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Government, Military and Veterans Affairs Committee
February 02, 2012

[LB772 LB823 LB971 LB1053]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Thursday, February 2, 2012, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB971, LB1053, LB772, and LB823. Senators present: Bill Avery, Chairperson; Scott Price, Vice Chairperson; Charlie Janssen; Russ Karpisek; Rich Pahls; Les Seiler; Kate Sullivan; and Norm Wallman. Senators absent: None.

SENATOR AVERY: (Recorder malfunction)...Government, Military and Veterans Affairs Committee. My name is Bill Avery. I am Chair of the committee, and I represent District 28 right here in the central part of Lincoln. We will proceed with our hearing today on four bills. We'll hear them in the order as they appear on the list outside each door. That would be: LB971, Senator Harms and Senator Mello; and LB1053; LB772; and LB823. Before we proceed with that order of business, I want to introduce the members of the committee. Starting with my right, Senator Pahls from Millard. He is next to Senator Les Seiler from Hastings. And soon to join us, we hope, is Senator Charlie Janssen from Fremont. Next to him is the Vice Chair of the committee, Senator Scott Price, from Bellevue. Christy Abraham, seated next to me, is the committee's legal counsel. Senator Karpisek, I saw him walking into what looked like the Judiciary Committee hearing room, so I think he has a bill that is being heard pretty early in that room, so he'll be late today. Senator Karpisek is from Wilber. Senator Kate Sullivan sits next to him. She is from Cedar Rapids. Next to her is Senator Norm Wallman from Cortland. The committee clerk is Sherry Shaffer, and she is a key person because when you come up to testify, you are to give her this form. We ask that you print the requested information clearly so that we can establish the record accurately. It asks for your name, the bill number, and what your position is. If you want to testify, this is what you need to fill out. When you appear at the table, we ask that you state your name and that you spell it for the record as well. If you wish to record your opposition to or support for a bill but you do not wish to testify, we ask that you fill out this form, and both of these forms are available at the tables at each entrance. We will be using the lights system. The lights system has three colors. Green is four minutes. And when your four minutes have expired, the amber light comes on, and you have one more minute then to wind up your testimony. The red light means you should be finished. If you have materials that you would like for the committee to view, supplement to your testimony, we ask that you provide 12 copies. If you do not have 12 copies, we have a page who will help us, and the page is Catherine Larsen who is from Omaha. And she'll get the copies for you, if you don't have that many, and give those to the clerk, and she will have them distributed. If you have written copies of your testimony and you'd like for us to see that, they will be treated the same way. The order of business is that the introducers have an opportunity first to introduce their bill. Then we go to proponents, followed by opponents, and then neutral testimony. Closing remarks are reserved for the introducing senator. And just one note of caution: We ask the questions. It's not a dialogue of you

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asking us questions, and it is we ask you and you respond. And we ask also that you not register any support for or opposition to anything that is said; we have to keep things orderly. Now if you have an electronic device that makes noise, please put it on silent or on vibrate so that as not to disturb the proceedings. With that, I think we are ready to start. Senator Harms, I invite you up to introduce LB971. Welcome.

SENATOR HARMS: Thank you. Senator Avery, committee members, my name is John N. Harms, H-a-r-m-s. I represent the 48th Legislative District. Today, both Senator Mello and I are here to introduce LB971 on behalf of Governor Heineman. First, thank you for giving us the opportunity to come and visit with you about this bill. Senator Avery, one of the lessons that these tough times have underscored for all of us is that state government cannot conduct business as usual. We must look at delivering only the most essential services to our citizens' needs in a leaner and really a more targeted way. Sometimes, restructuring can mean merging agencies or functions. Typically, mergers in the private sector are undertaken to increase profits. However, in a study that was done in 1999 by the KPMG...said that less than a quarter of these efforts are successful in private business. In government, mergers are typically undertaken to streamline services and, in many cases, wherever they can, to try to reduce costs. Public manager expert Peter Frumkin has developed a checklist for merger managers to use in both making decisions to merge and then to implement the merger. In a report of public mergers, he writes that "as public sector agencies seek to make a merger work, they do not have to start from scratch." "Even though the literature on government consolidation is thin, there is a fairly broad base of experience to draw upon, particularly at state and local levels." Frumkin continues to say that "there's a natural attraction to ideas of combining services and resources, particularly during times of fiscal constraints or following operational crisis." He examined a series of governmental agency reorganizations and concluded that management can improve the likelihood of success if they focus on five critical areas. One, choose a target wisely. "Not all public agencies with overlapping responsibilities are ripe for a merger or consolidation," notes Frumkin. First, it's absolutely essential that the mission of the two agencies be compatible. There has to be a fit between the agencies in terms of culture and competencies. The Governor has made the right decision because there is a good fit between the Department of Labor and the Department of Economic Development. I believe that there is no reason in the world, if these five principles are followed, that we can't be successful with this. Secondly, communication effectively--or communicate effectively. Mergers create anxiety and fear among both employees and stakeholders, and I think you're going to hear that today. It is clearly..."It is critical for leaders to communicate early and openly," says Frumkin. Communication, and the communicating the new mission to employees, is essentially important as employees will try to make sense out of the change that's taking place. This is in the process now, and I think...as some of our other presenters can probably bring this forward. But the communicating process is in the making, and it takes a while to get this where it needs to be. And if the Legislature would choose to actually approve this and we can move forward with it, then the

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communication would pick up tremendously. Three, implementing quickly. It's often tempting to assure that going slowly will ease the stress on employees and stakeholders. However, experience shows that moving quickly with important operational changes is critical to build momentum and moving toward normalization. Governor Heineman has moved quickly. He has established his structural changes that he would like to see at the start. He has placed the department under one head, preparing to start the merger process if approved by our body, the Legislature. Four, creating new culture--and that, sometimes, is the most difficult. "Mergers do not involve simple additions or deletions of agency features. They demand the creation of something new," says Frumkin. Developing a new culture means breaking away from existing routines, traditions, and customs by selectively adopting different elements from each organization. This will continue to take place as this merger would continue to move forward; and as it comes closer together, you'll find that this will become more of a reality for us. And the fifth and final thing that he says you have to have to make this successful is adjusting over time. Implementing a merger oftentimes takes years after initial wave of change. Oftentimes the focus is on the first 100 days, and that's where you need your benchmarks. You have to be able to measure those benchmarks to determine whether you're being successful after the initial implementation as a way to continue the momentum of change and learning from unforeseen events. It's also a way of selling the merger to the public and to the stockholders. Those are the five elements that, regardless of whether you're in a private or government, you've got to have. And I believe if these five are followed carefully and closely, there's no reason why we cannot be successful, and this endeavor will prove to be valuable. Now both these departments' staff members...both of the departments' staff members were never prevented from working together, and they've done so over the years on many different occasions. The merger will simply facilitate this effort to make it smoother and in a good-designed system that would function quicker and better for the clients that we are trying to serve. I have always believed that a merger such as this is not going to be about saving dollars or staff reductions. It's an effort...will be focused on...or its effort will be focused on efficiency and delivering efficient and essential services provided to our citizens. And the immediate fiscal impact in the Legislature is only one thing: that's the reduction of one salary. So it's not about saving money at this point. It's about streamlining the process and making it much more effective by being under one hand. What LB971 does...it truly sets the stages for the merger of bringing the Department of Labor and the Department of Economic Development together. It merges these offices and the position of Commissioner of Labor and the offices of the position of the Department of...Director of Economic Development to provide the powers and duties to change the membership of all the boards. And all the property that goes with this will be converted to the Department of Economic Development, which is clearly spelled out into this bill that you have. On July 1, 2012, positions of employment in the Department of Labor are transferred to the Department of Economic Development. For the purpose of the transition or the merger, employees of the department shall be considered employees now of the Department of Economic Development and shall retain all their

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rights under the state personnel system to pertain...to pertinent bargaining agreements, and their services shall be deemed continuous. This bill does not grant employees any new rights or benefits not otherwise provided by law or bargaining agreements or preclude the Department of Economic Development or its director from exercising any of these under their prerogatives of management set forth in the law. And on July 1, 2012, unless otherwise specified, whether any provision of the law referred to the Department of Labor, the law shall be construed as referring to the Department of Economic Development. And lastly, Mr. Chairman, the purpose of this merger is simply to become more effective, more efficient. I have always believed that when a company comes to this great state that it would be so much easier to have the Department of Labor and the Department of Economic Development together because it's all about the same thing. It's about attracting this company. It's about workforce development. It's about making sure we have the right kind of workforce development--educated--and putting one person to the table that can represent all of this makes it so much easier. I believe this would make it much more effective and efficient. And I believe in time, from all the experiences I've had with three other mergers that I have done in my previous world, that you will find in time there will be a savings--not at the front, but the longer you go and the longer you put this together in the process, there is some savings. So what this restructuring would do would be to include increased effectiveness, efficiency, and management and services delivery, cut the wasteful duplication of services, and have better administrative coordination. The reorganization would relate to improving productivity, business-like management accountability, streamlining of both agencies into one better interagency. It would open up communications and, to a certain degree...the one thing we would all like to have: It would modernize that portion of our government, bring it into what I think the new decade is going to require in the future. Mr. Chairman, this...Senator Avery, this completes my testimony. We do have an amendment that's going to be introduced, and I support this amendment. And I think you'll see from the amendment, we're starting to bring this down to a little bit better management, give you a better...a little bit better picture of what we would expect and how this might be...we might bring this about so that we could be successful, and Senator Mello will introduce that to you when I'm completed. I'd be happy to answer any questions, or we can wait until...I'd like to have the pleasure of closing. There are some people that will follow, might have more of the answers than I have right now, but I would be happy to do that. [LB971]

SENATOR AVERY: I appreciate your testimony. [LB971]

SENATOR HARMS: Yeah. [LB971]

SENATOR AVERY: I'm not surprised it was research-based testimony. [LB971]

SENATOR HARMS: Um-hum. Yeah, it has to be research based. You have to understand what the... [LB971]

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SENATOR AVERY: Yeah, given your background, I would expect that. [LB971]

SENATOR HARMS: Yeah, well, that's where I come from, and it just makes it a much different...if you understand that and you take these principles and you apply it, it works very well. And I have gone through this with three other institutions in my life and with many more employees than what the two departments have, so I understand the fear. I understand where people are coming from, but they have to be patient. And I think if we give the Director of the Department of Economic Development the right tools, she'll be more than successful. But that's the point you have to determine: What are the right tools? And that's what this is about. [LB971]

SENATOR AVERY: And you have sensed the angst and the concern that is out there? [LB971]

SENATOR HARMS: Yes, I've heard them all. [LB971]

SENATOR AVERY: Yeah. [LB971]

SENATOR HARMS: And I just think that it's important now to listen to it, and then you'll have the wonderful opportunity to choose whether it's appropriate or not and whether you want to make further amendments to make it better. [LB971]

SENATOR AVERY: Would you say that this is an experiment? [LB971]

SENATOR HARMS: No, it's not. I've taken the time to review what's happened in other states. And when you look at how people are merging, the Department of Economic Development, sometimes, and the Department of Labor are intermixed with a lot of other agencies as they start to put these things together in other states. The one that I had a lot of interest in...and actually went to Indiana a number of years ago. They actually merged their department of economic development and labor, but then they went a step further. They privatized it, and I had a great deal of interest in that when I was a freshman senator. So I had the fortunate opportunity to go back and take a look at that and spend a day there, Senator. I really liked what I saw. I've really shied away from privatization. I just don't know anymore. There may be some things you can do in government, but I don't know if you can do it here or not. But I like what they did; I like what they had done. They had streamlined their organization, it was effective, they had everything wrapped up into a neat package, it was easy when companies came, and then, for a while, they were on fire with growth. But I think the economy has not helped them. [LB971]

SENATOR AVERY: Did they have some performance-based results? Data? [LB971]

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SENATOR HARMS: Yes, they did. They have had performance-based...they had benchmarks they had to complete and wanted to complete. You know, it took it away from the state. They had a manager. They had, actually, a board that managed that. And the governor then had his input as those things progressed, you know, on through the legislative process. But it was a good theory, and it was a good approach. And my...I looked, went back through that to see if they survived the crisis that we had in the economy, and they have. So, I mean, there's lots of different options that you all could have, but I think what we're doing here and what we're recommending for consideration is appropriate as long as we identify very clearly the benchmarks we all want to accomplish. [LB971]

SENATOR AVERY: Um-hum. [LB971]

SENATOR HARMS: And those benchmarks have to be measurable, and that first 100 days is critical. And if you go past the first 100 days and you haven't measured anything, you're in trouble. That's been my experiences and that's what the research points out too. You measure it by the first 100 days. [LB971]

SENATOR AVERY: Well, you and I have had conversations about bold action. [LB971]

SENATOR HARMS: That's correct. [LB971]

SENATOR AVERY: And opportunities should not be missed when we have a chance to do something bold and innovative. [LB971]

SENATOR HARMS: I agree. [LB971]

SENATOR AVERY: I think this might fit into that category. [LB971]

SENATOR HARMS: I think it does. [LB971]

SENATOR AVERY: Let me ask...we'll start with Senator Pahls and work our way around. [LB971]

SENATOR PAHLS: Thank you, Chairman. Now I've been listening to your theory. [LB971]

SENATOR HARMS: It's not my theory. [LB971]

SENATOR PAHLS: Well, okay, the theory you're proposing. [LB971]

SENATOR HARMS: Okay, okay. [LB971]

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SENATOR PAHLS: Now does that just stop with you, or is that how this operation...? Because you've told me certain things--this is important, this is important, this is important. Does that stop with you, or is that what's...how this is going to be incorporated? [LB971]

SENATOR HARMS: I think it's going to have to be incorporated this way, and I think as we look at it, this comes out. And, you know, we always have the power of amendments. [LB971]

SENATOR PAHLS: Okay. [LB971]

SENATOR HARMS: So I think we have to make sure that that's what we follow and we at least put together that process because we know from the research that it has been successful, and there's no use of trying to redevelop the wheel. [LB971]

SENATOR PAHLS: Okay. [LB971]

SENATOR HARMS: What I'm really concerned about, to be frank with you, Senator, is that the director has the opportunity to be successful here... [LB971]

SENATOR PAHLS: Right. [LB971]

