anything else, without any new spending, without passing any tax cuts. I'm looking for an answer. We've asked the administration time and time again when they put this tax cut forward, "How do they pay for it?" We haven't had an answer yet. Are we going to take TEEOSA negative? Are we going to take provider rates negative again? Folks, when I said that provider rate thing, here's the scary thing. We talked about the nursing homes closing around the state already this year in Scottsbluff, Gering, Gothenburg, Nelson, Sargent, Beatrice, Tilden, Campbell, Spalding, and more planned in 2012. If we hold provider rates flat in the next biennium, flat from where we are right now at negative 1 percent, from where they were in '09-10, that means from 2009-2010 providers would have seen... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR NORDQUIST: ...a negative 1 percent...or a 1 percent decrease from '09-10 all the way through 2014-15. They would have seen a 1 percent decrease. How many nursing homes are going to close then? That's what we're facing. This is the fiscal predicament we're in and we need to be responsible and not pile on. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Nordquist. Senator Howard, you're recognized. [LB968]

SENATOR HOWARD: Thank you, Mr. President and members of the body. Well, that's a hard one to follow. I stand to thank the Appropriations Committee as I've done in the past, and I'm going to reminisce a little bit. The first bill that I got passed was in February of 2005, and that was to provide early intervention services, which in a nutshell prevented babies, infants, from being hurt, and helped their parent, who in many times was in a tough situation, to be able to bond with the baby. In 2007, I was able to go to the Appropriations Committee and show that this program was working, and the funding through matching dollars with the Visiting Nurse Association was appropriated and the committee was able to grant me an amount of money to continue this program--and I really shouldn't say "to me." Really to the programs that administered this program which I am so supportive of. This program has, in fact, prevented children from being hurt and from coming into our foster care system, which I'm sure is what we all want. Prevention works. Recently there was an article in the World-Herald quoting an individual in Virginia, not a Nebraskan but a person in Virginia. I think of him maybe as an armchair quarterback critiquing our work to improve our child welfare system. There was no mention of what we've done in this state in terms of prevention through the early intervention program to keep children safe in their own

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homes. This program, again I go back to it, protects our Nebraska children and saves our taxpayer dollars. I thank the Appropriations Committee for seeing the value in this program, for standing with me to continue to support it. And even though I frequently think of the Appropriations Committee as all-day math and that I couldn't do it, I really stand in admiration of the work that they have done. Thank you so much. [LB968]

SENATOR CARLSON: Thank you, Senator Howard. Those senators still wishing to speak: Senator Dubas, Senator Council, Senator Conrad, Senator Karpisek, Senator Mello. Senator Dubas, you're recognized. [LB968]

SENATOR DUBAS: Thank you, Mr. President. Colleagues, for those of us who will come back next year, the discussion that we're having right here today is the most important one we'll have this session. We cannot underestimate the discussion that we are having today, because what we spend today we will deal with in the next budget session. We will pass a balanced budget the next go-around. There's no question about that. We are required to pass a balanced budget, and I think that's one of the things that makes Nebraska unique and that has allowed us to weather this economic storm that so many of the other states across the nation are facing. So we will pass a balanced budget. We've already gone through some very difficult budget-cutting sessions. Nobody enjoyed those at all. But we'll be back doing that exact same thing in the next session, because we will pass a balanced budget. And if we're looking at the deficit that we're looking at right now, in order to pass a balanced budget with no additional increases in our tax revenues, we will cut our way out of that. And where will those cuts come from? Will they come from TEEOSA? You're going to hear from your schools on that. Will they come in cuts to county services, courts, judges, those types of things? You'll hear from your counties about that. Go through the list of programs that we deal with, of programs that we fund at the state level that we will now be looking at needing to cut, because we will pass a balanced budget the next go-around. And tax cuts. Who doesn't want a tax cut? But we have to look past the end of our nose into the next budget cycle. We have to make responsible policy decisions that will place us in a position that we can pass a balanced budget and try to continue to provide the services that we as a state are required to provide. So we can do some of the things that are on the table now, and I think the budget that the Appropriations Committee has put out for us is a good one and they've tried to be very responsible. But you have to look at those numbers. You have to look at where we're at: \$17 million. Who wouldn't want \$17 million in their checking account? I sure wouldn't turn it down. But at the state level, \$17 million doesn't go very far, and we already see how much that's cut into just by the bills that we have on Select File right now. And we still have some very real bills that we'll be debating in these final days that have legitimate needs for funding. It's time to prioritize, time to decide what kind of a position...for those of us...take heed. For those of us who are coming back in the next budget cycle, we are the ones that put this puzzle together, that pick up these pieces, that have to explain to our constituents: I'm sorry, but decisions we made in the last budget cycle are now impacting where we're at today.

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And the only way we can pass a balanced budget is by cutting our way to that. Again I'm always proud to say to my constituents that we pass balanced budgets. Our constituents live that way; we shouldn't live any differently. But this is the most important discussion that we as legislators who are going to come back in the next biennium will have in the remaining days of this session. We need to be engaged. We need to be asking questions. We need to be looking at... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR DUBAS: ...the yes votes that we make today, what position they put us into. There's two different types of decisions to make. There's policy decisions and there are political decisions. We face those types of decisions every single day that we're in here. Neither one of them are easy ones. We have to answer to different people based on the decision we make, whether it's political or policywise. But we are elected to make responsible policy decisions. And as hard as that may be, that's what we need to do. [LB968]

SENATOR CARLSON: Thank you, Senator Dubas. Senator Council, you're recognized. [LB968]

SENATOR COUNCIL: Thank you again, Mr. President. And I appreciate the comments of my colleague, Senator Dubas, because I mean that's exactly the point that we need to be focusing on. And I sat here a minute ago and I listened to my colleague, Senator Hadley, speak in support of the portion AM2123 that provides for the program at the University of Nebraska-Kearney in the allied health areas. And I don't think anyone in this body disputes that we need to provide avenues for our young people to pursue careers in the health sciences that meet the needs of our residents. But we also have to view that in the context of for whom are these individuals that we're going to be providing this education going to be working in our communities if we are providing Medicaid providers with rates below what they need to stay in operation. I trust it hit you the same way it hit me when Senator Nordquist rattled off the list of nursing homes that are closing, that have closed across this state due to their inability to continue to provide services because of, in part, reduction in Medicaid provider rates. I don't want us to be in a position as a state where we are making sure that we have a source of labor to meet the healthcare needs of the residents of the state but we don't have the healthcare providers because we don't reimburse them at the rate that they need in order to stay in business. So I think we need to be looking at some of these programs in conjunction with each other, and to be in a position where we are training individuals for positions that may not exist in the state. And then what we end up doing is training people to export, and I know that none of us in this body want to do that. I also look at the fact that there is provision made in AM2123 for a reduction of the waiting list for developmentally disabled individuals in the state of Nebraska. I had a brief conversation with Senator Lathrop off the mike with regard to this waiting list and what it actually means. And if

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Senator Lathrop would yield to a couple of questions, I'd appreciate it. [LB968]

SENATOR CARLSON: Senator Lathrop, would you yield? [LB968]

SENATOR LATHROP: Yes, I will. [LB968]

SENATOR COUNCIL: Senator Lathrop, as I understand AM2123 in terms of budget adjustments, it provides for an additional sum of money, \$4 million a year, to address the developmental disabilities waiting list. It's my understanding that currently that waiting list consists of about 1,500 individuals. Is that correct? [LB968]

SENATOR LATHROP: That's true. [LB968]

SENATOR COUNCIL: Do we have any firm idea of what kind of impact it will have on the waiting list with this \$4 million appropriation? [LB968]

SENATOR LATHROP: We can estimate. And the reason I say estimate is that when we put \$15 million into the waiting list a few years back, we had a waiting list of 1,500, we offered services to a number of people and what we found were two things. One is a lot of people on the waiting list had been there so long that they moved, died,... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR LATHROP: ...or forgot they needed the services. They just...they made other arrangements in the meantime. Some people were on there because they never thought anybody would ever get to them so they got on early. We provided the services and the next thing that happened is some people who had been waiting and didn't bother to get on the list because it was... [LB968]

SENATOR COUNCIL: Futile. [LB968]

SENATOR LATHROP: ...something that didn't seem like it was ever going pan out. We expect...somebody just handed me a note. There's 1,766 people on and we expect to take care of 212. [LB968]

SENATOR COUNCIL: And I think that's important. There are 1,766 people, Senator Lathrop, am I correct? Is that what you said, 1,766? [LB968]

SENATOR LATHROP: Yes. [LB968]

SENATOR COUNCIL: And with this \$4 million, we expect to take care of 212. [LB968]

SENATOR LATHROP: That's it. [LB968]

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SENATOR COUNCIL: Yeah. And I just think that we need to get... [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR COUNCIL: Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Council and Senator Lathrop. Senator Conrad, you're recognized. [LB968]

