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Government, Military and Veterans Affairs Committee  
January 29, 2015

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[LB61 LB132 LB138 LB427]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Thursday, January 29, 2015, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB427, LB138, LB132, and LB61. Senators present: John Murante, Chairperson; Tommy Garrett, Vice Chairperson; Dave Bloomfield; Joni Craighead; Mike Groene; and Matt Hansen. Senators absent: Tyson Larson and Beau McCoy.

SENATOR MURANTE: Welcome to the Government, Military and Veterans Affairs Committee. My name is John Murante. I am the Chairman of the committee and state senator for District 49, which encompasses Sarpy County, Gretna, and Chalco. We will be taking up the bills as they appear on the agenda outside, first being LB427. If you intend on testifying today, we ask that you fill out one of the green sheets which are located on both sides of the room indicating your support, opposition, or neutrality on a given bill. If you are here in support or opposition or are neutral on a bill, do not wish to testify but would like your opinion documented for the record, there is a sign-in sheet on either side. I would encourage you to fill that out and consideration of your opinions will be given just as much weight as if you were to testify. At this time, I would ask everyone to turn off your electronic devices, cell phones, anything that makes any noise. Silence them please. You'll also notice that we are a committee that permits the use of electronic devices by our members. We ask that you not take offense to that. We're just taking notes and doing a little research on the subjects as they appear before us. If you testify and when you testify, begin, please, by stating your name and spelling your name for the record. That is very helpful for the transcribers who transcribe this public hearing. We ask that you listen very carefully to the testimony that has been presented before you and to not be repetitive. We will be using the light system today. We have four minutes for testimony. When the yellow light comes on, that means you have one minute remaining to testify and we ask that you begin concluding your remarks, wrapping things up. And when the red light turns on, we ask that you conclude. If you have a prepared statement, an exhibit, or anything to distribute to the committee, we ask that you bring 12 copies so that they can be distributed to the committee members and we have sufficient amount for the record. If you do not have 12 copies, just let us know, a page will go and run and get the copies made for you. Our pages for today are Seth Thompson from Ogallala, Nebraska, and Tobias Grant from Lincoln, Nebraska. Our committee members, again, I am John Murante, the Chair of the committee. To my immediate left is state Senator Matt Hansen from Lincoln, Nebraska. To his left is state Senator Beau McCoy of Omaha who will not be with us today, he is out of town. Joining us, Senator Joni Craighead from Omaha, Nebraska. To her left is our committee clerk, Sherry Shaffer. To my immediate right is our research analyst Charles Isom. To his right is state Senator Tommy Garrett from Bellevue, Nebraska. To his right is state Senator Dave Bloomfield from Hoskins, Nebraska; followed by state Senator Tyson Larson from O'Neill, who may join us later. And Senator Groene from North Platte, will be introducing

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the first bill today. And with that, I believe we have all of our formalities in order, and we will begin the hearing on LB427. Senator Groene.

SENATOR GROENE: (Exhibit 1) Thank you, Chairman Murante. Mike Groene, Senator Mike Groene, North Platte, Nebraska, I'm presenting my first bill as a senator so bear with me, coach me, Chairman. LB427, when I ran for office, unfunded mandates was a big issue in our part of the country in Lincoln County for local governments. And this is one of the bigger ones to the counties. It's the cost of probation. This bill provides that the state of Nebraska will cover the facilities and administrative costs to the state probation offices which at this time the counties provide. Probation services are, at its very core, a state mandate. The extent of its services are determined by the Nebraska Legislature, not county officials. Further, with the coming reform of the state's correctional services, the strain on county budgets will increase. This bill will ensure that property taxes will not need to be increased further to fund a state mandate. It basically just strikes language where the counties pay...supply an office building, the furniture, the utilities, computers, and puts it back to the...not back, but gives the cost to the state. It's not really...if you're a taxpayer and you don't care which pocket your taxes come out, real estate or income and sales tax, it's not really a cost increase to the taxpayer. It'd be a tax shift from the counties back to the state who is really in charge of our judiciary and probation services. I'm not against probation. In fact, I'll be supporting, as a senator, changes the Judiciary Committee comes with increasing probation to keep us from funding more jails. But there's no free lunch. And what will happen here is more probation means more services needed and the county will be hit with a bigger cost at the end of the day. Now...and we won't go into that, but that's going to happen with the jails also, but that doesn't address this. Last year, this committee, I wasn't on it, wisely did a...by Senator Crawford a legislative resolution, LR582, to look at mandates back to counties, and they came up with 14 mandates that the state gives the counties. And I've included in the packet to each of you is that report. Most of you have had it, but I got to thinking the rookie senators probably didn't get it so I gave it to all of us again, and it identifies those. This is just the tip of the iceberg, but it's a major one and it's the one that's going to be in front of us this year in the Legislature because of the judiciary changes. Property taxes are high. That's our major problem. And this is part of what we pay for with our property taxes. And just by looking at...it seems what are we going to do, what's the Governor going to do? He's going to...we've got way too much income and sales tax. We don't have way too much property taxes. So if we've got \$200 million to shift around and play games with, be shifting between taxes and tax shifts, maybe it'd be just best for the state to do what it does and pay for its mandates instead of shifting them. The main reason I introduced this is we need it on the mix. We need it on the floor so that when the Judiciary Committee comes with theirs that it's part of the debate. Who's going to pay for it? Who's responsible for paying for it? There's a lot of things that could change in it, but it needs to be part of the mix. And we'll listen to the testimony and then I'll close afterwards. [LB427]