SENATOR HARMS: ...and that we don't put her in a position where she will fail. [LB971]

SENATOR PAHLS: And... [LB971]

SENATOR HARMS: And by having this set up in a manner that we would have it--could have it--set up, it would put her in a position to do very well. [LB971]

SENATOR PAHLS: So you think this will set the operation, if this is what we approved, showing us today...? [LB971]

SENATOR HARMS: I think it would. I would also tell you this: I think that it would be wise if they brought a consultant and... [LB971]

SENATOR PAHLS: That's what I'm looking for. [LB971]

SENATOR HARMS: Yeah, a consultant to come in. Because what I have found is--historically and what I experienced as a CEO--is that just to do the daily functions and to bring all this thing down and talk to the employees and making sure that you're available and that you're...you're actually managing by a cup of coffee because you're going around and talking to these people, it takes time. But when you're engulfed in having to also run the actual merger itself, it's difficult, and that's where a lot of people

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fail. I think if you had a...actually had a consultant that could come in that could work--however they want to set it up--that would help work with the staff and help put all that together, then the...then you've got a great chance of making this...being successful. [LB971]

SENATOR PAHLS: Okay. [LB971]

SENATOR HARMS: You've got someone there, and your director can stay on top of things, can be a part of this, can deal with the staff, and can be focusing on what we want, and that is we want to bring companies here. We want to have a well-trained workforce. See, there's no way...and a lot of people are concerned that we're going to--because it goes into the Department of Economic Development--that we'll lose the focus of labor. If we lose the focus of labor, we've lost everything because you've got to have a workforce. You've got to have an educated workforce. [LB971]

SENATOR PAHLS: But, Senator, what you're telling me is what I want to hear from the individuals who will be involved. Do you see what I'm saying? [LB971]

SENATOR HARMS: I understand it. [LB971]

SENATOR PAHLS: The theory is here, but now is...and, to me, right now the idea of this has merit, but I want to point out...I just...and a number of people don't realize this because there's...when you have a bill, you have so many pages; a lot of it is just scratching out one word. [LB971]

SENATOR HARMS: Yeah. [LB971]

SENATOR PAHLS: This is around 400 pages long. It took us 1,000 pages to play with HHS and we played two bills, 1,000 pages. [LB971]

SENATOR HARMS: Um-hum. [LB971]

SENATOR PAHLS: You might...now see, John, I mean...I just think that if we just talked about it...if I hear this coming from individuals who are going to be involved, I would be...you know, I hope that's...that point is being... [LB971]

SENATOR HARMS: There will be. [LB971]

SENATOR PAHLS: Okay, thank you. [LB971]

SENATOR HARMS: I mean, and it's up to them. I don't have control of this, as you know. [LB971]

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SENATOR PAHLS: Yeah. No, I understand. Thank you. [LB971]

SENATOR HARMS: I'm not the Governor of the state, so I don't know. But I'm just telling you I think that that's the way to be successful. [LB971]

SENATOR PAHLS: Okay, thanks. [LB971]

SENATOR HARMS: The other thing I think you'll find in the amendment that Senator Mello is going to bring about--we're going to open that up a little bit for public input too--see, that's the other side that this does not...this bill does not provide. That will provide this for us, okay? [LB971]

SENATOR PAHLS: Thank you, thank you. [LB971]

SENATOR HARMS: Those are great questions. Do you have any more? [LB971]

SENATOR AVERY: Any other questions? Senator Sullivan. [LB971]

SENATOR SULLIVAN: Thank you, Senator. [LB971]

SENATOR HARMS: I'm in trouble now, aren't I? [LB971]

SENATOR SULLIVAN: No, no. (Laugh) [LB971]

SENATOR HARMS: Last time I was here, I didn't understand your question. [LB971]

SENATOR SULLIVAN: Senator Harms, you've talked about the culture and that being one of the challenges, if there are particularly...are different cultures in each of the departments. And I think maybe that's one of the things I've wondered about because my thought--and maybe I'm wrong on this--but that the culture of DED seems to be more outward focused, reaching out to communities and assessing what they need, whereas Department of Labor is more reactionary and responding to maybe the bigger picture and in a more regulatory manner. I see some challenges in putting those two cultures together. [LB971]

SENATOR HARMS: I think there will be a challenge there. But you know what? When you're reaching out to the community, what do they actually need to have? They need to have a trained workforce, they need to have people to help them, and that's the beauty of having this all together. You can set that up pretty nicely by having one person. You don't have to work through the different personalities to make these things happen. You know, that's sometimes what really kills change is when you don't have one boss. You've got two people that are...and in dealing with the issues, and sometimes it's really difficult. You've got to have one person who can make that decision, and that's why I

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like what we see here. And, to be very frank with you, I had this interest when I was a freshman senator when I came here and I realized then, as a freshman senator, this was beyond what I was capable of doing at that point. And as this thing came around, I had talked with the Governor five years ago about trying to look at some way that we could bring this together. And I was really surprised that he's decided to move in this direction because I think it's the right thing. Did I answer your question? [LB971]

SENATOR SULLIVAN: Sure. The other thing is, and I don't know if I should wait to...for Senator Mello's comments, but it has to do with... [LB971]

SENATOR HARMS: Oh, I'd love Mello to answer it. Go ahead, that would be fine. (Laughter) [LB971]

SENATOR SULLIVAN: It has to do with the benchmarks. Will he be talking about those? [LB971]

SENATOR HARMS: He has that in his...I think in the amendment. We talk about benchmarks, but that...we have not identified the benchmarks yet. [LB971]

SENATOR SULLIVAN: Because that was one thought that I had,... [LB971]

SENATOR HARMS: Um-hum. [LB971]

SENATOR SULLIVAN: ...in some of the struggles, and that I've heard of people that are wondering about this. [LB971]

SENATOR HARMS: Yes. [LB971]

SENATOR SULLIVAN: Would it have been better to have delineated those benchmarks in the introduction of this bill to make it a little more palatable to people? [LB971]

SENATOR HARMS: I don't disagree with that. I think that that will come. And, like I said, you know, we have the power of amendments, and there's things that we can do with this bill to even make it better, and I think that that's where our director has to help us. I don't think the Legislature should be telling her or anyone else, these are your benchmarks. They need to identify those because when you do that, they have ownership. And one thing I learned about merging, you've got to have ownership. And if it's being forced upon you and you're not asking then for your input, it fails, and that's why it's important. And I really have a great deal of...I just think that the executive Director of our Department of Economic Development, she's absolutely marvelous. She's bright, articulate. If we give her the right tools, she'll put this together and we'll be successful. But they've got to be the right tools, and that's our job, to make sure, you know, that we...that those tools are there for her, that we don't just stick her in this thing

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and then she fails. I just...I don't think we can do that. [LB971]

SENATOR SULLIVAN: Thank you. [LB971]

SENATOR AVERY: Any other questions? Thank you, Senator. [LB971]

SENATOR HARMS: Thank you. Well, you were nicer to me this time than last time I was here. Thank you very much, appreciate that. Thank you. And I would like... [LB971]

SENATOR AVERY: We're not finished with you. You're still going to be closing. [LB971]

SENATOR HARMS: I want the pleasure. I want the...yeah, I know, yeah. I want the pleasure of closing, if I may, Mr. Chairman. [LB971]

SENATOR AVERY: Oh, yes. [LB971]

SENATOR HARMS: Thank you. [LB971]

SENATOR AVERY: And I'll invite Senator Mello forward now as the cosponsor of this legislation and as the possessor of the amendment. [LB971]

SENATOR MELLO: (Exhibit 1) Thank you, Chairman Avery and members of the Government, Military and Veterans Affairs Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha, and I am testifying in support of LB971. Similar to Senator Harms, the concept of merging the Department of Labor and Economic Development has long been a concept that I've supported, not just for the potential efficiencies that such a merger would produce, but to ensure that economic development efforts in Nebraska are focused on building a strong workforce that we need to build our state's economy. And this past year, actually, I introduced an interim study: LR237, which would have examined merging both departments together, although my study did call for giving them a different name--that's in the bill. It would have been called the Department of Economic and Workforce Development. As part of the ongoing discussions between the Governor's Policy Research Office, Senator Harms, and myself on merging the department, several concepts emerged that were not included in the green copy of the bill. These concepts are introduced and included in AM1851, which was just passed out to the committee. First, the amendment would move three inspection programs currently under the Department of Labor to the State Fire Marshal at the beginning of next biennium, on July 1, 2013. These three inspection programs--the Amusement Ride Act, the Boiler Inspection Act, and the Conveyance Safety Act--fall more in line with the overall safety mission of the State Fire Marshal's office, and transfer of these duties will assist the state economic development director in moving forward with any reorganization. The amendment also includes requirements that the Department of Economic Development

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director consult with representatives from both the workforce development and economic development sectors in developing a strategic plan for the new department and develop performance benchmarks for each program and provides for reports to both the Legislature and the Governor in September of 2012, March 2013, and September 2013. With that, I thank you for your time and would be happy to answer any questions you may have. [LB971]

SENATOR AVERY: Do you expect a fiscal impact by moving these inspection programs? [LB971]

SENATOR MELLO: No. That's a good question, Senator Avery. And no, I think that is...it's an issue that Senator Harms, myself, and the Governor's Policy Research Office had discussed of trying to ensure that there wouldn't be an additional cost, so to speak, to move these three regulatory bodies out of the department. And by aligning it with next biennial budget, by the end of next biennial budget we should be able to eliminate any fiscal note that there would be. [LB971]

SENATOR AVERY: So you transfer the personnel within the authority. Nice. [LB971]

SENATOR MELLO: Yes. [LB971]

SENATOR AVERY: Senator Seiler? [LB971]

SENATOR SEILER: Yes. Senator Mello, did I read or misread that the elevator inspectors are also under this bill? [LB971]

SENATOR MELLO: That is correct. The... [LB971]

SENATOR SEILER: Are you proposing to move those too? [LB971]

SENATOR MELLO: The amendment, AM1851, moves the amusement park inspectors, the boiler inspectors, and the elevator inspectors out of the department and moves them...those three over to the State Fire Marshal. [LB971]

SENATOR SEILER: Okay, thank you. I didn't hear you say that. [LB971]

SENATOR AVERY: That's what you mean about conveyance? [LB971]

SENATOR MELLO: Conveyance Act. I'm sorry, yes. That's the elevators. [LB971]

SENATOR SEILER: Okay. [LB971]

SENATOR AVERY: What's wrong with the word elevator? (Laughter) [LB971]

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SENATOR MELLO: Just citing statute, Senator. [LB971]

SENATOR AVERY: Any more questions? Senator Pahls. [LB971]

SENATOR PAHLS: Yes, thank you, Chairman. Senator Mello, I'm looking at...on page 1 of your amendment. And in the first paragraph, these benchmarks, they're going to be--it is my understanding--be established by the director and her representatives. Is that how that is going to work? [LB971]

SENATOR MELLO: Essentially. And Senator Harms, I think, spoke very candidly and direct to the issue of us as a Legislature providing guidance within the best of our ability, of requiring the department to involve its shareholders in this merger. And so the way that language reads, that first paragraph, is: The Director shall consult with representatives from workforce and economic development sectors. So that would more than likely involve, obviously, economic developers themselves, chambers of commerce, labor unions, people who are shareholders or stakeholders in both DED and DOL, to bring them together to get their feedback in regards to developing that strategic plan and those benchmarks for programs so that it can lay out for us as a Legislature and the Governor...we can see what they're ultimately planning over the next year-and-a-half with any program consolidation, any program efficiencies, any reorganization--obviously, that will probably occur--of positions that may get eliminated or positions that may need to be added. That...essentially that paragraph lays out that general concept. [LB971]

SENATOR PAHLS: Okay. Well, and it seems to me, automatically, if you have a strategic plan, you need to have somebody outside the organization to develop...help you lead that, facilitate that plan, and that's the model that I'm familiar with. You know, you have somebody who's totally...and I'm just curious, now, and you may not have this...know this information. Do the other departments, do they have major strategic planning sessions? Do you know of that? I'm just curious. [LB971]

SENATOR MELLO: Senator Pahls, that's a great question. And Senator Harms knows from some of my due diligence in the Appropriations Committee of researching this issue, some state agencies have strategic plans, some state agencies do not have strategic plans, and it...really, the development of those plans are based on each individual state agency of how they choose to go about it. There really is no state statutory language that requires them to do that and/or gives them guidance. [LB971]

SENATOR PAHLS: Okay. [LB971]

SENATOR MELLO: I think your underlying question, similar to what you asked Senator Harms, was aimed at whether or not an outside entity comes in to the department,...