SENATOR CONRAD: Thank you, Mr. President. Good afternoon, colleagues. I'm glad that my light was on after Senator Council's, because the waiting list issue was one that I did want to address in greater detail. And I wanted to talk about really two major points at this stage in our appropriations debate. One is related to fiscal projections, which we've had some dialogue about this afternoon already, and the other is related to policy choices and priorities. I've said it many times in committee. I've said it many times on the floor of the Legislature. I believe very ardently that, in fact, the budget is a moral document as it does indeed set forth what is important to us as a state. And we have the arduous task of balancing many, many important and critical state obligations, from human services to education to public safety to infrastructure to economic development to tax relief. The list goes on and on and on. And we do strive to do our best to achieve balance in regards to each of those areas. I do want to start off, though, talking about projections. And we had a great deal of discussion last year on an infrastructure spending bill about the projections for our budget in the out years. At that point, we were roughly at about a \$300 million deficit. Well, colleagues, as you can guess from dialogue that's happened this afternoon, that number is growing to \$460 million and beyond as we get more information and can fine-tune our projections based on current economic conditions and historical trends about where we're going to go. So we continue to head in the wrong direction in terms of what our financial obligations are for the out years, and that's something that we need to be very, very, very, very careful and concerned about. The next thing I do want to talk about is policy choices. And make no mistake, it's no secret or news to anybody in this body or beyond that at this point in time there's some form of the Governor's tax cut bill making its way to the full Legislature. It's been advanced from the Revenue Committee. And to be fair, the Governor does set forward how he's going to pay for that in his budget recommendations to the body. And he has different policy choices put forward than, say, I would think would be appropriate or that would be reflected in this General File package of budget bills that you see. For example, the Governor specifically put forward cuts to things like Medicaid, including cuts to nutritional services, for those who rely on those kinds of services to maintain their basic health. Myself and other members of the Appropriations Committee said that's not reflective of our priorities. We're not going to pay for this tax cut by literally cutting nutritional services for many, many vulnerable citizens. That's but one example. The Governor took into account many other very

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dramatic cuts to critical human services to pay for his tax cut plan. And I'm guessing that since there's members of the Revenue Committee here today, they must have had a plan in place about how they were going to pay for those tax cuts when they voted yes this afternoon. And I'm eager to hear what that is because the time for that debate is now, not on LB970. It's when we have to balance the budget today and down the road. Should we go back and revisit? Should we cut nutritional services for Medicaid recipients? Should we cut home healthcare needs for families? These are...the Governor was very clear about what he was going to cut to pay for his tax cuts in the first year. I want to know from members of the Revenue Committee what their plan is. And if they didn't have a plan when they decided to send that bill to the full Legislature, how irresponsible, because we need to have that information... [LB968 LB970]

SENATOR CARLSON: One minute. [LB968]

SENATOR CONRAD: ...so that we can make informed choices as policymakers. And it should be a debate. The Revenue Committee should be able to say these are our priorities and these are not our priorities, and our priorities are tax relief and not taking care of human services. That's a fair debate. That's an honest debate that we should have. But we should have the information available to us so that we can make informed decisions. We don't have that today and that's a disservice to this body, this budget process, and our citizenry. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Conrad. Those still wishing to speak include Senator Karpisek, Senator Mello, Senator Lathrop, Senator Wallman, and Senator Flood. Senator Karpisek, you're recognized. [LB968]

SENATOR KARPISEK: Thank you, Mr. President and members of the body. Senator Nordquist hit a chord with me when he started talking about provider rates and nursing homes, care centers, those sort of things. I am working at one right now, and I can tell you that those provider rates are huge. It makes the world of difference. Now you can talk about where you should cut and where you shouldn't cut, all those sort of things. But I'll tell you what. When you have your mom or your grandma or whoever in a nursing home, I'd like to hear you talk about cuts when Grandma or Mom is only going to have a nurse maybe half a shift. Well, you can't do that because that would be illegal. However, do you want that nurse to be there for two shifts in a row, which doesn't help, because then you're paying overtime? These provider rates really, really do make a difference in their bottom line. It is not cheap to pay for these people in the nursing home. Now we can say, well, they should have done a better job of saving money; they should have gotten long-term insurance; they should have done this, that, and the other thing. And we all should. But not everyone does. So they get there and then what happens? They have to be taken care of just like anyone else. What happens when those provider rates are lowered? The private pays go up. Insurance, what insurance has to pay, goes up. What comes out of their personal checking accounts goes up, and

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it's a vicious cycle. They have to have good care. Everybody wants them to have good care. The cuts there are not a good place to cut. Where I work is also a VA-certified nursing home. Taking a VA patient isn't worth it. It would be cheaper to leave the bed empty. To me that makes no sense, and that is nothing from the state obviously, but it's from the feds. We have waiting lists in the metro area for VA beds, but to come to a private place and then be reimbursed with the VA payments isn't worth it. It's too low to make it pencil out. And again, you can say, well, then they should do things differently. But there is only so many places you can cut. You have to have 24-hour care. You have to have everything that goes along with it. So to strip those people down and to make private pay, pay more, because those people don't have, doesn't make sense. And I get back to a lot of the things in the budget that I like and some that I don't care for so much, and much of it goes along that same thinking. Is this what we really want to spend our money on or are there other things that need to be addressed and are we addressing them enough? Some people, of course, think that maybe we're overspending on some things that I may think we're underspending on--and I get that. And I know that everyone is mindful of that. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR KARPISEK: But when we come down and it hits home and it actually affects you, I'll bet you your thinking changes. It's easy to say, well, they should have done a better job; they better go get a job; they better do this or that. But maybe when it's your disabled parent that hasn't been able to work, has to go into a facility, and doesn't get the care that they should get, then we'll think, well, why aren't they getting that? It comes back here. So again I just want to take a good hard look at a lot of these things. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Karpisek. Senator Mello, you're recognized and this is your third time. [LB968]

SENATOR MELLO: Thank you, Mr. President and members of the Legislature. Would Senator Heidemann yield to a question? [LB968]

SENATOR CARLSON: Senator Heidemann, would you yield? [LB968]

SENATOR HEIDEMANN: Yes. [LB968]

SENATOR MELLO: Senator Heidemann, we were talking off the mike as well as talking with a few of the fiscal analysts, and in our green copy here of the "Appropriations Committee Budget Recommendations," there's one line, you go to page 10, where it talks about Table 3, the "Projected Budget Increases--Following Biennium." The last item of Table 3 says the "Federal Health Care Reform, the Affordable Care Act," and it has question marks there. Could you provide the Legislature maybe a little bit...a little

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insight, so to speak, of where we either as a committee and/or where the Governor and the administration has put projections possibly of where a dollar number, so to speak, may fall in regards to the implementation of the Affordable Care Act? [LB968]

SENATOR HEIDEMANN: We've had these discussions ever since the Affordable Care Act has been enacted and passed by Congress and signed by our President. We've actually hired, I believe the name of the company is Milliman... [LB968]

SENATOR MELLO: Milliman. [LB968]

SENATOR HEIDEMANN: Is that correct? [LB968]

SENATOR MELLO: Milliman. [LB968]

SENATOR HEIDEMANN: Okay. And the numbers that they put out, which I don't know if we can argue with, is I believe it's \$30 million in the first year, \$55 million in the second year. We have not included those numbers in the green sheet. There's talk about, you know, there's things happening right now in the U.S. Supreme Court. But I do believe it's my understanding that actually that decision would have no effect on the enhanced Medicaid and other things that would affect the cost to the state. [LB968]

SENATOR MELLO: Actually, Senator Heidemann, that is spelled out a little bit on page 11 of our budget recommendation that, yes, the Supreme Court decision that will be rendered later this year has no impact on the Medicaid expansion, in which if, colleagues, you would turn to page 11 on your budget recommendation guide, Senator Heidemann pointed out that, yes, we do use Milliman group, which I distinctly remember Governor Heineman traveling the state emphasizing this entity's report of how much money this was going to cost the state. Yet, even the Governor in his own budget projections and budget document this year, did he put any--Senator Heidemann, this is a question to you--did the Governor put any dollar amount in this biennial budget at all for healthcare reform or allude to any amount that will need to be included for next year's biennial budget regarding healthcare reform implementation? [LB968]

SENATOR HEIDEMANN: I don't believe that was in the Governor's request. No. [LB968]

SENATOR MELLO: Okay. Thank you, Senator Heidemann. Colleagues, I raise this issue because we were talking off mike in the sense of trying to provide the Legislature a clearer perspective of what we're ultimately dealing with fiscally. And while some colleagues obviously do not want to see more Nebraskans get access to healthcare with some of the implementation aspects of the Affordable Care Act, some of those aspects will be law regardless of what happens with the Supreme Court. And I think what Senator Heidemann just said, and that was the understanding of the Fiscal Office,