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SENATOR MURANTE: Sounds great. Thank you very much, Senator Groene. Are there any questions? Seeing none, thank you very much. As we proceed now, we'll start with proponent testimony, follow that with opponent testimony, and then get all of the neutral testifiers. So we will begin with our first proponent on LB427. Welcome to the Government Committee. [LB427]

JOE HEWGLEY: Thank you very much. My name is Joe Hewgley, that's spelled H-e-w-g-l-e-y. I'm from North Platte, Nebraska. I've been a member of the Lincoln County Board of Commissioners, this will be my 30th year. So first thing I want to do is thank the committee for hearing this. I want to thank Senator Groene for introducing this bill. I think it's an important bill. I know when we had the interim hearings and some of you may have been out in the North Platte area, but it was pretty clear that property taxes were a pretty resounding issue as to...at least what was important with local voters. And so with that in mind, I want to just share just Lincoln County's story with you as to how this, I'm going to say, increased shift in probation because of LB561 and LB561A, how that's affected Lincoln County. We're a county of roughly 25,000 people. As you know, we are under a state lid of 2 percent; by a supermajority vote of the board can raise that 1 percent to 3 percent. I think lids are great at times. This is a lid that I don't know we'll ever see a sunset, but that's another issue. I think I also believe in local control when it comes to those kinds of things, but that's, again, that's another story and another time. We're able to raise roughly \$110,000 with each 1 percent that the county can exceed via the lid. So 2 percent allows us roughly \$220,000 extra. The additional 3 percent, the 1 percent that we vote above that every year, will allow us to raise it roughly \$330,000. Our average increase has been just over \$250,000 a year for about the last eight years in health insurance cost alone. So whatever we vote...when we take the vote to allow us 3 percent increase is pretty much gone with our health insurance increase alone, which there is no exception under the lid for insurances or fixed cost. If we give a modest 2 percent increase to our employees that I assure you that our county employees are good employees and are not overpaid, that I can tell you. You know, that's another roughly \$150,000. We've already exceeded by nearly \$100,000 what we just took in via voting the additional 1 percent, allowing us a 3 percent increase to the lid. A couple of years ago with the passage of LB561, we were put in an uncomfortable situation but one we had to address that our probation office probably expanded by about a third. And in doing that, the existing offices were no longer adequate for the number of people served, probation officers we had. So we went across the street. We bought an existing building and we renovated that building. A year later, we were told that they needed additional probation officers, so we went and leased a building right next to that. The building cost for the new building and for the renovation and remodeling of that was nearly \$650,000. Money just doesn't grow on trees for us. We didn't have \$650,000, so we borrowed it from ourself. Rather than going to the bank and paying interest, we borrowed it from an inheritance fund that we have and we make an effort to pay a certain amount back every year. We use our inheritance fund to fund our road department, a big part of that. So we took about \$500,000 worth of equipment or