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[LB971]

SENATOR PAHLS: Yeah. [LB971]

SENATOR MELLO: ...in this case to help develop that strategic plan. I'm under the similar perspective and share Senator Harms's view on this issue 100 percent that...my personal opinion would be that it would be beneficial to the department, beneficial to the state, to free up the director's time and ability to manage the department and to help ensure that programs are operating efficiently, to bring in an outside consultant to help with any reorganization that would go on. I'm not saying by any means...I think Director Lang is very talented, is very skilled, and can juggle many balls in the air at one given time. I think the question, though, is to ensure that we don't make pitfalls, or overcome challenges, that we've seen with other department mergers in the past. I personally think it would be beneficial to provide an outside perspective. And whether it's, as Senator Harms said, a management consultant, someone else to assist in this effort, to ensure that...to essentially assure that we continue to move forward with the programs we currently have in place in DED, that we're not taking our eye off the ball, so to speak, on the day-in/day-out importance of our programs but also understanding we know that there probably can be some reorganization to save money, to eliminate positions possibly, to make programs more efficient, and streamline those in the economic workforce development arenas. [LB971]

SENATOR PAHLS: Yeah. Well, I think you...and I'm just trying to push the point also. I think some...any strategic plan I've been involved with, there's been somebody outside who's said, let's...but that's enough of that. [LB971]

SENATOR MELLO: Um-hum. [LB971]

SENATOR PAHLS: Thank you. [LB971]

SENATOR AVERY: Senator Price. [LB971]

SENATOR PRICE: Thank you, Senator Avery. Senator Mello, welcome back. In looking at the line 5 of your amendment, I'm a little caught off guard by "identifying the main purpose or purposes of each program." I would sincerely hope that those have already been done and that that language is in fact...is redundant and just set benchmarks. [LB971]

SENATOR MELLO: I would...I think to be on the safe side, Senator Price, understanding that we have is what Senator Sullivan said. To some extent, you have two agencies that may have similar programs, that have somewhat similar mission statements, depending upon what we may be talking about. An example I could give you would be in the Department of Economic Development, there's the customized...the

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Nebraska Customized Job Training Advantage fund as well as the in the Department of Labor, you have Workforce Investment Act dollars that fall under the state Workforce Investment Board. Both of those programs deal with workforce issues. They both have, to some extent, identified the main purpose or purposes of their program, but they both have completely different perspectives and purviews. One is a federally funded job training program that's given to us by the federal Department of Labor. The other one is a cash-funded or a General Fund-appropriated fund that was created before our time in the Legislature that gives out job training grants to businesses to help them create jobs. So they may have both similar purposes of trying to provide education or job training to the workforce, but they have, so to speak, also different purposes. And which this would do is, in theory...of trying to align sometimes those broader purposes together but also understanding that they may have to be different if they've been in on the program. [LB971]

SENATOR PRICE: So this deals with...down the road, when first we were going to just move the Department of Labor into the Department of Economic Development, remove one figurehead, and we were going to have them standing, existing in two silos, if you would, side by side,... [LB971]

SENATOR MELLO: Um-hum. [LB971]

SENATOR PRICE: ...and then a further study would be done later to see when you decide what would be melded versus what you won't meld, so we're actually talking about two actions in this bill: one in the creation and the next thing is the melding. [LB971]

SENATOR MELLO: That's...you're correct. I believe Director Lang will be testifying after me to probably provide a little bit more explanation of the overall, I'd say, organizational chart as it exists now, where the organizational chart will be looked to change, as well as that reorganization process that we all, I think, envision with the adoption of this bill. [LB971]

SENATOR PRICE: Thank you. [LB971]

SENATOR AVERY: Senator Wallman. [LB971]

SENATOR WALLMAN: Thank you, Chairman Avery. Thank you, Senator Mello, for being here. And I noticed Senator Harms said there probably might not necessarily be a cost savings, and I see we're losing the \$140,000-something in federal funds. And so is that a cost? [LB971]

SENATOR MELLO: That's a good question, Senator Wallman, and I'll do my best to provide my interpretation of that fiscal note. And I would be remiss to not...to urge you to

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ask Director Lang a little bit also more about the fiscal note when she comes up to testify. My interpretation is an understanding that the Department of Economic Development Director is paid with General Fund dollars. The Department of Labor's director is paid with federal dollars. The merging of that position, so to speak, has made the decision through the fiscal note that the position of Director of Economic Development would continue to be paid for with 100 percent General Fund dollars, thus we would be saving the federal funds that normally were associated with that Department of Labor director. Director Lang can provide maybe a little bit more detail and explanation if I'm incorrect in my interpretation of how that is. The question ultimately though is--and it's left for interpretation or were, I would say, for legislative debate between us and the executive branch--is whether or not you want to supplement part of the Director of Economic Development's funding with federal funds. That could be an option. Ultimately though that limits or that requires them to have to spend portions of their time directly on federal activity under the Department of Labor area, which...where they would get those funds. [LB971]

SENATOR WALLMAN: I've got to be quite honest. I'm apprehensive, you know. [LB971]

SENATOR MELLO: Um-hum. [LB971]

SENATOR WALLMAN: HHS got big, couldn't control it; now we're trying to break that up somewhat. So I'm listening. [LB971]

SENATOR MELLO: Thank you. [LB971]

SENATOR AVERY: Senator Sullivan. [LB971]

SENATOR SULLIVAN: Thank you, Senator Avery. Thank you, Senator Mello. One of the things that I've wondered about in this focus and mission of the newly...of a new department is what happens to our third-largest industry in this state? And is it contingent then or does the next bill that we're going to hear go hand in hand? What happens to tourism? [LB971]

SENATOR MELLO: Oh, Senator Sullivan, you've put me on the hot seat on this one, huh? (Laughter) As a cosponsor of the bill you will hear next as well... (Laughter) You know what? I think that's a question that's probably better left to ask Director Lang as much as Senator Louden. I understand Senator Louden's bill makes the tourism department...or it essentially creates a tourism commission as an independent entity away from the Department of Economic Development. And I think that there's...I think there's some ability, I think, to look at that issue, I think, in this context of merging the Department of Labor into DED. I think you'll hear probably testimony from supporters of Senator Louden's bill that expresses that probably if we move forward with LB971, we probably should move forward with his legislation that would separate tourism

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and...travel and tourism out of the department so that they're not lost, so to speak, in the shuffle. I think a lot of the issue, ultimately, still with Senator Louden's bill rests with the study of...the LB684 study that we passed as a Legislature last year that provided funding and the resources to do a comprehensive tourism study which, I believe, they're not going to be finished with that study until later this year. And so I support Senator Louden's concepts. I support his idea of what he wants to do. I think that's a conversation that obviously the Legislature needs to have, probably in the context with the executive branch, depending upon what we do with LB971. I don't think they're completely incompatible with each other. I think though, as Senator Wallman expressed, sometimes too much change doesn't accomplish the change we ultimately want to see. And I think that's something we need to keep in back of our minds as we both looked at...Senator Harms discussed what was in LB971. This amendment that's brought on LB971 that tries to, I think, make some reasonable changes, nothing too dramatic in the sense of this is an issue that removing these three regulatory bodies out has been discussed for years because of they naturally have a better fit with the regulatory inspection and safety of the Fire Marshal instead of the Department of Labor...but I'd also...I also don't want to short sell Senator Louden's bill. I think it's a good concept. Obviously I did because I cosponsored the bill and I think it warrants a worthy discussion in this committee and in the full Legislature. [LB971]

SENATOR SULLIVAN: But it also ties into yet another concern that I have is that, you know, if this mission of this new department is in fact primarily workforce development and new business, we can't overlook retention of the businesses that we have and improvement of a huge industry that we already have. [LB971]

SENATOR MELLO: Um-hum. [LB971]

SENATOR SULLIVAN: And I just want to make sure and...how do you feel that that might get lost in this new focus? [LB971]

SENATOR MELLO: Well, I would agree with you in the sense that I think the underlying focus still of the department is still economic development. I think building a skilled workforce is part of economic development. I think it's part of the foundation of what we do both our K-12/higher education systems. I think that's...the underlying issue, I think, determines on whether or not we as a Legislature feel it's best to have travel and tourism separate from the day-in/day-out functions of the Department of Economic Development that's focus is attracting new businesses/helping existing businesses develop and grow, as well as by adding the Department of Labor in, expanding and connecting our existing workforce development programs that are kind of smattery throughout both departments, bringing them together under one umbrella. I imagine there will be some who will say, that's something we should look at, maybe just not right now. Some will say, if we're going to look at both, let's look at that and move in all...both of them at the same time. I'm open up...I'm open to both concepts. I think that we all

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know tourism is our third-largest industry in Nebraska and that we have some significant challenges moving ahead of finding sustainable financing for tourism. We heard yesterday in the Appropriations Committee about this issue. I think the question, though, is...there are other programs, probably within both the Department of Labor and Economic Development that people have some concerns of not wanting to see them get lost in the shuffle either. I mean, unemployment insurance is a fairly critical component to the 35,000-plus Nebraskans who currently are unemployed. They're not going to want to see the unemployment insurance component of the Department of Labor just get left behind. I don't think anyone wants to see that. So I would trust...and I think...I have faith, I think, in what Director Lang would try to do of ensuring that no area will be left behind, so to speak, as a reorganization occurs. I think your underlying premise, I think, I agree with, which is if we're going to discuss this issue, we should be discussing the removal of the tourism area as a separate commission. I have heard others, though, have concern of whether or not it should go within the Game and Parks Commission, which is a legitimate issue as well. But I think the underlying premise of trying to have them be a separate, cash-funded commission is a worthwhile debate that I look forward to this committee hearing further of, and I hope we have the debate on the floor.
[LB971]

SENATOR SULLIVAN: Okay. [LB971]

SENATOR AVERY: Senator Louden might want to know if you'd be willing to fold your bill into his. [LB971]

SENATOR MELLO: (Laugh) I imagine Senator Louden would like to know that. And ultimately, as Senator Harms is the lead introducer of this legislation, I will defer to him on that path forward. [LB971]

SENATOR AVERY: Any more questions from the committee? I don't see any, thank you very much. [LB971]

SENATOR MELLO: Thank you. [LB971]

SENATOR AVERY: Proponent testimony? Welcome, Director Lang. [LB971]

CATHERINE LANG: (Exhibit 2) Thank you very much, Chairman Avery and members of the Government, Military and Veterans Affairs Committee. My name is Catherine Lang. It's Catherine with a "C," C-a-t-h-e-r-i-n-e; Lang, L-a-n-g. I am the Director of Economic Development, DED, and the Commissioner of Labor, DOL. I hope...if it's all right, I'll refer to the agencies in that way. I appear before you today in support of LB971. LB971 creates the Nebraska Department of Economic Development as a merged agency of DED and DOL. LB971 is introduced on behalf of the Governor, and I would like to thank Senators Harms and Mello for their support of this initiative. LB971 will create one state

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agency with the current responsibilities of DED and DOL. LB971 at this time does not propose any substantive changes to Nebraska law. It changes the name of DOL to the Department of Economic Development and the name of the Commissioner of Labor to Director. The purpose of the merger is to bring about the direct coordination of all programs of both agencies for the systematic and collaborative support and development of our business community and creation of jobs for Nebraska citizens. Neither DOL or DED creates jobs. However, both agencies are focused on economic development of our state either by supporting the creation, expansion, or recruitment of business activity to Nebraska or supporting our citizens to develop their skills and finding a place for their talents in the Nebraska economy. By merging these two great agencies, state government can fully integrate the services provided to our businesses and citizens and assure the most effective support system for the economic success of Nebraska. I have provided an organizational chart of the current DOL and DED. I have also provided an organizational chart that shows the agency after merger. Please note that all programs administered by each agency continue within the merged agency. And, for your information, the current statutes do require a deputy director of DED. That position has been maintained through the merger and in LB971. Because LB971 proposes only the merger of DOL into DED, the fiscal note represents the savings the state will realize by the elimination of one agency director. The fiscal note, which is referenced only to the Department of Labor, is the difference between the salary and benefits last paid to the director of DED and the current salary and benefits for my position as the commissioner and the director of both agencies. We propose to have the salaries and the benefits...no, excuse me. As you will note in the fiscal note, it shows that there is a reduction of federal funds, general funds, and cash funds. The salaries of both agency directors are allocated. My salary at DOL is allocated to all programs, based on hours worked. That's our allocation formula. The salary of the director at DED is also allocated to the funds of the Department of Economic Development. And so what you see is the combination of those in a representation of the reduction that will occur in total to federal funds, to state funds, and general funds. LB971 is the first step in the merger process. After the agencies have been merged, we will examine and review all programs and determine if there is a need for substantive changes to programs or services or to the structure of the agency, as illustrated by the organizational chart for the new Department of Economic Development. We will present a report of our efforts at the beginning of the next legislative session. I do want to note for the record that AM1851 modifies that slightly by requiring three reports to be prepared. And it also has proposed what I would consider a substantive change, which is the transfer of the safety inspection programs to the State Fire Marshal, so we are in support of that amendment. I would like to present two scenarios where I believe the merger will improve the delivery of services to our business and citizens. In the Department of Economic Development is the Business Development section, and that section is focused on the expansion of Nebraska business, the support of Nebraska businesses, and the recruitment of businesses to Nebraska. I think we also know in this room that business leads and business creates jobs in Nebraska, and DED is the support for that. Their job

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is to listen, to talk to...Senator Avery, what do I do about my time being up? [LB971]

SENATOR AVERY: We'll ask you questions that will allow you to finish. [LB971]

CATHERINE LANG: All right, thank you. [LB971]

SENATOR AVERY: All right, so let's start. [LB971]

CATHERINE LANG: Okay. [LB971]

SENATOR AVERY: Would you please explain to us some of those examples that you mentioned? [LB971]

CATHERINE LANG: Yes, I will. Thank you very much. And so you have the support component of the business community and the Department of Economic Development. But in the Department of Labor you have programs that support the workforce development of the state of Nebraska in many aspects--not just one, but in about three different aspects. And, in particular, one of the grants that we receive from the federal government--which is called the Wagner-Peyser Grant--provides the opportunity for us to provide job seeker and business support services to connect businesses with job seekers of all kinds, whether it's us in this room seeking a job or thinking about a new position, a person who has recently become unemployed who's seeking a new position, or those that are just coming out of the educational system, and so we have programs that help make that connection. We also have the Battelle study. And the Battelle study was a collaborative effort that was initiated originally in the Department of Economic Development, but the Department of Labor was the second supporter of that study both in funding and in staff. And what we've found and learned from that Battelle study is that Nebraska has clusters that it should focus its attention on and targeted industries that it should devote its...focus its attention on in terms of really moving the state forward. And what you see through this is what I think of as a very strong pipeline. I've been told maybe not to use that as an analogy, but okay, I'm going to. (Laughter) With business leading and driving us forward, creating jobs, expanding, and looking for ways to increase their business activity, right behind them is that support system of DED through the business development section. And right behind that is the ability of the state of Nebraska, through the employment and training programs, to support and create that pipeline of talent for the business development and business expansion in Nebraska. What better way to make sure that we are all aligned than, number one, to hear from business, where are you going? What do you need? What are the talents that you see in the future? Bringing that back in, understanding from an Economic Development perspective what policies need to be implemented to help smooth the way for business to be successful. And on the other side, how can we use that information to inform and help our job seekers, and in particular the most important pipeline we have in Nebraska, our young people coming out of K-12 and higher ed, and inform them: (1)