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is that that Supreme Court decision has an impact on the individual mandate that has an impact on the health insurance exchanges in which our own Banking, Commerce and Insurance Committee held a hearing on recently this year. That does not have an impact of what we're talking about in regards to the Medicaid expansion. So I would pose to this Legislature and pose to the Governor, since we're using his number that he traveled the state advocating for, campaigning for, essentially, last year, that we are missing \$85 million on top of what is on page 5 of the Appropriations Committee budget request--essentially the General Fund financial status. There is \$85 million that's not attributed there... [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR MELLO: ...in the following biennial budget. Which if you add that \$85 million, colleagues, to the \$460 million, we're talking right now, before we pass any other bills in front of us for the remainder of this session, we have a minimum of a \$540 million projected budget deficit. So I think as we start to expand our dialogue, expand our conversation, this is an issue that we have talked in the Appropriations Committee. It's not part of the actual General Fund financial status, but it's something we will hear. It's something we will debate, and no less, even our own Governor is using his numbers from the report he paid for to give us these numbers. We're using his own projections showing that we're still short \$85 million of what we're currently at with the projected \$460 million next year. Obviously this is going to weigh in to a lot of decisions that we're going to continue to talk about, not just this year but obviously in the next following biennial budget. But Senator Heidemann and I were talking and we felt it would be best to let people know... [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR MELLO: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Mello. Senator Lathrop, you're recognized. This is your third time. [LB968]

SENATOR LATHROP: Thank you, Mr. President and colleagues. I have to tell you, the 460 makes me nervous; the 460 makes me nervous; the 600 makes me sweat. Maybe there's a difference between people who are going to be here next year and people who aren't. But if you're going to be here next year, let me assure you, you've got a dog in this fight. A \$600 million hole--\$600 million, \$600 million. You know, I've listened to the campaign for President. I'm a little bit of a political junky. I watch all that stuff. I watch the Republican debates. And I watch everybody trying to take credit for being a small businessman, because a small businessman wouldn't do this, a small businessman wouldn't do that. We need small businessmen in government, not career politicians. I have to tell you something: I'm a small businessman. I run an office. I'm not the

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managing partner right now because I got this little gig down here, but I have. It's about a 30-man, a 30-person business. We would no more go into next year with that kind of a deficit. Now we don't run those kind of numbers, but just in relationship to the work and the business that we do in a year and what this represents relative to the state's budget, no businessman would go into next year knowing that they're going to have, in a \$4 billion budget, a \$600 million shortfall. They wouldn't do it. They would not do it. We can't pretend that we can silo appropriations, and when we get done with this process and we drag that across the finish line, then we bring out the revenue piece and then we have that conversation. And when we have that conversation, people are going to tell you, don't worry, don't worry, those projections will probably change. You don't really...something will happen. Folks, we are a separate branch of government. We are the Legislature. Each one of you are down here to exercise your best judgment, not to follow...certainly not to follow the executive branch down a process that will leave us with a \$600 million hole. That's not what we're here for. And as far as I'm concerned, we don't get off the appropriation bills until somebody tells us how we're getting out of this \$600 million hole. And if that doesn't happen, it is financially irresponsible--irresponsible--to move the appropriations bills, irresponsible to move this tax cut that the Revenue Committee just put out. It doesn't make sense. And if it doesn't cash flow, it shouldn't go. We have been led by the executive branch for as long as I've been here. They've set the agenda, the tone, and they've told us the way it's going to be when it comes to tax cuts, revenue, and appropriations. And now we are at the point where the consequences have come home to roost and now you're trying to be sold a \$600 million deficit, and for what? What promise do you have that you will be provided with a way out? And why wouldn't you want to be engaged in that process? This is serious business. This doesn't balance. And before we get off these bills, colleagues, we should have answers on how we get to zero. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR LATHROP: How do we balance this? Because until somebody explains that, the bill that came out of Revenue is irresponsible and the Appropriations bill needs some work. And we don't go. We are a separate branch of government. Each of you are elected by 39,000 people to come down here and exercise your own judgment. And you wouldn't do this in your household budget; you wouldn't do it in your business; and it has no place--no place--in the state budget. Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Lathrop. Senator Wallman, you're recognized. [LB968]

SENATOR WALLMAN: Thank you, Mr. President and members of the body. Senator Lathrop is absolutely right. If you can't figure out how in the world this thing is going to work, how is it going to work, you know? And we have people that consider healthcare costs, disability costs, insurance costs. All these are...some of these are tremendous

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benefits. People work. They work in these nursing homes, like Senator Karpisek said, and they're good employees. They work at BSDC, the Mosaics. They pay taxes, folks. They deserve a salary. And we cut their reimbursement rates. Foster care: cut their rates. They were at the bottom of the barrel the way it was to begin with. So why do we keep doing this? Why? Why? Responsibility starts when everyone that sits in here tries to figure out how to pay for things, whether it be revenue is number one, appropriation number two. You have to figure out how to balance the books. Business has to do it. And like Senator Smith, he knows. Farmers have to do it. We have to balance our books or pretty soon we're out of business. And are we giving our providers the business? Yes, we are. So should we help them out? We did somewhat in here, but I think they should have had it all back, the 2.5 percent. But we didn't do it. Is it possible to do this yet? I'd hope so. So thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Wallman. Senator Flood, you're recognized. [LB968]

SPEAKER FLOOD: Thank you, Mr. President and members. While I can appreciate the passion and the concern, which I'm not dismissing as illegitimate, I think it's important that we focus a little bit on the facts of where we've been. When we ended last session, we had \$245 million in the out year for the shortfall; 2010, \$679 million shortfall; 2009, \$467 million shortfall; \$261 million shortfall in 2008; 2007 shortfall, \$22 million; 2006 shortfall, \$234 million; 2005 shortfall, \$230 million. Admittedly, we're talking about a tax cut that goes into the future. Where was the concern the last seven years about the out years? And if there is so much concern about the out years, why aren't we asking ourselves the question: Why \$80 million out of the Cash Reserve? I happen to appreciate the Appropriations Committee recommendation there because I do think those university projects will take our state in the right direction. But if people are laying their lives down in front of the train regarding the out years, why aren't they equally incensed about the \$80 million coming out of the Cash Reserve for these university projects? I guarantee that when everybody ran for office, we talked about cutting state spending and/or reducing the tax burden on Nebraskans. We're talking later this week about a middle class tax cut. We're talking about a tax cut for low-income earners. Now I don't have a design and what that should look like. I don't really know exactly what the Revenue Committee did, and if you would have asked me today at 1:30, I would have said I don't see a bill coming out. But this is part of the process, and the process receives bills and it allows everybody to vote. What I will not allow the Legislature to do is to suggest that people in my class have less of a say because we're not here next year. Let me fill you in on something: The people of the 19th Legislative District have voted two times to send me here, and like it or not I'm here until January 3 of 2013, and I will make decisions that are in the best interest of my constituents and this state. Do not impugn my motives. Do not suggest that I'm not here for the right reasons or that I will not be here to clean up the mess. I will do what I feel is in the best interest of my district. And like it or not, you get to deal with me. You get to deal with Senator

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Langemeier. You get to deal with Gwen Howard, with Senator Fischer, with Lavon Heidemann, with Abbie Cornett, with Rich Pahls, with Tony Fulton. And we will do, like you, what we feel is best for the state of Nebraska and as a member of this Legislature. I also want to make the point that growth in TEEOSA is 22 percent next year. I don't think anybody reasonably believes we're going to increase spending for TEEOSA by 22 percent. I do think there will be an increase; I think there should be an increase. K-12 education spending has risen each year for the most part that I've been down here, with the exclusion of the stimulus money from the government as we dealt with last year's budget. Health insurances costs... [LB968]

SENATOR CARLSON: One minute. [LB968]

SPEAKER FLOOD: ...are estimated at 10 percent. My point in standing up is not to cast a shadow over the concerns that I think are heartfelt and legitimate from some members of the Legislature that have been very passionate. I think this is a good conversation to have. I think it's healthy. I also wanted to provide the perspective that as a member of the Legislature, as you look at the out years, for the last eight years we've seen big numbers in the out years, and I don't remember the outcry to this level on this floor. So let's reasonably look at this. I'm going to support LB968 and I'm going to support AM2123. And we are making stew here, folks, and it's not always easy but it is what we were sent to do. Let's take everybody's concerns and let's see where the body wants to go, and there will be a lot more discussion over the coming days. Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Flood. Senator Dubas, you're recognized and this is your third time. [LB968]

SENATOR DUBAS: Thank you, Mr. President. I do have a few questions. I guess first I'll start out with some of my comments and kind of follow up on what Senator Flood just said. We haven't had a lot of talk about the Cash Reserve and the projects that are being taken out of the Cash Reserve, and I think that should be an important part of the discussion too. I, for one, have a personal bias, and of all the projects that have been proposed for that Cash Reserve spending, my preference is the veterinary diagnostic lab. And I know we're taking General Fund dollars for that and I think it's appropriate that we do that, because I view that veterinary diagnostic lab as not a want but a need and something that is very important. You know, when you hear the term, you're immediately going to think animals and livestock; but it goes much, much farther beyond that and it really is a lab that serves every citizen in our state and it's a lab that has a great reputation. They serve people not just within the state of Nebraska but also outside of Nebraska, and it is the only accredited lab that we have in the state. So in terms of public safety and the types of work that they do, we can't underestimate the value of that lab not only to the number one industry in our state, agriculture, and livestock agriculture in particular, but also to every citizen across the state. And so while