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\$470,000, I don't remember what it was, something like that, and cut that for the last two or three years. This year, we're just starting to buy equipment again. But it put a severe hardship on our roads. It put a hardship on our...the gravel that we put on our roads, but it was something that needed to be done so we did it. That doesn't...you know, we've got another \$16,000 a year ongoing in utilities and phone and things like that. So those are the things...oh, and also not just talking about bricks and mortar as part of that and, you know, the guardian ad litem and the pre-adjudication and post-adjudication costs for our juveniles, we've, this last year, we budgeted \$465,000; roughly \$330,000 of that was for juveniles and the other \$135,000 or \$125,000, whatever it was, was for parents of juveniles, because we also have to give legal representation to the parent of a juvenile if they can't afford it. And, trust me, when you're talking guardian ad litem people, they can't afford it. Okay. That's on top of what we're doing here. Those kind of funds, we merely cannot continue to borrow ourself in the hole. I mean, we're just...we're going backward. So it's a serious issue that has to have some discussion. I know we're no different than any other county. We're frugal. We're down to like 30 or 31 cents on our overall lid, which we can be as high as 51 percent or 50 percent, but that really doesn't help us when it comes to these kind of costs being passed down. So I would be glad to answer any questions that you might have. I appreciate again your taking time to hear my testimony and would ask that you give it really some good consideration. Thank you very much. [LB427]

SENATOR MURANTE: Thank you very much. Are there any questions for the testifier? Seeing none, thank you very much for your testimony. [LB427]

JOE HEWGLEY: Thank you. [LB427]

SENATOR MURANTE: Additional proponents. [LB427]

LARRY DIX: Good afternoon, Senator, members of the committee. For the record, my name is Larry Dix, spelled D-i-x. I'm executive director of the Nebraska Association of County Officials appearing today in support of LB427. I doubt that surprises anyone, but I really want to have sort of a conversation. When you as senators start to look at this session, one of the things that no matter what you try to do you're not going to be able to avoid, and that's property tax, the property tax debate. It's going to go on. For years, county government, NACO, we've participated in that debate. We've been there through all the steps. We're very, very aware of property tax. We're very, very aware of the increases in property tax. So this summer when we did the unfunded mandates, we were asked to look at some ideas, explore some ideas of what can be done to lower the property tax. As noted, Senator Groene handed out the study. We certainly appreciate, thank Senator Groene for introducing this because this is a step. As Senator Groene said, it's a piece to the puzzle. Now I know, we all know probation is going to come in, there's going to be a big fiscal note on this. You know, they're going to come in and say, oh my gosh, you know, we got to increase our budget and this and that. And we get

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that. We understand that. Counties support what we're doing in probation because we see the big picture. But if the Legislature truly wants to put together a package and have some tools sort of in the toolbox to talk about property tax relief, this is one of those pieces. Senator Bolz will have a bill later this afternoon. And so I encourage everybody, think about this. Don't just think about this as a single bill in front of this committee on this day. Think about this as a session. Look at it in the overall session and say what do we want to do about property tax relief in the whole session. Senator Groene nailed this. He said this is a shift. It is a shift from state sales and income tax and it's a reduction on the property tax side. And for as long as I've been here, this year we've been having these conversations. So there are other folks that are going to come up, follow me and sort of talk about how it impacts their counties. But what I would tell you, at the end of the day, you look at the fiscal note and whatever that fiscal note is, I haven't even looked at it because I knew it was going to be big, I would tell you that represents a shift from property tax over to sales and income. Now if you're a senator and you believe in saying we have to do something about property tax, Senator Groene has brought you a bill that will start to address that. We didn't get into the property tax dilemma that we're into overnight by one bill or anything like that. We got into it over time with little bills, with little pieces of unfunded mandate, one step at a time. It kept piling on, piling on, piling on. That's where we're at today. We're trying to unpile what has gone on in previous years. Plain and simple. You'll see us have some bills like that. You are going to see NACO have some bills that increases revenue. And some people, as we've heard on some of the debate already, it's a philosophical decision. Where do you want to go? Where do you...I mean, we have so many people, we have so many taxpayers. If you want people to pay this out of the property tax pocket, that's what we're doing today. If you would rather just see it out of income and sales, move this bill to the floor so we can have that discussion. With that, I would be happy to answer any questions anybody has. [LB427]