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of the jobs that are in Nebraska; (2) what are the talents and skills you need to be able to have those jobs; and then what is that education pathway you need to be on to get that job? And then at the end of that, linking them to the jobs in Nebraska. We know of the internship program that's intended to do that. And we can, I believe, create a much stronger voice with the collaboration of these two agencies, the merger of these two agencies, to help inform--and please note I used the word inform--inform our educational partners about where business is going so that we can meet the needs of the future as quickly and as efficiently as possible. The other example is labor market information. Inside the Department of Labor, we have the program funded by the Bureau of Labor Statistics grant and the Labor Market Information Grant, and from that grant, which is a very restrictive grant--you need to do things in a certain way, create data in a certain way--and then that is your job in that grant. Those are the parameters of your ability to utilize those funds in that grant. But we know in the Department of Labor that that information is vital for economic development efforts, and we know that in particular, one, because of the history that we've had in collaborating with the Department of Economic Development and, in particular, the Battelle study. The Battelle study utilized a lot of the information that we have through what we call labor market information. My staff in labor market information, for the last number of years, has proposed the ability to try and use this information in a different way, doing different kinds of studies, and being able to then share that with Economic Development. The difficulty is that under the Bureau of Labor Statistics Grant restrictions, we're unable to do those additional things. Imagine now the ability of this merged agency and its research capacity. I'm not talking just labor market information and the federal grants. I'm talking about the ability and the need that Economic Development has for the use of that information in different ways, different studies, different ways of tearing down and building back that information. I think that's going to be a very robust opportunity in terms of being able to then assist...using all this data to assist and then be using that in the Department of...in the...what would be the Economic Development part of the merged agencies. [LB971]

SENATOR AVERY: Okay. [LB971]

CATHERINE LANG: So that would be a couple of examples. [LB971]

SENATOR AVERY: All right, great. Now let me ask you a real question. [LB971]

CATHERINE LANG: Yes, sir. [LB971]

SENATOR AVERY: When Senator Harms was opening on this bill... [LB971]

CATHERINE LANG: Um-hum. [LB971]

SENATOR AVERY: ...he stressed the importance of input from all of the various

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agencies affected, the various parties, individuals, departments. [LB971]

CATHERINE LANG: Yes, sir. [LB971]

SENATOR AVERY: Could you please describe to us the extent to which the Department of Economic Development/the Department of Labor were involved in planning this? Do you know what the views are of the people in your departments and how they see this unfolding? Can you tell us? [LB971]

CATHERINE LANG: We are building on that, and so I will give one example of that. We had a joint meeting of the management team of both agencies, brought them together. And one of the things I asked as everybody was going around the room sharing--what is my job, what do I do, what's my focus--I asked them each to...would you please provide from your perspective one benefit of this merger and one negative of this merger? And I will tell you, to a person in the room--from the management team, speaking from the perspective on themselves and their staff members--to a person, they named the coordination among staff and programs as the benefit to the state of Nebraska in terms of this merger. And, in a sense, what I just described is at least just two of those opportunities, but there are many more. The negative aspects focused mostly on managing the change of the merger. These tended to be in part personal, which is understandable; it was coming from staff. But it was focused on the managing of that change, and how will it look, what will happen. And so what we will be doing...and I appreciate the amendment. I think the amendment is a great opportunity to receive the input not only of staff but of the stakeholders that are involved in both of these agencies right now--the stakeholders in DED, the Economic Development directors, the Chamber of Commerce. And then on the workforce side, we have our...local workforce investment boards are certainly going to have input related to what do they think are the opportunities here and what do they think are the concerns, and we'll bring those together. [LB971]

SENATOR AVERY: Okay, when you say you'll bring them together, how far are you reaching into these departments? And you talked about the management team. I presume that's the people in these boxes, the organizational chart you gave us. [LB971]

CATHERINE LANG: That is the people in these boxes. [LB971]

SENATOR AVERY: Okay, but there are lots of people that are not in the boxes. [LB971]

CATHERINE LANG: Um-hum. [LB971]

SENATOR AVERY: But these people have opinions. Are you...do you have a mechanism in place to get their input as well? [LB971]

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CATHERINE LANG: Right now, I've been working primarily through the managers, understanding the programs, learning what the programs are, at least in the Department of Economic Development. But I have--and I've always said this--my...everyone knows what my e-mail address is; everyone knows what my direct phone number is. I have said, if you have any questions, you need to ask me anything, please do that. But we will be implementing opportunities to bring staff members together because the other thing is that that coordination is going to happen on the ground and in our offices and locations and efforts across the state. So we will be bringing those together, but that's within both agencies. There are vital and important stakeholders to this process whose input will be very important to also structuring the merger process. [LB971]

SENATOR AVERY: Yeah, it... [LB971]

CATHERINE LANG: And so yes, we need to invite them as well. [LB971]

SENATOR AVERY: And that was an important point made by Senator Harms. If you don't...if people don't buy into this, then there is no incentive for them to help make it work. There has to be something in it for them. If there's something in it for them and they say, yes, I think this can work and this is what I can do to help make it work, then you're going to succeed. I think Senator Harms was...nailed it when he was speaking. [LB971]

CATHERINE LANG: I absolutely agree with that. [LB971]

SENATOR AVERY: You maybe ought to include him in your meetings; he doesn't have much to do. Senator Pahls? [LB971]

SENATOR PAHLS: Thank you, Chairman. Okay, now I'm looking at this first paragraph and it says that a...to develop a strategic plan for the department. Now that seems like that's going to be a major task. [LB971]

CATHERINE LANG: I don't disagree. [LB971]

SENATOR PAHLS: Right, and I know because I've heard of you, I know the force of your personality, which is positive. But, to me, to facilitate something like that, I mean, do you plan to have somebody else in there helping you? [LB971]

CATHERINE LANG: Well, remember that the opportunity to review this amendment is brand new,... [LB971]

SENATOR PAHLS: Oh, okay. [LB971]

CATHERINE LANG: ...and the idea of creating these reports is very brand new. I don't

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disagree with the opportunity to consider bringing in a consultant to assist with this, so this...I'm very open to that idea. [LB971]

SENATOR PAHLS: Yeah, because if that...to me, that's...when changes are made, it's not like you are the one directing it. It's coming from the group. So, you know, I mean, you will not be, you know, blessed or crucified because of a decision. You know, I mean, I'm just curious. And you have not seen this amendment? [LB971]

CATHERINE LANG: I mean, I have knowledge of the amendment. I was presented with the language today, so I have seen it today. [LB971]

SENATOR PAHLS: Um-hum, okay, okay. [LB971]

CATHERINE LANG: But I support the concept. [LB971]

SENATOR PAHLS: Okay. [LB971]

CATHERINE LANG: I also support the discussion that surrounded the amendment. [LB971]

SENATOR PAHLS: Yeah, because I see this as helping it, myself. [LB971]

CATHERINE LANG: Absolutely. [LB971]

SENATOR PAHLS: You know what I mean? [LB971]

CATHERINE LANG: Yes. [LB971]

SENATOR PAHLS: I don't know if I'd be as foolish to accept this responsibility, but...no, no, thank you. [LB971]

CATHERINE LANG: You're welcome. [LB971]

SENATOR AVERY: Any other questions? Senator Wallman. [LB971]

SENATOR WALLMAN: Thank you, Chairman Avery. Yeah, thanks for being on the hot seat here. I noticed the Fire Marshal. Did they have...is that going to bother their budget any? [LB971]

CATHERINE LANG: I don't believe so. John Falgione has been approached with this concept, so again this is a new concept that's come to us... [LB971]

SENATOR WALLMAN: Yeah. [LB971]

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CATHERINE LANG: ...because the original concept of the merger was the merger. This is an issue we have discussed in the past. John and I discussed it three years ago as fellow agency directors, and it was determined at that time that we at the Department of Labor needed to write these programs, as well as some others, and we have done that. I believe that three years ago the merger would have been premature; I believe now that the merger would be reasonable. And so...but John and I had talked about it three years ago. [LB971]

SENATOR WALLMAN: Okay, thank you. [LB971]

CATHERINE LANG: You bet. [LB971]

SENATOR AVERY: Senator Sullivan. [LB971]

SENATOR SULLIVAN: Excuse me. Thank you, Senator Avery, and thank you, Catherine. How many employees are we talking about between the two departments? [LB971]

CATHERINE LANG: Okay, I have that information for you, and what I'm going to give you is budgeted positions; and then if we need to have a more detailed conversation about budgeted versus unbudgeted, we can do that. Just a moment, please. Okay, I am missing one of my pieces of paper. I believe the budgeted positions of the Department of Economic Development--and that's the piece of paper I seem to have lost--is 78, and the level of staffing is 65. And the Department of Labor is budgeted for 371, and our current level of staffing is about 342. That's permanent. And then I just need to explain that at the Department of Labor, because of the current economic situation, we have the ability to hire temporary and SOS staff to accommodate the workload that comes as a result of the recession. At this time, we have more staff members than that, but those are permanent--or, excuse me--those are temporary or SOS. [LB971]

SENATOR SULLIVAN: So that fluctuates depending upon how many unemployment claims or...? [LB971]

CATHERINE LANG: Yes, it's the workload of the benefits system... [LB971]

SENATOR SULLIVAN: Um-hum. [LB971]

CATHERINE LANG: ...that then creates what's called, in our terminology, "above-base funding," and it's that above-base funding that assists in funding the additional staff to accomplish the workload. [LB971]

SENATOR SULLIVAN: You mentioned in your comments that there's going to be

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increased coordination and communication between the sections in each department, but your organizational chart--including the one that shows the revisions for the merger--does not reflect that. Do you anticipate a different organizational chart? [LB971]

CATHERINE LANG: Well, at this time I do not. I don't know...I don't want to commit that that's the end result of all of this effort of the merger. That is our initial belief of what the merger will look like when we first begin because we want to bring everyone together. Please know that the staff members of each agency are committed to working together. They have collaborated in the past. In the three years since I've been the Commissioner of Labor, Richard and I have collaborated at every opportunity, and that has occurred at the staff level. To me, the merger is just advancing that and creating a more direct coordination and communication among staff. And so as you go into the agencies and you look at your management level and your staff level, those are the individuals that get the work done. My job is to be their leader, to provide clear direction of where we're going, to be their servant leader to assure that they have the tools they need to get their job done, to create the coordination and the opportunity of coordination. But, I will tell you, to a person, people are committed to the success of this merger and are excited by the opportunity to align these programs. [LB971]

SENATOR SULLIVAN: Well, and I accept that. And when Senator Mello said, to a certain extent we have to accept this on faith and trust, that's the only thing that...you can understand that we're looking for some hard and clear indications of how this is going to work. [LB971]

CATHERINE LANG: Well, and that's why I really appreciate the amendment and the way the amendment is drafted related to the opportunity to create benchmarks. [LB971]

SENATOR SULLIVAN: Um-hum. [LB971]

CATHERINE LANG: And I guess I would say I appreciate the opportunity for us as a merged agency to look, listen to the stakeholders, and establish those benchmarks. Are there some that perhaps we could name right now? Sure. But will there be more that come out of this process? Absolutely, and that's why I also think the opportunity for a...multiple reports to come out over approximately about a year-and-a-half period of time--two years--will be helpful because it will allow us then to continue to develop this merger effectively, with the voice of stakeholders assisting us, and then provide modifications as we look ahead; and there may well be those modifications. [LB971]

SENATOR SULLIVAN: Thanks. [LB971]

SENATOR AVERY: You said that three years ago this merger would have been premature, but now is the time. [LB971]

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CATHERINE LANG: Yes. [LB971]

SENATOR AVERY: Could you elaborate on that, as to why now is the time and three years ago was not the time? [LB971]

CATHERINE LANG: Yes, I'd be happy to. Being the Commissioner of Labor has been an amazing opportunity for me. It's an amazing agency, it performs amazing services, and there are very dedicated and wonderful people that work at the Department of Labor. The Department of Labor, three years ago, was in a dire financial situation. I think everybody may be aware of the liability that we had to the federal government for the mismanagement of our funding, and so we have spent the last three years righting that ship, bringing our agency into compliance, partnering with the United States Department of Labor. They are our oversight agency in terms of the management of those federal funds. We are at the final stages of bringing that to closure, so that's why I say it would have been premature. [LB971]

SENATOR AVERY: Yeah, I get it. I get it. Senator Pahls? [LB971]

SENATOR PAHLS: Okay, now after listening to you, I have to be honest with you. I thought this was a really big deal but now I don't. I think that you're saying this is really pretty manageable. We may be making this a bigger deal in our own mind's eye? [LB971]

CATHERINE LANG: Well, I wouldn't say that because I think change is difficult, and you want to manage it well. The state also has experienced mergers in the past... [LB971]

SENATOR PAHLS: Right. [LB971]

CATHERINE LANG: ...and we...and I'll just even say, personally--me--I want to assure that this merger is ultimately and amazingly successful for our economic strength. That's what I care about. So the concepts of bringing...and to have the ability to have the stakeholders involved in the process, to articulate that now at the beginning of the merger, I am absolutely supportive of that. [LB971]

SENATOR PAHLS: Okay, so you're... [LB971]

CATHERINE LANG: It will help. [LB971]

SENATOR PAHLS: Okay. So again I'm talking about your force, your personality, probably is really going to make this thing work, is it not? [LB971]

CATHERINE LANG: That's very kind of you to say. I hope that I can play a role in assuring this is very successful. [LB971]

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SENATOR PAHLS: Okay, thank you. Thank you. [LB971]

SENATOR AVERY: Any other questions from the committee? I don't see any. Thank you very much for your testimony. [LB971]

CATHERINE LANG: Thank you very much. [LB971]

SENATOR AVERY: Any other proponent testimony? Welcome. [LB971]

STEVEN SIMPSON: Thank you. Thank you, Chairman Avery and members of the--let me get this right--Governmental (sic), Military and Veterans Committee. [LB971]

SENATOR AVERY: That's close enough. [LB971]

STEVEN SIMPSON: Yeah, thank you. My name is Steven Simpson, that's S-t-e-v-e-n S-i-m-p-s-o-n. I am the business manager for the Elevator Constructors Union Local No. 28, and I cover the entire state of Nebraska, parts of southwest Iowa, and...a large territory, nonetheless. But I'm standing up here in support of this, of LB971 as amended. I could speak on the behalf of the inspections portion of this for the Conveyance Safety Act that safety...we've enjoyed a great relationship with the Department of Labor up to this time through the inspections program. But I believe it is an excellent fit, for code enforcement and for safety, for this program now to move into the Fire Marshal's department, and I believe that was...that's an excellent idea, so I'm...that's all I've got. [LB971]

SENATOR AVERY: Thank you, thank you. Questions for the testifier? Thank you for coming forward. [LB971]