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I see merit in the cancer research and the nursing college and those things, you know, if I personally was making preferences and was able to influence those preferences, I probably wouldn't be as inclined to support those. But I am very much inclined to support the veterinary diagnostic lab for the reasons just stated. But we do need to look at that bottom line on the green sheet as far as what our Cash Reserve looks like, not only today but into the future, and that's a very important figure that we have to be mindful of. And I know there was a lot of talk as we came into this session about the importance of building that Cash Reserve back up because we saw the value of having a healthy Cash Reserve when we were in those lean times. That Cash Reserve served us very, very well. And so I think the importance of building that back up, too, is important and needs to be a part of this discussion. And my first two years down here when we had budget debates, because of some of the members that we had in the body, the budget debates were very similar to what we're having today. And I think, as the Speaker pointed out, these are healthy debates for us to have. You can't have a full understanding of what's going on unless everybody is getting their thoughts, their ideas, their questions, their concerns out on the table. So I see this as a very healthy debate and an important discussion not only for those who are going to be leaving us in the near future but for those of us who are coming back. Because the minute we walk out the door, it's our constituents who have the questions for us. And we need to be able to answer our constituents in a manner that even if they aren't going to agree with us, hopefully they'll be able to understand why we made the decision that we made. So in light of that, I do still have some questions, and I think Senator Nordquist was answering some of these questions earlier on dealing with some of the Medicaid...restoring some of the Medicaid cuts. So I guess I'll keep up with Senator Nordquist if he would yield, please. [LB968]

SENATOR CARLSON: Senator Nordquist, would you yield? [LB968]

SENATOR NORDQUIST: I'd be happy to. [LB968]

SENATOR DUBAS: Thank you, Senator Nordquist. And this may have already been touched on and I'm sorry if we've missed it, but you initially look at these numbers and you think these are probably legitimate areas where we need to make cuts in, and we did. And obviously the Appropriations Committee grappled with this last year when you started out looking at 5 percent cuts and you got it down to 2.5 percent, and now this year you come back looking to restore it. [LB968]

SENATOR CARLSON: One minute. [LB968]

SENATOR DUBAS: I'm sure there's reasons beyond just the numbers as to why you felt it was important to restore some of that funding and what that costs us not just in the actual dollars we see on the sheet but those dollars underneath the dollars. [LB968]

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SENATOR NORDQUIST: Yeah. The...I mean, you're asking for the reasons outside for restoring...? [LB968]

SENATOR DUBAS: Yes. [LB968]

SENATOR NORDQUIST: And we've talked about the loss of services across our state in the nursing home sector, but we also heard from hospitals that are struggling to continue to provide services. We know in all other areas of Medicaid, certainly dental is a tremendous one where across the state we don't have the service capacity; mental health services, you know and Senator Campbell certainly knows the importance there of maintaining a network of providers. And it was brought forward solely because of those concerns... [LB968]

SENATOR CARLSON: Time. [LB968]

SENATOR DUBAS: Thank you. [LB968]

SENATOR CARLSON: Thank you, Senator Dubas and Senator Nordquist. Members still wishing to speak include Senators Wightman, Nordquist, Krist, Conrad, and others. Senator Wightman, you're recognized. This is your third time. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. President. Speaker Flood stole a lot of what I was planning to say. I'm not charging him with larceny or anything, but he did cover some of those areas. I know people were struggling with how we look at this \$460 million shortfall which, as Senator Lathrop justifiably raises, may be \$600 million if we look at the tax cuts proposed in LB970. And so I certainly sympathize with those who are raising those issues. They are very important. I think we've had great debate. Senator Dubas has just discussed some of them. One of those had to do with restoring provider rates. We did look at a lot of things in considering that. We looked primarily at what might happen to our care facilities in outstate Nebraska, but I think it applies probably equally in Lincoln and Omaha as well, that we were going to lose some of those providers. And since I have checked, I mentioned this morning that anyone who took subsidies to build these facilities had to go ten years before they could cut service to Medicaid patients. Much of that ten years has run, and in the next year or two we're going to see more of that. And we're going to see providers quit providing care home services, we're going to see providers quit caring for assisted living, and our hospitals are going to be under fire if we don't restore that. Whether we should have restored more, but I can tell you it was somewhat of a struggle to even get to the point where we did, to where we restored 60 percent of it. But I think it was necessary. We've discussed the restoration of the funds to provide for the waiting list. I think that was important that we do so that we don't get further behind. But just looking at the budget, as Speaker Flood mentioned, we've looked at big deficits in the out years before, maybe only one year I think I only heard him one mention \$400 million. But we've had deficits staring us

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in the face over the time that I've been here, over six years. Just to take a more realistic approach, you see the four...I'm looking at page 5 on the "General Fund Financial Status," we see \$460 million appearing. That could get bigger. We have \$341 million in Cash Reserve. How much of that Cash Reserve we use depends a lot upon what forecasts in the revenue show. I know last year there was talk about reducing it to \$125 million. The April forecast, it was substantially higher, and as a result we ended up with far more in the Cash Reserve Fund than we thought we would have going in. So all of those can be considered. I think we also need to consider that there will be three additional forecasts between now and when we set the final budget for the next biennium. That will include a forecast in October, one in February, and one that we don't get during the short term is the one in April. So I don't know that anybody can predict what those are going to bring. I don't think we want to look too strongly at what improvement we may see in that financial picture. [LB968 LB970]

SENATOR CARLSON: One minute. [LB968]

SENATOR WIGHTMAN: But I think it is worth considering that there will be three additional forecasts that can be considered, and we hope those will be good, but we can't predict that. So at any rate, I think if you take a realistic approach to this, I think our budget is within keeping even though it does project the \$460 million forecast. You're going to have to make your own decision on the actions taken by the Revenue Committee on LB970. But everybody can look at that from their own viewpoint, I think, but I agree that it's going to be difficult to take those cuts. But I did want to at least look at balance and what we've looked at in prior years, and fortunately we've been bailed out in some of the situations by the newer forecasts. And as the Speaker said, we're not probably going to take anywhere near... [LB968 LB970]

SENATOR CARLSON: Time. [LB968]

SENATOR WIGHTMAN: Thank you, Mr. President. [LB968]

SENATOR CARLSON: Thank you, Senator Wightman. Senator Nordquist, you're recognized. This is your third time. [LB968]

SENATOR NORDQUIST: Thank you, Mr. President and members. You know, my concern with the out years is about piling on. In those years when we saw the \$600 million deficit, we didn't take action the year before to dump money on it. And rarely, folks, rarely do we enact major tax policy in a nonbudget year. We look at it in context of what our budget is. We look at it in context of what our receipts are currently and what we can give up. We don't do it looking out at a significant budget deficit. And that's the challenge that's going to come before us here. I appreciate Speaker Flood's comments about the concern of the \$80 million. My only thought is, number one, that's the difference of a one-time invest-in-our-state infrastructure project versus ongoing state

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obligations so it doesn't compound our deficit like adding that money into our budget, and it moves our state forward, obviously. But if we continue to add to that out year deficit, we are not going to be able to invest in those projects in the future. We are going to be in a position for the next biennium we are hamstrung and we are not going to be able to make those investments when they come along. We talked about where we come from the last few years, the deficits we've seen. We all know how deep those were. We all know how much pain there was. But, folks, think about some of the actions we made and what that takes off the table going forward. We eliminated state aid to cities, counties. We can't do that again. We're getting down to some bare bones with just a little bit of meat left on it. And that little bit of meat is TEEOSA, it's provider rates. There's not a lot left to cut. So when we're facing a \$480 million, \$460 million, \$600 million, whatever it ends up being, we're cutting the last little bit of meat off the bone that we have left. And it's important that we know where we're at. Senator Wightman just said, you know, it's not likely we're going to be there. And, you know, that's a guessing game at this point. I think the estimates that we get from Global Insight, they still continue to express concern about the world economy and the price of oil and what that's going to mean to the world economy and what that's going to mean to our U.S. economy and our state's economy and our state's tax revenues. So to say this isn't going to be \$460 million, probably not. Could be worse. Like I said and Speaker Flood said, where was the outrage previously? Well, I think if we look back and go through the transcript of LB84, there was a lot of discussion at that time about the impact of that bill on the out years. There was a lot. And at that point with LB84, we were maybe looking at a \$300-or-so million projected budget shortfall. It's increased now and we're one year closer. So the likelihood that we're going to be around that number is significantly higher. And Speaker Flood pointed out that, well, TEEOSA is at 28 percent in that projection. Right, it is. And as I said earlier as I walk through what it would take to get us to just...to get us to a \$100 million budget deficit, we would have to flatline TEEOSA completely. We would have to flatline provider rates, which is actually a 1 percent reduction from where they were four or five years ago. We would have to flatline community colleges. We would have to flatline state agency operations to get us to \$100 million with our current budget. We can't ignore this, folks. It would be completely irresponsible to ignore this... [LB968]