SENATOR MURANTE: Thank you, Mr. Dix. Are there any questions? So I think the concern that we have had on this one, we're talking about it on the floor with marriage licenses, we talked about it during the interim study, is that this committee can go and pass bills with enormous fiscal notes that take the burden away from the counties and take it off of property taxes, and property taxes aren't going to go down. So a question I would have is, if we pass these bills and attach to it a component that says if we pass them, the county's levy authority goes down, would you still support it at that point? [LB427]

LARRY DIX: One of the things that the county's levy authority goes down, you probably have to pass a bill in the constitution because our levy authority comes with a constitutional 50 cents. Senator Murante, I...because you haven't previously served on the Revenue Committee, each and every year I provide a list to the Revenue Committee that shows what has happened to the counties levies. And I will be happy to get this for the committee because I think you'll find it interesting. Last year, I think it

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was 82 counties lowered their levy. Okay. So I get a little bit sensitive when somebody says, counties, you need to do your job and lower your levy. I've got to tell you, I've got proof over the years, counties have lowered their levies. Okay. And I'll be happy to...and the information doesn't come from NACO calling the counties saying, did you lower it? It comes from Department of Revenue that says, tell us where your levies are. So I would tell you, what we're doing today, the counties have been able to lower their levies in the rural areas because of an ag land increase. In the metropolitan areas, they have not. What we're doing today is not working because the valuations not increasing that much. They're not able to lower it because we continually get more and more unfunded mandates. So what we're doing today is not working, I will just tell you. Once we end the agricultural bubble, which we're starting to see the end of it, you're going to see more and more property tax increase just if we do...if we just leave our budgets alone. So I hear exactly what you're saying, Senator Murante. I'd love to have this conversation. I could go on for hours by it. But I think you will find, and I feel very, very confident, and those of you who have known me for a number of years will know, I will have the proof that shows here are the counties that lowered their property tax rate. We have been great partners with the state of Nebraska, although sometimes we don't feel that's necessarily been a very good two-way street. We have been lowering tax rates. Now, when you want that to happen, we're 15 percent of the problem. Okay. And so when you look at the tax statement, county taxes, 15 percent of it. There's a number of other taxing entities that you'll have to get that agreement from. [LB427]

SENATOR MURANTE: Okay. Senator Craighead. [LB427]

SENATOR CRAIGHEAD: Thank you, Mr. Chairman. Mr. Dix, you mentioned that 83 counties have decreased their tax levy. What about the 11 counties that haven't? And you mentioned property taxes and things like that, but how do you see this balance? And this is...it sounds to me like it's kind of a rural versus urban in our balance here. How do we balance this out between or rural and our urban areas in the state of Nebraska? [LB427]

LARRY DIX: You know, and, Senator Craighead, you bring up an interesting point and it really isn't a rural versus urban. I would tell you in Lancaster County I know the valuation has not increased very much over the last three years, okay, the total valuations of the counties. So Lancaster County is probably going to be one of those counties that you're not going to see a decrease in, but you also, I believe in Lancaster County I'm not so sure you will not see an increase either. I think it remains stable. So the 83 counties, I want to make sure that we're very clear because I don't want to mislead anyone, the 83 counties over the last year either did not increase or remained at zero. The year before that, I believe it was 69. And that mix of counties will change from year to year. So if we were to take a good analysis of that, we'd probably want to go back about a three-year period of time and see in that three-year period of time what's happened to those counties. A few things have happened--LB561 passed. I tell

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you LB561 hit Lincoln County very, very hard. They had to spend...you just heard how much they had to spend. For a county that size, that's a significant amount of money. LB561 may not have impacted Thomas County very much because there's probably not a probation officer there, they didn't need space, or there was maybe some extra space in their courthouse that they could say here for the one day a month you're going to be here, come and set at this desk. So it impacts all the counties differently depending on where they are. But I'll be happy to...I can go back three years, I can go back four, I can go back quite a few years to show you here's what has been happening with that tax rate. [LB427]

SENATOR CRAIGHEAD: Thank you. [LB427]

LARRY DIX: Sure. [LB427]

SENATOR MURANTE: Thank you, Senator Craighead and Mr. Dix. Any additional questions? Seeing none, thank you very much for your testimony today. [LB427]