STEVEN SIMPSON: Thank you. [LB971]

SENATOR AVERY: Other proponent testimony? Good afternoon, sir. [LB971]

KEN MASS: Senator Avery, members of the Committee, my name is Ken Mass, K-e-n M-a-s-s, representing Nebraska AFL-CIO, here today in support of LB971, but with reservations, and I think a lot of the reservations that I speak among are ones that have been addressed already. The concern any time you have a merger...and I have been involved with mergers before, and most mergers work out well. Some mergers, one side gets ran over and hopefully that is not the situation that's going to happen here. And because you have the...hopefully Economic Development does not overrun or push aside their regulatory enforcement of the DOL. And we have many programs, part of the DOL--misclassification of employees, we had contractor registration, unemployment--that are very dear to all working men and women. But, having said that,

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we also believe in Economic Development. And can it work? I think it can. I think there's a lot of bugs to be worked out of it, but it's moving forward, and the key to that is the money. No doubt, as you've got the DOL, a lot of federal money comes down on that side and comes out of there. Hopefully, the money keeps separate and doesn't get piled into one side and the other side gets forgotten, then pretty soon we're cutting and cutting and cutting on the other side. So that's where I'm coming from; I think all those things have been voiced here today. And I agree with Senator Pahls, bringing in a neutral to work out the bugs in between the two organizations, but I think the...what has been addressed by Commissioner Lang. And just for the record, we--Commissioner Lang and I--have had some conversations on this. As I told her, I...hopefully, she doesn't forget where she came from. But anyway, that's here. I'm here to support and with the concerns, so I'd ask any questions. [LB971]

SENATOR AVERY: Did you...were you consulted then, in advance, and as to what you and organized labor would think about such a merger? [LB971]

KEN MASS: Bits and pieces. Not fully, but bits and pieces of it, yes. Um-hum. [LB971]

SENATOR AVERY: So you had conversations with Commissioner Lang? [LB971]

KEN MASS: Sure, sure. I also serve on the Workforce Development Board, so I had some... [LB971]

SENATOR AVERY: And it was discussed there? [LB971]

KEN MASS: Yeah, um-hum. [LB971]

SENATOR AVERY: Okay, any questions from the committee? Don't see any. [LB971]

KEN MASS: Thank you. Have a good day. [LB971]

SENATOR AVERY: Thank you, sir. Any other proponent testimony? Okay, I don't see any more proponents. Any opponent testimony? Good afternoon. [LB971]

DEBORA COTTIER: (Exhibit 3) Good afternoon, Senator. Well, the page is just handing you a copy of my testimony, so I will just proceed with it. Good afternoon, my name is Deb Cottier. That is C-o-t-t-i-e-r, and I'm from Chadron, Nebraska. And I'm here today representing the board of directors of the Nebraska Economic Developers Association, or NEDA, as we're commonly known. NEDA is a statewide organization with more than 375 members, and the board of directors of NEDA met yesterday and voted to oppose LB971 in its current form. So I will preface the remainder of my comments by saying we were not privy to the specific amendment information when we were making our decision about whether to support or oppose this legislation. But under the leadership of

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Governor Heineman, Nebraska has become a leader in the nation in economic development policy, recruitment and retention of businesses, and job creation. NEDA is proud to be a partner with the Governor in those efforts, and it's for that reason that we oppose merging the Department of Economic Development and the Department of Labor. This bill provides no clear plan for how this proposed merger would benefit either state agency in the fulfillment of their respective missions. The merger may shift the director's time to regulatory and enforcement responsibilities now performed by the Commissioner of Labor. As written, LB971 will dilute the effectiveness of the Department of Economic Development and its director by increasing responsibilities to include everything from elevator inspections to the enforcement of child labor laws. While these are very important functions of government, they are separate from what we believe is the core function of the Department of Economic Development. In the current fragile economy, we cannot afford to jeopardize Nebraska's current standing on a proposal that has no demonstrated plan of how it will be implemented. This is a complicated proposal that we urge the committee to carefully consider the consequences--both intended and unintended--of the proposed merger before you vote whether or not to advance this bill out of committee. [LB971]

SENATOR AVERY: Thank you. [LB971]

DEBORA COTTIER: Thank you. [LB971]

SENATOR AVERY: Let me start by asking you, do you really think it's possible for us to identify all of the consequences and unintended consequences of this action now, at this point? [LB971]

DEBORA COTTIER: My... [LB971]

SENATOR AVERY: There's always some risk involved in anything like this. [LB971]

DEBORA COTTIER: Yes. My intention was just to urge you to give careful consideration. [LB971]

SENATOR AVERY: Yeah, we will. Any questions? Senator Sullivan. [LB971]

SENATOR SULLIVAN: Thank you, Senator Avery. Thank you, Deb. Is it safe to say that because of your testimony, the fact that now the inspection segments have been potentially removed and also the benchmarks possibly to be identified, does that help you feel a little bit better? [LB971]

DEBORA COTTIER: It certainly does, and particularly the urging to involve stakeholders in helping to set those benchmarks. I'm certainly willing to take back to the board of directors' consideration again when we see exactly how that works out. I believe that the

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Nebraska Economic Developers Association wants nothing more than for the department to continue to be a success, and we work hard to assist them, and so we certainly are not in a position to say we would never think this was a good idea. However, we obviously have some concerns. [LB971]

SENATOR SULLIVAN: In your role in economic development efforts, it's safe to say you've had quite a lot of contact with DED. But what's been your relationship with Department of Labor? [LB971]

DEBORA COTTIER: In western Nebraska, the Department of Labor has scaled back in terms of the available people in the number of communities. I have to say that in my county, in Dawes County, we work with the Department of Labor office out of Alliance, Nebraska, so it's 60 miles for their folks to come visit my community. And I would say they do an admirable job in terms of the relationship that I personally have with my organization and my Department of Labor representative. [LB971]

SENATOR SULLIVAN: Okay, thank you. [LB971]

SENATOR AVERY: Any other questions? Did you come in all the way from Chadron for this? [LB971]

DEBORA COTTIER: Yes, I did. [LB971]

SENATOR AVERY: Well, we're impressed. Thank you, thank you. [LB971]

DEBORA COTTIER: Thank you. I hope I don't get stuck here tomorrow in the weather. [LB971]

SENATOR AVERY: Yeah, and I hope...yes, and I would advise you to get on the road quickly because it's about to change. [LB971]

DEBORA COTTIER: Thank you. [LB971]

SENATOR AVERY: Thank you. Any other opponent testimony? Change your mind? [LB971]

ROGER JASNOCH: Neutral, sorry. [LB971]

SENATOR AVERY: Neutral? Okay, we'll get there. Any opponent? All right, now neutral testimony. Welcome, sir. [LB971]

ROGER JASNOCH: Thank you. Senator Avery, fellow committee members, my name is Roger Jasnoch, J-a-s-n-o-c-h, director of the Kearney Visitors Bureau. I appear before

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you today to offer neutral testimony on behalf of the Nebraska Travel Association. The association is made up of over 100 business and entities from around the state, from Chimney Rock Museum in Bayard to the Henry Doorly Zoo in Omaha and everything in between, including the Happy Chalk Mine in Scotia. We represent, Senator, the third-largest industry, between our friends in agriculture and manufacturing. Each morning, I join 39,999 individuals that go to work in tourism in the state of Nebraska. Your travel industry generates \$131 million in tax revenues, creating a \$9.9 billion economic impact. Currently a strategic plan is being conducted on how Nebraska can best use its tourism assets to grow our travel industry. That study is due out this summer. We thought it was prudent to wait for the outcome of this study to help determine any future home of the Nebraska Tourism Office. Let's wait for the study to guide us in our future. Questions? [LB971]

SENATOR AVERY: I thank you for your testimony. There is a bill coming up that you might have an interest in. You're aware of that? [LB971]

ROGER JASNOCH: Yes, um-hum. [LB971]

SENATOR AVERY: Okay. Any questions from the committee? Senator Sullivan? [LB971]

SENATOR SULLIVAN: Thank you, and thank you for your testimony in light of, though, even that bill or the next bill. But in light of what the amendment to this bill says, do you presume you'd want to be involved and will be involved as a stakeholder in the discussion of the benchmarks for this merger? [LB971]

ROGER JASNOCH: I guess I don't understand...oh, I see. [LB971]

SENATOR SULLIVAN: Well, the amendment that's being proposed... [LB971]

ROGER JASNOCH: Sure. [LB971]

SENATOR SULLIVAN: ...is saying we're going to identify some benchmarks to see if we can...that we could identify that this makes this merger successful. [LB971]

ROGER JASNOCH: Um-hum. Sure, sure. [LB971]

SENATOR SULLIVAN: Not knowing what is going to be the outcome of the study that you're involved in,... [LB971]

ROGER JASNOCH: Um-hum. [LB971]

SENATOR SULLIVAN: ...might you want to be involved? [LB971]

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ROGER JASNOCH: Of course we'd want to be involved and preserve the fact that we don't end up in some closet downstairs and never see the light of day again. [LB971]

SENATOR SULLIVAN: Okay, okay, yeah. But...okay, okay, very good. [LB971]

ROGER JASNOCH: Excuse me. [LB971]

SENATOR AVERY: Any other questions? Senator Pahls. [LB971]

SENATOR PAHLS: I have a...and I don't know if you know this answer and it may be off. Are restaurants...is that classified as tourist industry? [LB971]

ROGER JASNOCH: Yes. [LB971]

SENATOR PAHLS: So a lot of the money actually comes from restaurants, is that true? Would that be true then? [LB971]

ROGER JASNOCH: A lot of the money... [LB971]

SENATOR PAHLS: Well, the taxes that you're talking... [LB971]

ROGER JASNOCH: Well, of course restaurants, entertainment options, theatre, concerts, obviously properties, gas stations. And you know what's different about the tourism industry? And, like my friends in the Economic Development, we don't have a large 200,000 square foot manufacturing plant with smoke spewing out into the environment. Our businesses are made up of a lot of smaller businesses, restaurants, that are mom-and-pop kinds of operations and so. [LB971]

SENATOR PAHLS: There are approximately around, what, 4,000 restaurants in this state, would you say? [LB971]

ROGER JASNOCH: Oh, there would be significantly more than that. [LB971]

SENATOR PAHLS: Okay. [LB971]

ROGER JASNOCH: Just in Kearney alone, we have a couple hundred. [LB971]

SENATOR PAHLS: Yeah, okay. Okay, thank you. [LB971]

SENATOR AVERY: Any more questions? I don't see any. Thank you, sir, for your testimony. [LB971]

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ROGER JASNOCH: Thank you. [LB971]

SENATOR AVERY: Any other neutral testimony? Welcome, Mr. Bohrer. [LB971]

BRUCE BOHRER: Yeah, thank you. Good afternoon, Chairman Avery, members of the committee. I'm Bruce Bohrer. For the record, my name is spelled B-r-u-c-e B-o-h-r-e-r, and I am here on behalf of the Lincoln Chamber of Commerce, the Greater Omaha Chamber of Commerce, and the State Chamber of Commerce and Industry, to appear before you...to represent a neutral position but certainly not ambivalent about this issue. We want to be involved and want to be involved constructively. I will tell you, as our...what we loosely refer to as our "chamber coalition" has talked about this issue, we talked about developing principles and objectives that would be served through the merger, and so it was very comforting to hear Senator Harms, as he introduced the bill, talk about different principals and communication and benchmarks. We were not privy to the amendment that was introduced earlier or privy to any of the discussions about that. But I look forward to seeing that because again the discussion about the benchmarks and also the discussion about some changes in reorganization, shifting of duties over to the, what was it, the... [LB971]

SENATOR AVERY: Fire Marshal. [LB971]

BRUCE BOHRER: Yeah, the Fire Marshal's office. I think that's something that we would be encouraged by as well. You've already talked about this a little bit, but I just want to reiterate that's...those are the same conversations that we've had, too, as far as the culture--the culture of the two different organizations and also maybe even the constituencies that they serve. DED really does focus mostly on economic development in business organizations in a sort of advocacy role and much different than DOL. Finally, I'll just wrap up and say, we are very confident--and especially after hearing her testify today--in the abilities, the talents, the leadership of Director Lang. We work closely with Director Lang. I'm just speaking for the Lincoln Chamber now, but I'm sure the same is true of the Omaha Chamber and the State Chamber. But we've worked closely with Cathy throughout the years and have always admired the way she approaches issues and approaches collaboration on different issues, too, so we're confident that we can be a part of it and in developing a way to get this done correctly. So I just want to make sure you understand we're neutral because really the bill was...what we felt we were responding to was just a name change and didn't really understand exactly how the operational aspects of it would be executed. [LB971]

SENATOR AVERY: Were you brought in during the formation of this idea? [LB971]

BRUCE BOHRER: Well, I don't think so. But, you know...no, not specifically. But we had an opportunity, you know, to respond to Senator Mello's interim study, so I just was reminded of that earlier today when Senator Mello introduced the amendment that, you

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know, that was just something that we hadn't really taken that much interest in and gotten that involved in, so I will say that. There were opportunities for us to voice opinions on that. And I know that from again, just the Lincoln Chamber perspective, when that interim study came out, I just talked to my economic developer and...or people in our economic development division and what do you think about that--and this was a year, year-and-a-half ago--and shared with me that they had heard there were a lot of concerns statewide. And maybe we just heard that a little bit ago. You know, the concerns are different, obviously, and you all know this on a lot of issues; the concerns are different from the urban areas and rural areas. [LB971]

SENATOR AVERY: Any questions from the committee? Thank you. [LB971]

BRUCE BOHRER: Thank you very much. [LB971]

SENATOR AVERY: Thanks for coming. Any other neutral testimony? I don't see any. Senator Harms. [LB971]

SENATOR HARMS: Thank you. Senator Avery, thank you very much. I think you've heard from the testimony, and I believe, that this can be very successful. I'll come back and just reiterate, I think those five principles are critical for us. And what...you had a chance to see Catherine. She's bright, articulate, she's got a great personality, and I think she has the ability to work. And I think if we can bring in someone to assist her where she doesn't have to focus completely on this, we've got a great chance of making this a very successful merger. So I would hope you just give it consideration, and if it's in your hearts, you think it's the right thing to do, bring it out. If not, I understand that. So if there's anything I can do to answer any questions for you later or you have any concerns, I'd be happy to dig them out because I know that you have a lot on your plate. So thank you very much. And I've got to see you Monday and Wednesday, so I'll be back. [LB971]