SENATOR COASH PRESIDING

SENATOR COASH: One minute. [LB968]

SENATOR NORDQUIST: ...and just say it's going to get better. Thank you. [LB968]

SENATOR COASH: Thank you, Senator Nordquist. Senator Krist, you are recognized. [LB968]

SENATOR KRIST: Thank you, Mr. President. And good afternoon, Nebraska, again,

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and colleagues. "WHEREAS, the Legislature has enacted budgets during the 2009 regular and special sessions and the 2010 regular session in reaction to a weakened economy and declining revenue to the state General Fund; and WHEREAS, the budgets enacted for the current budget biennium contained significant reductions to General Fund appropriations and reliance on increased fund transfers and federal fund sources that are one-time sources of support; and WHEREAS, General Fund projections for the next biennium, ending June 30, 2013, anticipate continued fiscal stress, resulting in a shortfall to balancing the budget to the minimum statutory reserve of three percent for the biennium, by at least \$650 million; and WHEREAS, the magnitude of the shortfall demonstrates the inability of state government to sustain current services under current revenue assumptions for the next biennium,"...and I'll skip the other couple of WHEREAS's. Let "it be resolved...that the Executive Board of the Legislative Council shall determine the budget review subject-matter jurisdiction of standing committees and the executive board used for purposes of Legislative Rule 8, section 4." For those of you who don't remember it or have never read it before, that was LR542. I learned more about the budget process and about my job in that one summer in this interim study than I could have ever hoped to in any academic session, even with Patrick O'Donnell. I'm going to tell you that we're probably going to be here again, and I'll be the first one to say that I would support another LR542, particularly with the turnover that will happen in the next few years, because we will once again make ourselves smart. We will look at the jurisdiction in our subject matter in our committees. We'll make the necessary changes we need to make. We won't repeat the mistakes of the past. Having said that, the white elephant in the room is always, if you will, 49 ideas; 49 ways to spend money; 49 priorities, some of them combined into committee priorities. And then there's one other priority at the executive level and there's some priorities in the judicial branch. That's our job. We have to balance those. If restoring essential services that we had to cut through the LR542 process and through what we learned a few years ago in the budget cutting sustains us and we take it forward, then let me use a phrase that you have all heard at one time: It's not the right time. Is it the right time to give \$25 million to the university and Innovation Campus last year? Maybe not, we did it. Is it the right time for capital investment, capital construction investment? Maybe not, but is that our resolve with LB968 and AM2123? I've used that word a lot this year: resolve--legislative resolve. What is the resolve of this body in setting a budget? There's another white elephant in the room and that's very clear: It takes 30 votes to make sure that our resolve is clear. Now we can talk about what came out of Revenue in Executive Session and we can talk about all those things, but we have a job ahead of us. I think we need to get back on the subject matter, LB968, AM2123. We need to get this moving forward. And in between now and Select, we have to roll up our sleeves and figure out what our resolve is. That's how we work out the appropriations process. I again really appreciate what the Appropriations Committee has done. [LB968]

SENATOR COASH: One minute. [LB968]

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SENATOR KRIST: It has, as the Speaker referred to, turned the simmer up, added some of the ingredients to the stew, and it's up to us to finish it off. Thank you, colleagues. [LB968]

SENATOR COASH: Thank you, Senator Krist. Those wishing to speak: Senators Conrad, Council, Burke Harr, and others. Senator Conrad, you're recognized. [LB968]

SENATOR CONRAD: Thank you, Mr. President. Good afternoon, colleagues. This is fantastic. We're actually having a budget debate in Nebraska. As a member of the Appropriations Committee, I have the unique opportunity and distinct pleasure of being able to frequently dialogue with my colleagues about these issues. But we haven't had a lot of dialogue about these issues over the last couple of years. And part of that is based upon the hard work of the committee and the consensus that we have been able to achieve under very, very difficult circumstances. And part of it I think is somewhat a disservice to this body and beyond because there are so many critical issues involved in our state budget that we should talk about it and we shouldn't be afraid to talk about it. And we shouldn't be afraid to ask questions. And we should think about our budget in a more comprehensive manner that is buttressed against our revenue infrastructure. There's absolutely no reason we shouldn't take those considerations together because they matter and they work together. And that's reflected on your green sheet, in our budget process and otherwise, and it's entirely appropriate to have a discussion about revenue infrastructure and about spending obligations. You, in fact, cannot separate them in order to achieve balance and responsible budgets, which we are required to do and proudly do in Nebraska. I think that it is important and the Speaker has provided a good reminder that this isn't personal, this isn't about impugning anybody's motives. It's simply asking, if we're going to have this policy debate, what is the plan? What is the plan involved in moving forward in that direction? That's not a personal attack. That's a fair and legitimate question in legislative debate. If you're going to move forward with legislation that has significant impacts to our revenue infrastructure, that impacts our spending obligations and abilities, how do you plan to pay for it? What are you going to cut? That's an honest and straightforward question. It's not a personal attack. It's part of responsible legislating. And that's what I and other members are asking, because we need to know that as we progress and move forward. We need to make adjustments within this budget and otherwise if this body wants to follow the lead of the administration and put tax relief at the top and above every other state priority. Again, that's a legitimate policy debate to have. But we need to have it and we need to be honest with each other and Nebraskans about what those consequences will look like. As I noted, the Governor put forward in his budget a plan to pay for his original tax cut bill that cut nutritional supplements for Medicaid recipients and a host of other critical human services that would have dramatic impacts on many, many Nebraskans that we got to hear from during the budgetary process who were concerned about making those cuts and paying for those tax cuts. The Appropriations Committee said no, we're not

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going to allow that to happen because the impacts would be too negative, too widespread and too dramatic. So (laugh) now we have to revisit that a little bit because we have a new piece of legislation before us that does impact our budgetary decisions. And the Speaker makes a point that we should be equally concerned about one-time appropriations. I think Senator Nordquist addressed that. But, of course, that is fair game, anything within the budget is. But you're definitely not going to get to a half a billion dollar shortfall in the out years through one-time spending initiatives. And that's a fair argument to bring up and that should be debated. And again, nothing is wrong with debate on that and none of it is personal. It's part of doing our job as responsible legislators. [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR CONRAD: Thank you, Mr. President. I was hoping that...I see Senator Schumacher is here, as a member of the Revenue Committee. I was hoping that he would quickly yield to a question. [LB968]

SENATOR COASH: Senator Schumacher, will you yield? [LB968]

SENATOR SCHUMACHER: Yes, I will. [LB968]

SENATOR CONRAD: Senator Schumacher, thank you. Can you tell me, did the Revenue Committee discuss what kind of spending cuts they'd be willing to make to support the tax cuts that they advanced to the Legislature? Just trying to get some insight into the committee process. [LB968]

SENATOR SCHUMACHER: There was basically a general discussion regarding whether or not we restricted the rate of increase in medical care and education to something that was very, very tight. [LB968]

SENATOR CONRAD: Okay. And was there any specifics provided about how that would happen, what schools it would impact, what medical providers it would impact, what Nebraskans it would impact? [LB968]

SENATOR SCHUMACHER: No, there was not. [LB968]

SENATOR CONRAD: Okay, thank you, Senator Schumacher, that's very helpful, appreciate it. Colleagues, I think this is a great debate and an important debate. And, hopefully, we'll have some... [LB968]

SENATOR COASH: Time, Senator. [LB968]

SENATOR CONRAD: ...more thoughtful discussion as we proceed. Thank you, Mr.

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President. [LB968]

SENATOR COASH: Thank you, Senator Conrad. Senator Council, you are recognized. This is your third time. [LB968]

SENATOR COUNCIL: Thank you very much, Mr. President. I certainly appreciate and respect the opinions voiced by Speaker Flood and my colleague, Senator Krist, but I respectfully disagree. I think this is the most appropriate time for us to be discussing what our revenue expectations will be, what assumptions AM2123 was based upon, what impact other legislation that is pending will have on the decisions that we make. I don't profess to know exactly what the Appropriations Committee was contemplating and what assumptions they based AM2123 and the underlying bill on. But looking at the out year projections that are set forth in the midbiennium budget adjustments, they weren't considering a tax cut because it is my understanding that with the tax cut the out year shortfall gets closer to \$660 million, as the original tax cut was proposed. I don't know what the bill that's been advanced does, if it's significantly less than that or not. But the assumptions upon which LB968 and the amendment are based have to do with what the revenue projections the Appropriations Committee was looking at. I assume that much. And I'm going to ask if...I'm going to ask Senator Nordquist if he would yield as a member of the Appropriations Committee. [LB968]

SENATOR COASH: Senator Nordquist, will you yield? [LB968]

SENATOR NORDQUIST: I'd be happy to. [LB968]

SENATOR COUNCIL: In making a decision to advance LB968 and AM2123, did the Appropriations Committee take into account the impact of any income tax or any tax cut legislation in advancing these measures? [LB968]

SENATOR NORDQUIST: No. The status sheet which represents the budget which you see before you does not include any of those pieces. We were cognizant of critical issues of our state, like the struggles with child welfare and the need to make investments at this point in those. So we talked long and hard and I think there was a lot of consensus in the committee to say, yes, we need to reserve some spending room to say...to fix this child welfare system which has been broken. So we left \$17 million for there for the floor to make those decisions, but ultimately there's no tax considerations taken into this. [LB968]

SENATOR COUNCIL: Okay, and I think that's important, particularly for those who would suggest that this isn't the time to talk about the potential impact that any tax cut bill that this body would be debating would have on our decisions here. And it's very easy to say let's wait until Select File. But there's no need to wait for Select File to begin to discuss these issues, to put them out before the body, because we absolutely need

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to consider them. I appreciate Speaker Flood pointing out that...and I can say since the time that I've been here, '08 the first budget I was involved, biennial budget, 2010 the second one, there were shortfalls projected into the out years. But I also know that... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR COUNCIL: ...when we were looking at those projected out year shortfalls it was due principally to the economy and what we expected our then set of revenue-generating sources to produce. And we operated within that context, that with the revenue generators producing at their current levels, these are the out year shortfall projections. Here we have an out year shortfall projection that's based upon our current revenue-generating sources. Yet there's a bill out there that proposes to alter the levels of those current revenue-generating sources. And I believe that it is critical that we begin to have the debate now about whether or not these one-time appropriations for projects that no one is going to, I don't think, disagree... [LB968]

SENATOR COASH: Time, Senator. [LB968]

SENATOR COUNCIL: Thank you. [LB968]

SENATOR COASH: Thank you, Senator Council. Senator Burke Harr, you're recognized. [LB968]

SENATOR HARR: Thank you, Mr. President and members of the Legislature. When I came down here, my dad wrote me a nice letter and in there he put a piece of advice. He said, think about the long-term consequences of your actions; cooperate, be patient and be decent. I think those are important words to think about as we debate this budget and look at how we debate the budget and what are the long-term consequences of our actions. I also have another saying. When you're in a hole, quit digging. Ladies and gentlemen, we are in a hole and that hole is based on an out year forecast. And forecasts are just that, they are forecasts. They're not containing what's going to happen. But you have an individual who takes into account or group: facts, scenario, logic and reason. These forecasts are not random pieces of spaghetti on the wall. They're intentional, they're meant to inform us, they're meant to help us make good policy. So to say they aren't important or that they've been wrong in the past, the fact is they have been right, we have had budget deficits. And we've had to make hard choices, choices none of us liked. And we've cut a lot of fat. And as Senator Nordquist said, we're pretty gosh darn close to the bone. This is a nontax year, nonbudget year, excuse me. We don't usually make tax policy in nonbudget years and there's a reason, it's because it's not prudent. Cutting taxes is fun. In a lot of ways it's easy, but there are consequences for those actions. I say cutting taxes...my kid's favorite meal is pancakes, she loves to eat them. She's a three-year-old and they're fun to eat, they're fun to make,

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they're easy. I love them. I love making them and she loves eating them, everyone is happy. But the fact of the matter is their nutritional value is near zero. Sometimes you got to eat vegetables. They're not fun, but you got to do what's right. We were brought down here, not to do what was expedient, not to do what was easy. We were brought down here, we were elected by our peers to do what's right. We are facing a big hole. And there are going to be...it's going to be a tough out year. To balance the budget, basically, what we're going to have to do is cut education or cut health and human services. We're already 47th in the nation for state help with education. Do we want to sink lower? Probably get in trouble with some people from Alabama, but do you want to be Alabama? I don't know. I think our education system is more important than that. I think our priority should be our kids and our future and to take care of those who can't take care of themselves. That's the purpose of government. And so, while tax cuts may be fun, they may be easy, they're like pancakes. That's not what we need at this point. So thank you very much. [LB968]

SENATOR COASH: Thank you, Senator Harr. Those wishing to speak: Senators McGill, Sullivan, and Conrad. Senator McGill, you're recognized. [LB968]

SENATOR MCGILL: Thank you, Mr. President, members of the body. I've been reading about this tax cut plan on-line on the newspapers because I'm not seeing it anywhere accessible for us to look at individually yet. And I've consulted with Senator Schumacher on some of the details. And according to the World-Herald, this plan in the first year only applies to married couples with an adjusted gross income of less than \$54,000, which is great. I mean, I think that is a population that if anybody is deserving would be. But yet in the next year, individual income tax rate for the highest bracket that's cut, and then finally in the third year we see a package that reduces state or reduces the income tax for everyone across the board in some way, shape, or form. So when we generalize this as a middle-class tax cut, first of all, I don't think that's very fair considering that there are plenty of people who would truly be in need of the extra money, such as single moms and dads and the elderly who could really use that money on the go. But more importantly, what's being overlooked is that really we're talking about \$30 a person through this plan, \$30, \$30. Is that worth giving up a better ACCESSNebraska hot line so that everyone's elderly parent or grandparent can get someone on the phone so they can get the benefits that they deserve? Is that worth the roads plan that we've enacted? And how many people want better expressways, both here in Lincoln and in other parts of the state? Is that \$30 worth our business tax credits we're talking about? We have a severe...a lack of truly trained employees in this state for the advanced manufacturing jobs that are out there. We could be investing money in training people so they can make a real good living instead of getting \$30 in that year, a real living, an increase in what they're making with better training. There are mental illness and substance abuse programs closing throughout our state. Our mental health county...county mental health center is about to close or is on the verge of it. And we all know someone with a mental illness or a substance abuse problem. I was just visited by folks in Lancaster County

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who were saying both the Lincoln and Omaha teen alcohol prevention programs are shutting their doors after 30 or 40 years because they no longer have the funding, because we cut the counties and the counties are cutting them. Is that worth \$30 a person? Instead of this year by year increasing who we're reaching with an income tax cut, I would rather see us just cut a check for whatever dollar amount we can afford and send it to people. But in this year it would only be a buck or two, not even worth the postage that's on it. But at least then everyday people would see exactly what they're getting over a year of these tax cuts and they could balance that more fairly in their minds against those other things, like accessing the services that they deserve, that they have earned because they have worked their lives and given to their families and to the communities and deserve to get a real person on a phone line to help them navigate the system. The same goes with every other family. I was just visiting constituents last month in their home who have a son who is 1 in 100, who has this certain disability. And thank God we're keeping in those Medicaid dollars. Every family is touched by education... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR MCGILL: ...or the health system. And we can't let them down for \$30. With my last minute, I'll yield that to Senator Nordquist. [LB968]

SENATOR COASH: Senator Nordquist, 46 seconds. [LB968]

SENATOR NORDQUIST: Thank you, Mr. President. I just want to respond. Someone along the way talked about, well, if maybe, you know, in the next biennium we can do half out of the Cash Reserve, I think we need to be very careful going forward of what we do for ongoing expenses out of our Cash Reserve. The Fiscal Office at some point told me that it's...the cyclical pattern here is only, you know, five or six years by the time we're coming out and starting to dig our way out, we're going to be heading back in. It's not that long and we have a short window to build that Cash Reserve. So to say that as we're coming out, maybe we'll spend a little bit out of it here to prop up our budget, would be very fiscally irresponsible. [LB968]

SENATOR COASH: Time, Senator. [LB968]

SENATOR NORDQUIST: Thank you. [LB968]

SENATOR COASH: Thank you, Senator Nordquist. Senator Sullivan, you're recognized. [LB968]

SENATOR SULLIVAN: Thank you, Mr. President. This has been a good discussion. Has it given me pause? Has it ended up with a little knot in my stomach? Has it caused me to wring my hands? You're darn right it has. One of the most difficult things of being

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a senator is realizing you can't do everything you want to do and help all the people that need to be helped. But this discussion has given me pause on several different features of this proposed budget. You know, early on in the capital construction projects of the university I had them prioritized in my own mind, thinking that the vet diagnostic lab was probably the most critical and the one that needed to be taken care of first. And lo and behold, the...we were presented with a plan that was going to take care of all of them. Well, it's given me pause to maybe think twice about that. And that's why this discussion has been very good, that we haven't just taken the decision of the Appropriations Committee carte blanche and we've had the discussion and we're doing our due diligence. I think one of our priorities certainly has to help those...needs to be helping those that need our help so desperately. And that's why I think restoring some of those cuts on the provider rates is so necessary and helping those on the waiting list is so necessary. And Senator Krist talked about the elephant in the room. Well, it may be the 49 of us or it may be the 30 votes that are needed. But I'll have to tell you, folks, the elephant in the room in my estimation is that TEEOSA bill. I don't know if I'm going to be here next year. But I do know that there is only one thing in our constitution that we have to fund, and that is education for our kids in the common schools. And when we went through the LR542 process, I heard Senator Adams say, you know, we're looking at making cuts not to the muscle but to the bone in education. And I'm just wondering what all of this means in those out years. And I know, Senator Conrad, you're in the next...in the queue. But I wonder if you would converse with me a little in that respect. [LB968]