SENATOR AVERY: Thank you, thank you. [LB971]

SENATOR HARMS: Okay, thank you. [LB971]

SENATOR AVERY: I don't...you might have another question. I don't see any. [LB971]

SENATOR HARMS: Thank you. [LB971]

SENATOR AVERY: Are you going to take off for Scottsbluff... [LB971]

SENATOR HARMS: Yes, I am. [LB971]

SENATOR AVERY: ...right away? [LB971]

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SENATOR HARMS: No, no, no, I'm here for the weekend. [LB971]

SENATOR AVERY: Okay. [LB971]

SENATOR HARMS: Well, thank you. [LB971]

SENATOR AVERY: Smart guy. [LB971]

SENATOR HARMS: Yeah, thank you. [LB971]

SENATOR AVERY: That ends the hearing on LB971, and we'll now move to Senator Louden's bill, LB1053. We've already talked about your bill a little bit. [LB971]

SENATOR LOUDEN: Well, good. I hope it was positive. Are you ready to vote it out? [LB971]

SENATOR AVERY: Not yet, not yet. [LB971]

SENATOR LOUDEN: Or do I have to do a little more on it? [LB971]

SENATOR PRICE: Oh, it'll be voted on. [LB971]

SENATOR WALLMAN: Well, not today. [LB971]

SENATOR PRICE: All right, welcome there, Senator Louden. You are clear to open up on your bill. [LB971]

SENATOR LOUDEN: Okay. Thank you, Senator Avery, Senator Price, and members of the Government, Military and Veterans Affairs Committee. My name is LeRoy Louden; that's spelled L-o-u-d-e-n, and I represent District 49. I've introduced LB1053 to amend the Nebraska Visitors Development Act to create the Nebraska Tourism Commission. The commission shall administer the Nebraska Visitors Development Act and perform other duties as outlined in Section 11 of the bill. The Nebraska Tourism Commission would provide promotional activity, solicitation, and an operating program to attract visitors to Nebraska and further the use of travel and tourism facilities in Nebraska. The underlying reason that I introduced LB1053 is to grant the Travel and Tourism Division independence from the Department of Economic Development where it currently resides, allowing them to work closer with the tourism industry and better serve their purposes of promoting Nebraska. As I've had discussion with some of the people in the tourism industry in my area that tourism is a unique industry--especially in the western part of the state--and it requires a lot of unique planning and developmental stages as they work for their paleontology trails across western Nebraska and different things--the

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Hudson-Meng Bonebed and all those things like that--that are unique to those areas out there. And it has similar goals as Economic Development or agriculture on that, and that whole idea is to bring wealth to the state of Nebraska. When I came down here 10 years ago, that was part of the reason. I wanted to do something to jump-start the economy in western Nebraska, which in 2002 and 2003...where the whole state was kind of in a bother. And this tourism is one of the first things that you could use to bring revenue to a state. I've always said tourism is a very nice way of bringing revenue to a state because you bring people in, you talk to them, you smile and you pat them on the back, you show them a good time and then take their money, and then you send them home. And that home, you let somebody else furnish the police department, furnish the fire department, furnish the schools and do all of that, but tourism is one of the...the only industry that you can do that with. If you bring in manufacturing, you're going to have the police departments, the firemen, the schools, and all that, so tourism is the...is a way to jump-start an economy, and it is quick money. And, for the most part, we always try to make it to be outside money, bring it in from outside the state, so this is something that I've worked at ever since I've been down here. Travel and tourism plays an important role in Nebraska's economy, and it deserves its own commission because it has a self-sustaining budget funded by the lodging tax. Regardless, if DED and the Department of Labor merge, the Travel and Tourism Division should be allowed to operate independently of DED. And, as they came out with the fiscal note here the last few days, they have a budget of a little over \$5 million, and of that about \$3.9 million is cash funds, and that is from their occupation tax they have. This last session, they had \$250,000 appropriated from General Funds. Some years, they have had as much as \$500,000 from General Funds, and they also receive just under \$1 million from federal funds--\$959,000. So they do have their own funding source, and that's the reason I thought we could work something out on this. And since they were coming up with the idea of spreading out the...or putting together the Department of Labor and Economic Development, I felt like perhaps they would...tourism would perhaps be down in a little bit deeper, and I didn't want that to happen to one of our third-largest industries in Nebraska. And that's a...it's a source of outside revenue for Nebraska and an industry working on its own in many places. There are various organizations in the travel and tourism industry. Your counties and your cities all have...many of them all have organizations of their own to promote tourism in their particular area. And since a few years ago, when I first came down here, I had introduced and got passed into law LB726, and that allowed them to get the 2 percent more on the lodging tax, and that was to be used for facilities, to improve facilities for tourism. And many counties got right on that because it was set up so that a county could implement it with a resolution. They didn't have to have a vote or anything; it could be implemented with a resolution. And if at some point in time...which we've already had one do; it's in my own county near where I live, Box Butte. They voted to opt back out of it by resolution, so it's easy for them to get in, and they can get back out, and it's a source of income. Scottsbluff and some of those counties have done quite well with that money. For the most part, the travel and tourism could be a cash-funded agency whose budgets benefit greatly

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from their own successes. In other words, the more promotion they do with it, the more occupation taxes they could receive. The lodging tax in Nebraska benefits both state tourism and the counties. It would work with the Travel and Tourism Commission in a positive feedback system. When their promotional activities are successful and bring people into this state, their revenue from the lodging tax increases, expanding their budget and helping the counties out too. For both the tourists and the commission, with a larger budget, the tour industry can increase the services provided to them...provided to travelers. To borrow a phrase here, I heard just a little while ago that now is the time when we're supposed to be doing this. Three years ago wasn't, but now is the time. I believe, since you're in there spading up this garden, I do believe now is the time to look at travel and tourism. They're an agency...or an industry that really is entitled to its own leadership. They talked about this study that's supposed to be coming up in June, and I know I...when I'd visited with this earlier, when I was drawing this up, I talked to Cathy Lang. She said, oh, let's wait until that study. Well, that's fine, but that study...first of all, they were slow to get the thing in gear. I mean, it should have probably had most of that in by now. The other thing is we know that the study may or may not say whether to split the tourism agency on its own, but they're going to be more geared to telling us what we can do to bring people in from other states to promote our tourism, where we should spend our money, and that sort of thing. That's usually what studies are all about. I don't foresee any way that this bill would interfere with that study. I mean, it could just work right in with it, and it may enhance the study. So I believe it's time that the commission has its own agency, and they could coordinate projects between the counties and the cities and private organizations statewide and also on a national level. And when you look at your television, how many times have you seen on your satellite television set advertising Nebraska or someplace like that? I've never seen it yet in my life. I've seen Nevada and I've seen Wyoming and I've seen Wisconsin. I've seen all over, but I've never once, ever, seen on national television that you're telling anybody to come into Nebraska and take a look at our rocks or come to Nebraska and look around at Mahoney State Park or Henry Doorly Zoo or anything like that. And this is what we need to look at and do. And so as I go through the bill, Sections 5 and 9 of the bill directs the duties that the Nebraska Tourism Commission is required to do, and Sections 5-7 there mostly denotes where the revenue will come from to fund the tourism commission. Section 10 of LB1053 creates the Nebraska Tourism Commission and describes where and how the members will be appointed by the Governor, with approval of the majority of the members of the Legislature. It also denotes how the members of the commission will be appointed. In other words, I have to commend...I think Mary Fischer was the one that was the bill writer on this thing. And talk about somebody that probably walks on water. What is it they say, secretaries that jump over high buildings and stuff like that? It could be such a thing we have one right here in the Capitol that can do that because she worked on this, drew this up, and I thought she did a marvelous job of drawing this bill up in short time in order to come up with a plan like that. So anyway, as we went through these sections, this is how we set it up so that we would know who would be...how they would be appointed. And Section 12 deals with the transition of the

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employees of the travel and tourism, the division of Department of Economic Development, and how they will be treated under the state personnel system. The way that it's set up, they will mostly just move right along with those that are working for the department--or for the Travel and Tourism Division--and DED would just go with the whole outfit as it moves to the other part. I would think in the future then they can decide how they want to stack their employees or who needs to be there because they have a lot of part-time employees. It also describes how any property, furniture, or fixture of the travel and tourism division of DED should become the property of the Nebraska Tourism Commission. Section 13 mostly revises language to become compatible with the new language and eliminates the advisory committee. And that's what we have now in the tourism; we have an advisory committee. The Nebraska Tourism Commission is outlined in Section 10, so the wording deleted in Section 13 is not needed. Section 14 is giving directions on how the proceeds are to be used and how available money will be invested, which whenever you have an agency is usually...comes in statutes on if they've got any money leftover, it'll be invested. And Sections 15-20 is mostly Revisor language that's in the bill. Sections 21-25 outlines cooperation between agencies and rules for the Tax Commissioner to apply as mostly kind of a recipe book that goes along with it. Section 26 realigns the Department of Economic Development, eliminating a DED commissioner from the travel and tourism industry. And this is something that I didn't read the bill close enough because all that states in there is that there won't be a member from the travel and tourism...travel industry on the Department of Economic Development Advisory Commission. And I think if I would have my druthers, I don't think Section 26 needs to be in there. I don't think that was necessary. It was in there and I wasn't about to bring an amendment to take it out. I thought this is something that the committee could do as they look it over because usually legal counsel for the committee will look these bills over and come up with some excellent ideas. Section 27 takes out the wording of "Travel and Tourism Division" of DED, and that's the Department of Economic Development will no longer attend to the duties of the Nebraska Tourism Commission. And Section 28 creates an Administrative Cash Fund and how it is to be handled. Section 29 deals with the revisions of Nebraska statutes. And I would ask that you would approve and advance LB1053. As you noticed in some of the fiscal note that came about here, I think they have, what, 12? Someplace I saw on there, I think there was 12 full-time employees, and that would...and they have several part-time employees, which those part-time employees are usually people that man those tourism centers along the interstate as you...in the summertime. So I think the amount of people required should not change from what we...what they already have in use, and in the future perhaps there could be some savings with directors. With that, I'd be happy to answer any questions if you...if I can. [LB1053]

SENATOR AVERY: Thank you, Senator Loudon. Questions from the committee?
Senator Wallman. [LB1053]

SENATOR WALLMAN: Thank you, Chairman Avery. Thank you, Senator Loudon. I

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think this is the year that...this is the time. You know, we have our anniversary of the Homestead Act, the Railroad Act, so it's a benchmark in Nebraska history. And I've been working on this with Beatrice and the homestead, so hopefully we can get this...I think it could be a tremendous tourism boost for Nebraska. [LB1053]

SENATOR LOUDEN: Thank you. [LB1053]

SENATOR AVERY: That's one vote. (Laughter) Senator Sullivan. [LB1053]

SENATOR SULLIVAN: Thank you, Senator Avery, and thank you, Senator Louden. Correct me if I'm wrong. But examining how the chain of command would work with this new commission, the commissioners would be appointed, and they would be the ones that would hire the executive director who would in turn answer to them rather than the Governor. So in a way, this is sort of similar to the organizational chart for the Game and Parks, is that right? [LB1053]

SENATOR LOUDEN: Game and Parks and Indian Commission... [LB1053]

SENATOR SULLIVAN: Okay. [LB1053]

SENATOR LOUDEN: ...and...oh, I don't know, I'm not familiar with them. I don't know how the Mexican American Commission does. I guess Senator Avery would probably know about that because he's the one that voted to change the name, but...(Laughter) [LB1053]

SENATOR SULLIVAN: Okay. [LB1053]

SENATOR LOUDEN: But I'm sure he's more of an expert on that than I am. But yes, that's how a lot of the commissions work. Usually, it's cash-funded commissions work that way. [LB1053]

SENATOR SULLIVAN: Um-hum. Okay. [LB1053]

SENATOR LOUDEN: And this way, the director is in a cabinet-level position. [LB1053]

SENATOR SULLIVAN: In the fiscal note, it mentions that there would be some expense in moving the office space, but it...I wondered why might it be necessary to move them from where they are? [LB1053]

SENATOR LOUDEN: Well, I don't know as it was. Perhaps they ought to stay there, and maybe DED ought to move, and they would have the expense to move the office space. I mean, it...you know, there's...and you're right, I don't know as they have to move. They're over there in the State Office Building now and I don't know how their

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rooms are set up, whether they're all...I've not been over there lately to visit how they do that. I don't know if they're all in one big room with just little cubbyholes or something like that or how they're set up, but I'm sure there's...I saw that, too, and I think they throw that in there just to make sure that everything works out. You know, they just put a price in there that, well, it's going to cost something to move, and so that's what it is, and that's the onetime expense. [LB1053]

SENATOR SULLIVAN: Um-hum, right. Thank you. [LB1053]

SENATOR AVERY: Thank you. Any other questions? I don't see any. [LB1053]

SENATOR LOUDEN: I only get one vote then, you think? [LB1053]

SENATOR AVERY: Well, that's at least one. [LB1053]

SENATOR LOUDEN: At least one. (Laughter) Thank you. [LB1053]

SENATOR AVERY: You started out ahead of the game already. [LB1053]

SENATOR LOUDEN: Yeah, well, good. [LB1053]

SENATOR AVERY: All right. Any proponent testimony? Anyone wish to support this bill? Good afternoon, sir. [LB1053]

ANDY LICHT: (Exhibit 1) Good afternoon. Chairman Avery and members of the Government, Military and Veterans Affairs Committee, my name is Andy Licht, spelled A-n-d-y L-i-c-h-t, and I appear before you today on behalf of the Nebraska Hotel and Motel Association, in support of the concepts outlined in LB1053. The bills sets up a tourism commission, which we believe could greatly enhance the stature of tourism and the related industries in Nebraska. In fact, our board of directors has often discussed doing this by privatization of the division. At the present time, the Tourism Division in Nebraska Department of Economic Development is undergoing the broad-based assessment and study which was talked about earlier. We believe ideas such as this will be part of that study. The study was created under LB684, passed last year, and we are very excited about its potential outcome. Attached to my testimony here is a breakout of all hotel and motel taxes paid for tourism and other projects. In 2010, the total taxes were over \$30 million. We believe this study will open up new horizons for tourism and make certain our dollars are spent judiciously and we get the best bang for our buck. We do appreciate Senator Louden introducing this legislation to provide for an open review and better ways of promoting tourism in Nebraska. Thank you for allowing me to testify. [LB1053]