SENATOR COASH: Senator Conrad, will you yield? [LB968]

SENATOR CONRAD: Yes, absolutely. [LB968]

SENATOR SULLIVAN: Thank you, Senator Conrad. I can't help but think that in your deliberations in the Appropriations Committee you weren't looking at that. Tell me a little bit, if you will, if you can, about the conversations you had with respect to funding education and looking at it in the out years. [LB968]

SENATOR CONRAD: Thank you, Senator Sullivan. I am so glad that you brought this point forward. The Speaker noted it, that the projections contain a 22 percent increase in TEEOSA funding, which is...we talk in acronyms a lot, that's our main school funding, school aid component. And we're unlikely to see that agreed. But (laugh) we are going to have to see some increases because we made dramatic cuts, we got a little help from the feds a few years ago when it came to some stimulus dollars. And there is real and ever growing needs in every corner of Nebraska. I can tell you that the cuts that we made in the very last bill hit my school district, Lincoln Public Schools, very, very hard, to the tune of \$14 million. What happens with that? A lot of times you're going to see a tax shift when you remove state aid. So that impacts not only the educational quality but every single Nebraska taxpayer as well. And those are issues that we in Appropriations

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and every member of this Legislature is very, very concerned about. [LB968]

SENATOR SULLIVAN: Thank you, Senator Conrad. As I said, I find myself with a knot in my stomach and wringing my hands because, truly, as I look down the road (laugh) it has to be kids versus concrete. And we have to set some priorities here and really think about what's important to us, to our districts, and certainly to... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR SULLIVAN: ...this entire state. Thank you. [LB968]

SENATOR COASH: Thank you, Senator Sullivan. Senator Conrad, you're recognized. This is your third time. [LB968]

SENATOR CONRAD: Thank you, Mr. President. And thank you, colleagues, again for a very helpful and enlightening discussion about the budget process and how it interfaces with the other jurisdictional committees, whether it be Revenue or Education or Natural Resources or any of the important state obligations that we have to take care of because we do have to strive to achieve balance and to do the best we can with the resources that we have available to do that. And knowing how many important and critical obligations that we have, that's why you've seen injected into this debate concern about the evisceration of our revenue base to accomplish these objectives and obligations. And if we're unable to do that, I think Nebraskans and members of the Appropriations Committee and members of the body have a right to know about what the consequences are going to be, what those impacts are going to be, because that should be part of our straightforward discussion as well. I wanted to talk a little bit in terms of things that are not in the budget so that it's hopefully insightful to people, whether they're watching or listening or thinking about some of these issues. I've recently started to receive a few e-mails from constituents saying, well, cut state spending, cut state spending or limit state spending growth to this arbitrary number. Okay, fair enough, that's that constituent's opinion. But then I try and utilize that opportunity to have a dialogue about where we've been, where we are, and where we're headed in terms of state spending growth, which has been very, very responsible and conservative during my time in the Legislature. When times were good, when times were bad we've been very, very restrained. And to say that now we have a little bit of breathing room and a huge hole on the horizon I think is a fair assessment. And even with this little bits of breathing room, we're still not funding some very critical state obligations. For example, we're not restoring cuts to the child-care program which we made in the last biennium and which Nebraska has the lowest eligibility in the country for, the lowest. We're not restoring full services and programs to the other 80 percent of Nebraskans with developmental disabilities that remain on the waiting list. We are not going back to restore the \$2.5 million in cuts to affordable housing programs that affect every district, every community across the state. And that's okay. That's part of the give

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and take that we have in the appropriations process and in the budget to set priorities. And did we do a little bit for housing? Did we do a little bit for waiting lists? We did and I'm glad we did because that's a step in the right direction. But keep in mind, that's not new spending. That's a restoration of cuts that came last year. And there's a whole spate of other critical state obligations that we didn't even do a little bit for, that are still sitting there with real cuts that impact real people in our districts. So to say that we're going to restrain spending growth to this arbitrary amount or we're going to cut our way out of a significant deficit, fair enough. But we need to know what the specific impacts are going to be, because that's one thing that we do on a daily basis in the Appropriations Committee. We have worked through hours and hours of very thoughtful, very considerate, very important testimony, not from lobbyists, (laugh) but from individual citizens coming forward saying, I rely on home healthcare and the Medicaid program to ensure my family member literally doesn't die or have a dramatic health outcome because of the loss of that service. So we try and be responsive to those very real impacts that are contained within these budgetary decisions. And so all we're asking, which I think is fair, is to know... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR CONRAD: ...what the consequences...thank you, Mr. President, are going to be when we eviscerate our revenue infrastructure and how we're going to take care of these other important state obligations. I want to know what impact is that going to have on school funding and in our community and will that force a tax shift onto our property tax owners, because that's something I'd be concerned about. I want to know, do these eviscerations of our revenue base, are they based upon the projection that we're going to cut these kinds of critical human services for many of the constituents that rely upon them? I want to know that. I need to know that in order to do my job as a legislator and to make a responsible balanced budget work for all Nebraskans. Thank you, Mr. President. [LB968]

SENATOR COASH: Thank you, Senator Conrad. Senator McGill, you're recognized. [LB968]

SENATOR MCGILL: I yield my time to Senator Nordquist. [LB968]

SENATOR COASH: Senator Nordquist, 5 minutes. [LB968]

SENATOR NORDQUIST: Thank you, Senator McGill and Mr. President. I was just earlier speaking about the importance of the Cash Reserve and going forward about not using that for ongoing, ongoing budget expenses, especially just, you know, as we're maybe in our second year of climbing out, it's likely that we're only a couple of years away from another cyclical downturn, a slowing of our revenues, and the need to use that for ongoing expenses. So it's important that as we move forward we don't rely on

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that, we try to have a balanced budget looking in the out years. I think we need to, as we were talking about the cuts to TEEOSA and how we've held them back lately, I talked to Commissioner Breed at our Appropriations hearing this year. And he's provided me some information about the impact, and we'll promise to provide it ongoing here, the impact of our state aid decisions on property taxes statewide and also on teacher-to-student ratios in our classrooms statewide. But he did say that we haven't seen the full impact of these reductions because of stimulus money we were afloat for a few years there. But he said, you know, the last couple of years there's been a tightening and that the...that we're expecting significant staff reductions in...currently and into the next school year. Senator Conrad also talked, made some good points about what are we going to see for reductions. And the Governor in his proposal this year, we had a...we were above the minimum reserve. We had the dollars available. We didn't need to make cuts. But yet this year, without a budget crisis, the Governor put forward significant reductions to critical services that vulnerable Nebraskan rely on in our Medicaid program, private-duty nursing services, nutritional supplements, the basics of life for some of these individuals. Some of these kids that came into Appropriations were having to have their trach cleaned by a nurse while we were in the room there. We had probably a four-and-a-half, five-hour hearing. And, you know, those services are absolutely vital to the lives of those children. And that was on the chopping block right now without a budget crisis. What's going to happen when we come back and we're facing a \$600 million or a \$400 million budget crisis? I'm sure those cuts will be back on the table. And those are cuts that I'm not willing to move forward with, the Appropriations Committee wasn't willing to move forward with, and I hope this body is not willing to move forward with. And we have language in this budget to prevent those cuts. And I just want to read from a constituent or a person that came forward to the hearing from Norfolk. He is a police sergeant. And just his take on how important these services were to him and his family. He said, there are many important issues that are associated with these proposed changes in this bill, including nursing, psychiatric, dental, hearing, and sight, just to name a few. These have been labeled by some as optional. I think these optional Medicaid services can be provided but don't have to. Now I think we as Nebraskans, as proud people know that we don't want to do just the minimum. I know we've heard testimony from others what other states are doing. Well, that's great and we can learn from them, but we shouldn't take their lead. Nebraska has taken the lead on other issues. The Nebraska Legislature took great strides in leading the nation in defining what life was and protection of newborn children. This shows our commitment to life... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR NORDQUIST: ...that...what's that? [LB968]

SENATOR COASH: One minute. [LB968]

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SENATOR NORDQUIST: Oh, thank you...that commitment has been carried on. Not just life itself, but the quality of life for our children, our brothers, our sisters that are living through. It's even been put into our state motto: Nebraska, The Good Life, for some, he said. This proposal changes Medicaid...these proposed Medicaid changes would be devastating to our family and to their child. That is what we're talking about, folks, when we say a budget is a moral document. These are the type of cuts that were put forward in a nonbudget crisis year and these are the types of decisions and the types of services that we will have to eliminate if we come back facing a significantly bigger budget deficit. Thank you, Mr. President. [LB968]

SENATOR COASH: Thank you, Senator Nordquist. Senator Wallman, you are recognized. [LB968]

SENATOR WALLMAN: Thank you, Mr. President, members of the body. This will definitely be a tax shift to local entities if we do some of these things regarding mental health issues to cities and counties. And I would yield the rest of my time to Senator Lathrop. [LB968]

SENATOR COASH: Senator Lathrop, 4:45. [LB968]

SENATOR LATHROP: Thank you. And thank you, Senator Wallman. I appreciate that courtesy. Colleagues, I would like to talk about two things. One is the LR542 process. And Senator Krist correctly pointed out that the LR542 process allowed us to have insight into areas of government over which we have some responsibility. Whatever committees you sat on, you went through, a couple years ago, during a recession, when we were in a jam we were told that to make ends meet we needed to go through the LR542 process. And we did. And we went in, I know, in Business and Labor and we got rid of a bunch of people that enforce labor law over in the Department of Labor. They haven't been replaced. We went over to the State Patrol and we cut people at the State Patrol. I think we went back, if my memory serves me correctly, to 1976 staffing levels at the State Patrol. Well, that then became our base. That became where we started from going forward. We've been through this process. The LR542 process, we've been through it. And it's not like we infused a bunch of money, hired a bunch of people and now we got to look at what to cut. We've done it. I also want to talk about one other thing. And that is the federal deficit and what's that have to do with what we're doing here. You know, the thing that frightens me the most about the federal deficit right now, the thing that frightens me the most about the federal deficit is that it takes away a lot of options that we have. If the United States of America needs to engage in a war, do we have the reserve to do it? Do we have the borrowing capacity left to enter into a conflict? If we have another recession and we need to stimulate the economy, do we have the borrowing power to stimulate the economy? That's the question that we have. Right? And you'd all agree with it. You may have different concerns about the deficit. But here's the problem with where we're at if we go to a \$600 million hole and adjourn

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sine die. It takes away our options going forward. It may look like just a lean budget. But what happens when the next business comes to Nebraska and they say, we want to relocate here and we need business tax incentives and our answer is, we don't have the reserves for it? We don't have the means to provide someone who is going to bring jobs to Nebraska with a tax credit. See, when you talk about a budget and you talk about your reserve and you talk about this policy, you also need to take into account the contingencies and the opportunities that will be lost if you don't leave yourself some room. And this year if this went through, next year we wouldn't be able to get these data processing centers. We'd say, you know what, as bad as we'd like you here, we can't afford the tax break for you. And that's the stuff we have to consider today. We really have to consider it today. We cannot consider the Appropriations bill in a silo and the Revenue bill in a silo. And if we are going to put this off to some meeting that happens between General and Select, which I don't favor, who's going to be... [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR LATHROP: ...in the room? Who's going to conduct it? What will be the standard of proof necessary for everybody to be okay with the tax cuts and the Appropriations bills? That's what we're on the floor for. The public deserves to listen to this debate. They deserve to hear our value judgments and the things that we think are important. And I hope tomorrow, if you believe all of this is a good idea, that you come with your suggestions for how do we get from \$600 million down to a balanced budget in the next biennium, because that's what this is about. Thank you. [LB968]

SENATOR COASH: Thank you, Senator Lathrop. Senator McGill, you're recognized. [LB968]

SENATOR MCGILL: I yield my time to Senator Mello. [LB968]

SENATOR COASH: Senator Mello, 5 minutes. [LB968]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. Unfortunately, I was in a meeting discussing another tax issue over the last hour, and so I've only been able to catch bits and pieces of colleagues from the mike. But one colleague mentioned, with a little bit of concern, why haven't we talked about our year budget problems in years past? For the last seven years, why haven't we discussed the out year budget problems that we see when we do our fiscal process? That's a great question. But I would be willing to argue that Senator Heidemann, the Chairman of the Appropriations Committee, on this floor for the last four years has consistently reminded this body that we have to take into consideration the out years when we pass legislation. I know that because he's done that on bills of mine that actually had a General Fund impact. So for us to get on the floor, anyone for that matter on the floor, and try to condemn any concerns senators may have about what happens two years

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from now or four years from now, that's just not being genuine, because the reality is we've had senators on this floor for the four years I've been here raise that issue, raise that concern. And overwhelmingly this body has heeded those concerns from our chairman. It's just unique now that we're in a position where some want to see a piece of legislation, whether a spending proposal or a tax cut, go through so bad that they're willing to disregard those comments that have been made, that advice that's been given out to meet their agenda for this upcoming legislative session. I think that we just need to be cautious, colleagues. Those issues have been raised before. I sometimes have been on, unfortunately, the losing end of those arguments, of saying that this is a priority but the reality is we've had the Appropriations Committee Chairman come forward time and time again saying we have to take into consideration the out years, we have to, because ultimately decisions we make today don't just impact tomorrow, they impact next week, next month, next year, the next two fiscal years. And that's prudent fiscal policy. I've heard many of you on this floor clamor that Washington needs to follow our lead. If that's the case, then we need to take our own advice. Take a step back, reconsider some of the proposals that are currently in front of us on General File, Select File and Final Reading, because that, at the end of the day, colleagues, is what separates us from what they do in Washington. Anyone who wants to lay claim or look at the one-time expenditures from the Cash Reserve, let's look at those one-time expenditures then. They're one-time expenditures, colleagues. They're not ongoing spending; it's a one-time capital construction expense. If we want to have a debate about that, we can have a debate about that. That ultimately is not going to put us, quote unquote, into a six...over a \$540 million budget deficit that we currently have right now. So we want to have the debate, let's have that, that's fine. But to try to throw up a red herring or to try to muddy the water, quote unquote, of saying that's really the issue, it's these one-time expenditures that's causing us the problem, then be prepared to back up your argument with facts, be able to provide a real fiscal picture then of saying this is how we understand the state budget according to your world view, because that is not what's come from this Appropriations Committee. That's not what has come from this Appropriations Committee the last three years. And for anyone to try to make an argument otherwise is being disingenuous, because that's not how we've done business and that's not how we do business. We can have debate on tax policy. We can have debate on spending policy. We can have debate on government transparency and whether or not we want to front-load or back-load certain priorities. [LB968]

SENATOR COASH: One minute. [LB968]

SENATOR MELLO: That's a worthwhile, legitimate policy debate we can have. Some, though, ultimately who prioritize these bills want to see them go through, I fully expect for them to take the mike. We're going to have this debate. It's going to be great, not just on Select File, but we're going to have the debate on General File and numerous other bills. Just be prepared, though, to understand that you can't reinvent history to fit your argument. Senator Heidemann tells me that every single day in Appropriations

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Committee, you can't reinvent the past to make your argument for tomorrow. The reality is we have a fiscal reality we're dealing with in this budget, we have a fiscal reality we're going to have to deal with the next budget for those who are coming back and new senators who will be coming in this body. And we need to take that into consideration with all measures that we're embarking on for the remainder of this session. Thank you, Mr. President. [LB968]

SENATOR COASH: Thank you, Senator Mello. Seeing no other lights, Senator Heidemann, you are recognized to close on the committee amendment. [LB968]

SENATOR HEIDEMANN: Thank you, Mr. President and fellow members of the body. The committee amendment, AM2123, does become the bill. I think it's been a good afternoon. I think it's been a good afternoon and I think we're going to have a few mornings and a few afternoons talk about the budget and other proposals before us. And I think it's important that we have that talk and that debate. I've always been concerned with the budget that we're doing and also been concerned about the out years. So I think it's a discussion that we have to have. And I'm proud of this body that LB968 just didn't go through just like that. We've had years where General File debate was very easy for me. And you have to appreciate that as a committee chairman. But I believe this is a year that the Legislature should debate, think about, and realize that the actions that we take now, you know, what the effect will be. So I think it's been a good afternoon. With that, though, I do ask that you support and vote for AM2123 to LB968. [LB968]

SENATOR COASH: Thank you, Senator Heidemann. Members, you've heard the closing to AM2123. The question before the body is, shall AM2123 be adopted? All those in favor vote aye; all those opposed vote nay. Have all voted who wish? Record, Mr. Clerk. [LB968]

CLERK: 41 ayes, 0 nays on adoption of committee amendments. [LB968]

SENATOR COASH: The amendment is adopted. Speaker Flood, you're recognized to close on LB968. [LB968]

CLERK: No, no, no, excuse me, Mr. President. Senator Cornett, I have an amendment from you, FA46. I understand you want to withdraw, Senator. [LB968]

SENATOR COASH: Returning to discussion on LB968, members...Mr. Clerk, items for the record. [LB968]

CLERK: Mr. President, new resolution: LR469 by Senator Nelson. That will be laid over. I have a conflict of interest declaration by Senator Conrad. Amendment to be printed: Senator Adams to LB1104. New A bill: (Read LB541A by title for the first time.)

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Confirmation hearing report from Retirement Systems, signed by Senator Nordquist as Chair. And Revenue Committee reports LB970 to General File with amendments. (Legislative Journal pages 902-903.) [LR469 LB1104 LB541A LB970]

Mr. President, a priority motion. Senator Flood would move to adjourn the body until Wednesday morning, March 14, at 9:00 a.m.

SENATOR COASH: Members, you've heard the motion. All those in favor say aye. All those opposed say nay. We are adjourned.