SENATOR AVERY: Thank you, Mr. Licht. Questions? Senator Pahls? [LB1053]

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SENATOR PAHLS: When you said judiciously, does that imply that they haven't been?
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ANDY LICHT: Well, what I would say is that we would just hope that it's...we're really getting the best value with the effort as coordinated and that there is...we're getting the best bang for our buck, as I said. [LB1053]

SENATOR PAHLS: Okay, thank you. [LB1053]

SENATOR AVERY: Any other questions? I don't see any. Thank you. [LB1053]

ANDY LICHT: Thank you. [LB1053]

SENATOR AVERY: Additional proponent testimony? Seeing none, we'll move to opponents. Any opponent testimony? Any neutral testimony? Welcome back, Mr. Jasnoch. [LB1053]

ROGER JASNOCH: Thank you. Senator Avery, committee members, Roger Jasnoch, J-a-s-n-o-c-h, director of the Kearney Visitors Bureau. I'm here to represent the Nebraska Travel Association. I appear before you on LB1053 as a neutral testimony. First of all, first we'd like to thank Senator Loudon. My journey in the tourism industry started about 35 years ago, and in half of that time, fellow members of the tourism industry have had the dream of having an agency where we're in control of our own destiny. And so if you see my lips starting to bleed, that means I'm biting my lip a little bit from the standpoint that that opportunity is so close. But unfortunately the timing and the strategic plan that I had mentioned earlier really contradicts in terms of the ability, in our opinion, to necessarily proceed until that strategic plan is put into place. And so we certainly commend the senator for bringing this forward. Again, we'd offer neutral testimony at this time on the bill. [LB1053]

SENATOR AVERY: Thank you. Questions from anybody? [LB1053]

SENATOR SULLIVAN: Well, Roger, just a clarification. When do you expect that report to be done? [LB1053]

ROGER JASNOCH: I think that was in June of this year that it was supposed to be out. [LB1053]

SENATOR SULLIVAN: This year? [LB1053]

ROGER JASNOCH: Yes. [LB1053]

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SENATOR SULLIVAN: Okay, thank you. [LB1053]

SENATOR AVERY: Any more questions? I don't see any. Thank you, sir. [LB1053]

ROGER JASNOCH: Thank you. [LB1053]

SENATOR AVERY: Any other neutral testimony on LB1053? Welcome back, Commissioner/Director Lang. [LB1053]

CATHERINE LANG: Thank you. [LB1053]

SENATOR AVERY: You are, right? Both Commissioner and Director. [LB1053]

CATHERINE LANG: Thank you, Chairman/Senator Avery. My name is Catherine Lang, C-a-t-h-e-r-i-n-e L-a-n-g, and I appear before you today as the director of the Department of Economic Development. Just very briefly, it is true that tourism is a key segment of the state of Nebraska's economic base, and it is the third-largest industry, so it plays a very important role to the state of Nebraska. As has already been described today, LB684 from last legislative session requires that the Travel and Tourism Division of the Department of Economic Development, in conjunction with the Travel and Tourism Division Advisory Committee, develop a statewide strategic plan for Nebraska tourism. The strategic plan, which is in the process of completion, will present recommendations as how we can best cultivate and promote tourism in Nebraska. The plan is required to be provided to the Legislature on or before September 1 of this year. We do anticipate that the findings may be available before that, and we have a consultant that we have hired to perform this strategic plan, and so those findings may be available. Additional conversation and discussion may occur after those findings are available so that we can put the whole plan together for the Legislature. We also believe that the strategic plan and its findings and recommendations will positively impact the way that Nebraska tourism industry operates. Therefore, we appear today in a neutral position on this bill. We know that this and the other proposals before the Legislature, relating to tourism, will be considered by the consultant, and our recommendation is to just simply allow that strategic planning process to complete before additional changes are made in the tourism industry with regard to the state government level structure. And that will conclude my testimony. [LB1053]

SENATOR AVERY: Thank you. I have a question that's not very central to this bill. But we talk about this being the third industry. What are the first two? [LB1053]

CATHERINE LANG: Agriculture and manufacturing. [LB1053]

SENATOR AVERY: Pretty broad categories. [LB1053]

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CATHERINE LANG: Pretty broad categories. [LB1053]

SENATOR AVERY: Yeah. [LB1053]

CATHERINE LANG: Yes. [LB1053]

SENATOR AVERY: And where does insurance rank? [LB1053]

CATHERINE LANG: You know, I don't know, but I'd be happy to provide a list of the ranking of the major industries by what we call industry sectors and provide that to you. [LB1053]

SENATOR AVERY: Don't put a high priority on it. [LB1053]

CATHERINE LANG: Okay. [LB1053]

SENATOR AVERY: It's really just a matter of curiosity. [LB1053]

CATHERINE LANG: I guarantee we have that data. [LB1053]

SENATOR AVERY: I figured agriculture was number one,... [LB1053]

CATHERINE LANG: Yes. [LB1053]

SENATOR AVERY: ...but manufacturing is such a broad category. [LB1053]

CATHERINE LANG: Yes. [LB1053]

SENATOR AVERY: And you would include ConAgra in the agricultural sector? [LB1053]

CATHERINE LANG: You know, I don't know. I could...we would have to allow you to understand what is in those sectors. [LB1053]

SENATOR AVERY: Yeah, and railroads too. We've got a lot of those. [LB1053]

CATHERINE LANG: Um-hum. [LB1053]

SENATOR AVERY: Anyway, thank you. Questions? I don't see any. Thank you very much. [LB1053]

CATHERINE LANG: Thank you. [LB1053]

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SENATOR AVERY: Any more neutral testimony? I don't see any. Senator Louden, you want to close? [LB1053]

SENATOR LOUDEN: Yes, thank you, Senator Avery. And thank you and the committee for your attention this afternoon, and then thank the testifiers that testified in favor of this bill. And since none was opposed to it, why...and we did have a couple of neutral testimony, why, I'm pleased to hear all that. I think that most of the neutral testimony came about in their laying their hat on this study that comes up and that's fine, and I don't envision that that study would change anything or if this bill passed that that study would make any difference. That study should go hand in hand with what it has. But you have to be very careful about opportunities. Now while we're discussing the whole situation of labor and the Department of Economic Development, then we should be in there discussing what about the tourism industry in there. And, as we said, it's the third-largest industry behind agriculture and manufacturing. And for Senator Avery's information, manufacturing takes in all the circle pivots and down in Columbus and all over the state of Nebraska that builds about everything you think of and ships it out clear into Alliance, where they make little bitty things with computers and ship them all over the United States. So, I mean, manufacturing is sort of like lions we've been talking about. There's a lot more out there than what you see--inside joke. (Laughter) [LB1053]

SENATOR AVERY: We got it. [LB1053]

SENATOR LOUDEN: Anyway, I don't envision those that testified and what was...had some concern about that study, I don't see that this bill would do it any harm whatsoever, would go hand in hand with it, and would probably...as the study would come down, you would probably be that far ahead of the study because this would probably be something that would enhance tourism in Nebraska, which we all...and one of the testifiers said, you know, he'd been biting his lip because he's been waiting for years to be their own...have their own directorship in there. So this is what we're working on, and I would hope that you could see to advance the bill out of committee. [LB1053]

SENATOR AVERY: (Exhibit 2) Questions from the committee? Additional questions? Thank you, Senator Louden. I have a letter of support from Kevin Howard, director of the Alliance Visitors Bureau, to be read into the record. (See also Exhibit 3) [LB1053]

SENATOR LOUDEN: Well, thank you. [LB1053]

SENATOR AVERY: That ends the hearing on LB1053. [LB1053]

SENATOR PAHLS: The good senator represents Alliance. [LB1053]

SENATOR AVERY: Thank all of you for participating. We'll now move to LB772,

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Senator Smith. Welcome, Senator. LB772, you may proceed. [LB1053]

SENATOR SMITH: Yes. Well, good afternoon, Senator Avery and members of the Government, Military and Veterans Affairs Committee. For the record, my name is Jim Smith, J-i-m S-m-i-t-h, and I represent the 14th Legislative District in Papillion. I am here today to introduce LB772. LB772 is a cleanup bill that simply removes the word "monthly" from the section of statute that deals with the frequency in which certain county board members are paid. This impacts only counties with populations of 60,000 and up. Removing "monthly" better reflects the current practice, as many of the larger counties have gone to direct deposit, and it is more efficient to use all county paychecks at the same interval. This was brought to me by the Nebraska Association of County Officials, and it does not have a fiscal impact. With that, I will conclude my testimony and try to answer any questions, and a representative of NACO will follow me. Thank you. [LB772]

SENATOR AVERY: Thank you, Senator Smith. Questions from the committee? We're just catching up with you, I think. [LB772]

SENATOR SMITH: Thank you. [LB772]

SENATOR AVERY: All right, we...you're going to stay to close? [LB772]

SENATOR SMITH: I will. [LB772]

SENATOR AVERY: Okay. Proponent testimony? Welcome. [LB772]

BETH BAZYN FERRELL: Thank you. Good afternoon, Chairman Avery and members of the committee. For the record, my name is Beth Bazyn, B-a-z-y-n; Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. As Senator Smith said, this really is intended to be a cleanup bill. Currently, the statute says that county board members in counties over 60,000 have to be paid on a monthly basis. With direct deposit, it's not really conducive to doing that separately, and so this would just make those boards be paid...or the board members be paid on the same schedule as other officials. I'd be happy to try to answer questions. [LB772]

SENATOR AVERY: Okay. Question from Senator Price. [LB772]

SENATOR PRICE: Thank you, Senator Avery. Ma'am, thank you, because I'm just so tickled to hear that technology is actually being acknowledged and being utilized in Nebraska in this manner and would hope that this can be advanced out of committee. Thank you. [LB772]

SENATOR AVERY: Senator Pahls? [LB772]

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SENATOR PAHLS: Thank you, Chairman. How many individuals are we talking about approximately? I mean...? [LB772]

BETH BAZYN FERRELL: It would just be the board members in Douglas, Lancaster, Sarpy. And Hall County now has hit the 60,000 mark, and so it would be the seven members in Hall County that...five in Sarpy, seven in Douglas, and five in Lancaster. So it's not a huge number, but they would be out of the sequence of the other payroll, payroll for other officials and other employees, if they paid on a monthly basis. [LB772]

SENATOR PAHLS: Well, I always thought the longer you get the money in the bank, you made interest on it. [LB772]

BETH BAZYN FERRELL: Well, that's true. It's probably going to offset, though, in the... [LB772]

SENATOR AVERY: Not at rates today. [LB772]

SENATOR PAHLS: Probably not a lot right now. But okay, thank you. [LB772]

SENATOR AVERY: I'm impressed that you knew all the number of commissioners in these various counties. [LB772]

BETH BAZYN FERRELL: Thank you. [LB772]

SENATOR AVERY: I just found that out today. [LB772]

SENATOR SEILER: It's what they pay her the big bucks for. [LB772]

SENATOR AVERY: That's why, yeah. Any other questions from the committee? Don't see any. Thank you. Any other proponent testimony? Any opponent testimony? Neutral testimony? Senator, do you want to close? You'll waive closing. That ends the hearing on LB772. Thank you all for participating. We will now move to the last item on our agenda and invite Senator Adams to talk about LB823. Welcome, Senator Adams. [LB772]

SENATOR ADAMS: Good afternoon. [LB823]

SENATOR AVERY: You're back home. [LB823]

SENATOR ADAMS: You know, it kind of seems that way, doesn't it? [LB823]

SENATOR AVERY: Yeah. [LB823]

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SENATOR ADAMS: Except it's better lit than the Education hearing room and it's more comfortable, and there's more smiling faces here than there are in an Education hearing. [LB823]

SENATOR AVERY: And we're better looking than that committee. [LB823]

SENATOR ADAMS: I'm not going there, all right? I'm not going to. Well, and my timing was just perfect. My LA just went and got me at the right moment. This bill I bring on behalf...oh, excuse me. My name is Greg Adams, A-d-a-m-s, representing the 24th Legislative District, here to introduce LB823. LB823 was brought to me by NACO. It seems to me to be a fairly simple thing. Nonetheless, NACO, and particularly the county treasurers, want some clarification in language. Let me explain the thing as I understand it, and I believe that NACO representatives are here as well. As you all know, the county treasurer is obligated under statute to distribute property taxes to the various political subdivisions--simple enough--and they are penalized, by the way, in statute if they don't. Also in statute, the recipients at the school district and at the NRD end of those tax dollars, when they are distributed from the treasurer, has to be bonded, has to have surety bond posted. And this clarification has to do specifically with schools, and basically the question is: If we have to distribute the tax dollars and we have to distribute it to someone who has been bonded and identified as such and there is a penalty if we don't, then what they're asking for is a clarification in statute that simply says if they don't have the bonding, we can withhold the delivery of the tax dollars. It's really that simple. I've read through it and read through it and read through it trying to figure out what the deal is here, but, you know, sometimes you read too deep into things. It's really that simple. Thank you. [LB823]

SENATOR AVERY: You were looking for the trick or the trap. [LB823]

SENATOR ADAMS: Well, I...you know, usually these things aren't that easy. [LB823]

SENATOR AVERY: Yeah. Senator Pahls? [LB823]

SENATOR PAHLS: Thank you, Chairman. And I'm just curious, and I don't know if you know this, and, if not, I'm sure somebody follows. You collect the taxes for the schools. What does the county charge to do, you have any idea? [LB823]

SENATOR ADAMS: It's 1 percent. [LB823]

SENATOR PAHLS: One percent to collect the taxes? [LB823]

SENATOR ADAMS: Um-hum, um-hum. [LB823]

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SENATOR PAHLS: Doesn't that seem pretty high, or am I just...? [LB823]

SENATOR ADAMS: I guess I've never really thought about it. [LB823]

SENATOR PAHLS: Well, 1 percent is a lot of money. [LB823]

SENATOR ADAMS: Would I prefer it goes to the schools? Yes. (Laughter) [LB823]

SENATOR PAHLS: Well, I mean, I'm just sitting... [LB823]

SENATOR AVERY: I'll let those two fight that out. [LB823]

SENATOR PAHLS: Yeah, okay. Okay, well, I'll ask somebody coming up. Okay, thank you. One percent, though? [LB823]

SENATOR ADAMS: Um-hum, yeah. [LB823]

SENATOR AVERY: Senator Price? [LB823]

SENATOR PRICE: Thank you, Senator Avery. Senator Adams, a question comes to mind. So they're holding the money. What triggers them to release the money? Is that covered in this bill? [LB823]

SENATOR ADAMS: It's in statute. I believe it's 15th of the month, something like that, and... [LB823]

SENATOR PRICE: So if they're not bonded a...if they don't have the surety and the 15th comes by...I'm just asking for your TEEOSA issues, I think. I mean, do we end up potentially creating a situation where they didn't have the bond? They didn't have the right person with the right credentials for this bonding and I...a deadline goes by and the county is holding a bunch of money, and the school is not able to...I mean, I'm just pointing at the cash flow. Are we pretty sure the cash flow won't get...be interrupted because we had a break in services? [LB823]

SENATOR ADAMS: I'm going to speculate, and I think Mr. Bonaiuto could probably better elaborate. But my...well, not direct experience, but my understanding of the budgeting process of a school district would simply be that...in that...first of all, I can't imagine it'd be more than one month. That school district would get their treasurer bonded and get that filed instantaneously if they found out that the check wasn't coming. On a monthly basis, the money is distributed. And I think virtually every school district probably has a line of credit, so that as tax dollars come in--and they ebb and flow in terms of cash flow--they're covered. [LB823]

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SENATOR PRICE: Thank you. It's cash flow. Thank you. [LB823]

SENATOR AVERY: Any other questions? I don't see any. Thank you. [LB823]

SENATOR ADAMS: All right. And if it's all right with you, Senator, I need to go back to an Exec Session, so I will waive closing. [LB823]

SENATOR AVERY: Oh, that is okay. [LB823]

SENATOR ADAMS: Really? (Laughter) [LB823]

SENATOR AVERY: Proponent testimony? Welcome back. [LB823]

BETH BAZYN FERRELL: Thank you. Good afternoon, Chairman Avery, members of the committee. For the record, my name is Beth Bazyn, B-a-z-y-n; Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. We'd like to thank Senator Adams for introducing this bill on our behalf. And there are really two statutes that we are looking at here, two sets of statutes. On the one hand, there's Section 11-107, which says that the school's surety bond for the treasurer has to be on file in the county treasurer's office. That bond has to be approved by the president and the secretary of the school district before it comes to the treasurer's office. On the other hand, there's 23-1601, which sets out the process for distribution. And just for clarification, that is...distribution is required, pursuant to statute, on the 15th of the month, and any...they can ask to have a distribution twice a month. And then there are some entities--classified school districts and cities of the metropolitan class--that can ask for a weekly distribution, so there are some varying schedules for that. But our intent is to sort of harmonize those sections along with the section that says if a treasurer--county treasurer--doesn't make distribution, they're subject to a penalty of removal if they don't follow through with their statutory obligations. So we're trying to just kind of strike a balance there, provide a little protection for everybody, and that's what we'd like to do with this bill. It hasn't happened very frequently and, frankly, when it has, typically it's just been resolved by a phone call, so there really isn't any time lag between the realization that, oh, the bond's not on file, and gosh, our check didn't get here and that sort of thing. But we'd just like to do this to provide that protection for both the school district and the county treasurers. I'd be happy to try to answer questions. [LB823]

SENATOR AVERY: Thank you. Senator Wallman? [LB823]

SENATOR WALLMAN: Thank you, Chairman Avery. Yeah, thanks for being here. This 1 percent thing...I used to be a school board treasurer, I used to be a township board, and I'd get vouchers and I never could find out. What do they do with that 1 percent? [LB823]

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BETH BAZYN FERRELL: Well, I think it goes not just to...it goes back to the county, but it's not just to the treasurer for standing in the office and taking a check. It covers... [LB823]

SENATOR WALLMAN: You can't find it in the budgets. [LB823]

BETH BAZYN FERRELL: I'm sorry? [LB823]

SENATOR WALLMAN: You can't find it in their budget for revenue. [LB823]

BETH BAZYN FERRELL: I think it's in...I'd be happy to look and see if I could find a line item... [LB823]

SENATOR WALLMAN: Can you find it? [LB823]

BETH BAZYN FERRELL: ...for that. [LB823]

SENATOR WALLMAN: Okay. I'm sorry. Thanks. [LB823]

BETH BAZYN FERRELL: Okay. [LB823]

SENATOR AVERY: Senator Seiler? [LB823]

SENATOR SEILER: I have one question. Yeah, the person that is being bonded on the school board level, that's not an elected official, usually, is it? [LB823]

BETH BAZYN FERRELL: The school district... [LB823]

SENATOR SEILER: Appoints that person, don't they? [LB823]

BETH BAZYN FERRELL: I believe so, but I think Mr. Bonaiuto could probably answer that question better than I could. [LB823]

SENATOR SEILER: Okay, because I wondered if they were elected...if you couldn't get him out, then you might have trouble. (Laughter) Okay, thank you. [LB823]

SENATOR PAHLS: Devious minds here. [LB823]

SENATOR AVERY: Any other questions? I don't see any. Thank you for your testimony. Any other proponent testimony? Mr. Bonaiuto. [LB823]

JOHN BONAIUTO: Good afternoon. [LB823]

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SENATOR AVERY: Welcome. [LB823]

JOHN BONAIUTO: (Exhibit 1) Thank you. Senator Avery, members of the committee, John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o, a registered lobbyist representing public education governing boards, and we appear as a proponent for this measure. I've been in contact with the county officials and had talked with Larry Dix and with Beth about this prior to it being introduced, and we have no problem with the language in the bill. And an important provision for us was the wording of "bonding or evidence of equivalent insurance coverage," and, if I may, I have an example here of what equivalent insurance coverage might look like. And in this particular form, it's provided by public risk management, and it is part of the school districts' insurance pool, and there's probably 100 districts that are part of the insurance pool. And on this certificate from Banner County, the individual that is listed as being bonded happens to be a school board member. And, in some instances, boards do appoint a treasurer that performs a function. In other instances, the school district treasurer may be more of a title and...but if the treasurer is going to sign checks or have anything to do with money, then they need to be bonded. And if it's not a school board member that is appointed treasurer, then the district has the opportunity to determine who will be listed on the bond or the equivalent coverage. And this form then, by this insurance broker, is mailed to each county that would be part of this particular pool and need to have that evidence on file but...to meet the letter of the law. So I see that for the school boards and the School Boards Association who I represent are, number one, we need to make sure that our members understand there is a requirement in law. They need to deal with this. And I think what happens sometimes, especially in smaller districts, if you have a change in personnel and the person that is leaving has typically been responsible to make sure this happens, I could see that having a good relationship with the county would be very important, to have the county call and say, hey, by the way, you know, we don't have anything on file for you, and you've got a payment coming up here, and you need to get that done really quickly. Now, as far as the insurance equivalent of...this is done automatically, so the schools just need to make sure they let their insurance carrier know who they want bonded. But, with that, I will conclude my testimony and be happy to answer questions. [LB823]

SENATOR AVERY: Senator Pahls? [LB823]

SENATOR PAHLS: I'm just curious. I see this...the certificate of liability you gave to us is \$1 million. Do you have any idea what that cost of that would be? [LB823]

JOHN BONAIUTO: It is folded into their umbrella coverage, so it's... [LB823]

SENATOR PAHLS: Okay. [LB823]

JOHN BONAIUTO: It's just...it's part of the coverage that they have in the All Lines

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Aggregate and part of the pool. [LB823]

SENATOR SEILER: Is this self-insured, really, with...amongst the district people?
[LB823]

JOHN BONAIUTO: Yes, it is. [LB823]

SENATOR SEILER: I thought so. [LB823]

JOHN BONAIUTO: And so it...and the pool has been in existence for, I think, about 21 years. The school boards organized this pool a year after NACO organized theirs, so it's been around for a long time. And I would be...I could tell the question is out there on the 1 percent... [LB823]

SENATOR WALLMAN: Yeah. [LB823]

JOHN BONAIUTO: ...and, you know, for years that has been a debate among my members, my school board members especially, on, you know, 1 percent, and why are we paying that 1 percent for the county to do the job that they're supposed to be doing anyway. But it...you know, we've debated that, and it was a sore spot for quite a while. And I think that, from my board members' perspective, we understand that that is an historical area that the county has had in their budget. And so I think my members are taking a little more sane approach and they have the same question you do. This year when I had the discussion with my legislation committee...and I told Larry Dix this, from the counties, I said, Larry, we're not trying to take the money back or say we don't want to pay the 1 percent, but it would be nice to know it is...is 1 percent enough in some counties? Is 1 percent way too much in other counties, and is 1 percent just right in others? And so we would be interested to know, with technology and the ability for some counties to do this more efficiently than others. I remember very vividly that my friends in the Millard Public Schools, one year when we had a bill that questioned the 1 percent, they came in, and 1 percent in a district of that size is probably \$800,000, you know, or more now. That...you're talking real money to...when you're getting into that 1 percent. Larger districts? It could be quite a sum if you're in Lincoln or Omaha or Grand Island, Bellevue. But in Banner County, that's a different story. So, as I say, my members are curious also, is what should it be? I think if you looked, historically, if you went back and...I think we'd be surprised when that 1 percent was put on the books. Matter of fact, I'm going to do that just to...just out of curiosity because it's been around a long time. [LB823]

SENATOR AVERY: Oh, I'll bet it has. We expect to see something on this next year?
[LB823]

JOHN BONAIUTO: Well, I...and as I say it. We understand that if we took...its

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shift...when...any time you shift...it's taken me a long time to get comfortable with this kind of discussion that, you know, we'd love to have all the money for the schools. But we understand that if we were not providing the 1 percent for the counties, that then if they lost that money, it would be a shift because the counties would have to come up with that money to deal with expenses someplace else. And so we'd be just curious to know that, if the 1 percent is still the right amount and how it's working. [LB823]

SENATOR AVERY: Senator Pahls? [LB823]

SENATOR PAHLS: Thank you, Chairman. Well, then is it possible to find out what that 1 percent is on every county? [LB823]

JOHN BONAIUTO: Um-hum. [LB823]

SENATOR PAHLS: I mean, that has to be out there. [LB823]

JOHN BONAIUTO: You bet, yeah. [LB823]

SENATOR PAHLS: It...I mean, it would be interesting to know... [LB823]

JOHN BONAIUTO: Yeah. [LB823]

SENATOR PAHLS: ...because I do think in some districts...I would think OPS, what they're paying... [LB823]

JOHN BONAIUTO: It's considerable, millions. [LB823]

SENATOR PAHLS: Unbelievable. [LB823]

JOHN BONAIUTO: It's millions. [LB823]

SENATOR PAHLS: Yes. [LB823]

JOHN BONAIUTO: And so...and we're not challenging how the counties are using it. We're...but if, in OPS and in Douglas County, if they have the ability to do this and with the...with technology and the changes that have occurred, if they can do this for a considerable amount less, then the question is: Well, maybe it...this has...it should be on a scale or that there should be a way to make sense out of how much that is, rather than...and I think at one...some point in time, the 1 percent was just really easy to calculate, and it wasn't all that much. [LB823]

SENATOR PAHLS: Right. And also, as was pointed out to me, there may be other costs that we're not taking into account, like collection, etcetera, etcetera. [LB823]

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JOHN BONAIUTO: Yeah, absolutely, at the... [LB823]

SENATOR PAHLS: So it will be interesting... [LB823]

JOHN BONAIUTO: The delinquent tax issue...and I know that it's not as simple. And we have...we've gotten smarter as far as school board members and the School Boards Association, in trying to buck this and in the way we used to. Now we're just curious. [LB823]

SENATOR PAHLS: Thank you. [LB823]

JOHN BONAIUTO: And I see a few...I see a couple of the former school board members here, so you know the issue well. I think it's three, actually. [LB823]

SENATOR AVERY: Senator Wallman? [LB823]

SENATOR WALLMAN: Thank you, Chairman Avery. Thank you, John, for being here. As you know, we've always had that 1 percent argument. [LB823]

JOHN BONAIUTO: Oh, yeah. [LB823]

SENATOR WALLMAN: But delinquent taxes and real estate taxes, you don't...school doesn't get that, do they? [LB823]

JOHN BONAIUTO: Yes, now they do. [LB823]

SENATOR WALLMAN: They do now? [LB823]

JOHN BONAIUTO: They... [LB823]

SENATOR WALLMAN: The county has to eat that then? [LB823]

JOHN BONAIUTO: No, they...when it's collected. [LB823]

SENATOR WALLMAN: Yeah. [LB823]

JOHN BONAIUTO: Yes, what... [LB823]

SENATOR WALLMAN: But I mean if it's delinquent... [LB823]

JOHN BONAIUTO: Yeah, it's... [LB823]

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SENATOR WALLMAN: ...because I used to be on the township also... [LB823]

JOHN BONAIUTO: Okay, yeah, we... [LB823]

SENATOR WALLMAN: ...and delinquent property taxes, we didn't get the monies. [LB823]

JOHN BONAIUTO: I believe now that when they come in late, that we still get a late...the late... [LB823]

SENATOR WALLMAN: Yeah, if it comes in late. But, I mean, if you just don't get it, you know? [LB823]

JOHN BONAIUTO: If you don't get it, the ones that don't come in, yeah. [LB823]

SENATOR WALLMAN: Yeah. [LB823]

JOHN BONAIUTO: I appreciate that, yeah. [LB823]

SENATOR WALLMAN: Thanks, thanks. [LB823]

SENATOR AVERY: All right, thank you for your testimony. [LB823]

JOHN BONAIUTO: Thank you for being patient with me. [LB823]

SENATOR AVERY: Any other proponent testimony? Any opponent testimony? Neutral testimony? Senator Adams has waived his closing, so that ends the hearing on LB823 and the hearings for today, so I would ask that the committee stay behind for an Executive Session. [LB823]