LARRY DIX: Thank you. [LB427]

SENATOR MURANTE: Much appreciate it. Next proponent. Mr. Uhe of Sarpy County, welcome to the Government Committee. [LB427]

FRED UHE: Senator Murante. It's been a while since I've been in front of this committee, so. [LB427]

SENATOR MURANTE: Well, welcome back. [LB427]

FRED UHE: You can tell I'm getting older, I need readers now. Senator Murante, members of the Government, Military and Veterans Affairs Committee, my name is Fred Uhe, last name is spelled U-h-e. I am the director of community and government relations for Sarpy County. Applaud Senator Groene for introducing this bill and echo Mr. Dix's conversation a little bit on a philosophical look at these issues. So specifically, Sarpy County provides space to probation in four different locations of about \$300,000 a year in the current market rates for our real estate in Sarpy County and additional probably \$100,000 in supplies for those facilities. And Larry touched on a little bit LB640, a juvenile reform effort actually led to ten new probation officers for Sarpy County. That was coming after we had remodeled some space in our jail facility to allow a lease that we were leasing space for our public defender to expire. Well, unfortunately we ended up renewing that lease because of the ten probation officers and the need to house those individuals. So the talk of corrections reform really scares Sarpy County because I think we are going to end up holding the bag on it a little bit, so. Sarpy County, our levy has remained the same for the last 15 years, and the last 3 years our valuation increased average of 1.5 percent. And I can assure you that our cost

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increased by much more. There's a lot of the things we have to purchase as a county government, healthcare, such services are seeing double digit rates of increase and we're kind of between the rock and the hard place. When we have a prisoner that needs medical care, we really don't have the option of delaying it or anything of that nature, so. I think additionally and part of the philosophical discussion for you all as policy makers, when you have state responsibilities are being funded by the counties, you really don't know the true cost of the service. And to make those proper decisions, you know, I think that should be factored in. We've identified probably about \$6 million in either unfunded mandates or fees that we collect and refer onto the state. So that would have a tremendous impact on property taxpayers in Sarpy County. Senator Murante, a little bit touching on your question. You're familiar with your district and you know the rapid increase, it's extremely difficult for us to cut taxes. For another bill that I've worked on, I actually did a statistical look based on the census back to 1960. In the 1960's, we saw 104 percent increase in population. Basically, it doubled between '60 and '70. Since then, every decade has seen a 20 or 30 percent increase in population. So while we enjoy the growth, with the growth comes challenges and responsibilities for government. We have more people to serve, more people to incarcerate. And so for us to continue to attempt to hold the line on taxes, I think, shows a fair responsibility based on our county board, so. But, you know, every county is hit proportionally on the rural-urban conversation. You know, what Lincoln County is facing proportional to their budget is probably similar to what Sarpy is facing, Douglas, and Lancaster. Again, so often these are issues that we have no control. Again, we run the risk of probably going out and leasing space for additional adult probation officers if that becomes part of the corrections solution this session. So, I guess we're just asking to continue the dialogue and figure out, you know, who's paying for what and why. So thank you. With that, I'll address any questions. [LB427]

SENATOR MURANTE: Thank you very much, Mr. Uhe. Are there any questions? Seeing none, thank you very much for coming down today. Good to see you. Are there additional proponents wishing to speak on LB427? Welcome to the Government Committee. [LB427]

DICK CLARK: Thank you. Chairman Murante, members of the Government, Military and Veterans Affairs Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm director of research with the Platte Institute for Economic Research. Appreciate the opportunity to speak today in favor of LB427 and appreciate Senator Groene introducing the bill. You've already heard a lot about what this bill really touches a lot of buttons on, and that's the property tax discussion. Very complex issue. Been in a lot of hearings where it just came down to a blame game where there was a talk from the...talk from local authorities about mandates and then talk from state authorities about how it's locals who control the levies. And, unfortunately, that all too often is where the conversation has stopped without any progress on policy being made. The Platte Institute commissioned and published a report on unfunded mandates on counties. We came out with that in

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December, and, of course, this committee's own interim study report came out around the same time. Our study focused on the big ticket items, things that sort of had their line item in county budgets and just those items alone, those were very easily identifiable, added up to somewhere between 6 to 9 percent of county budgets in the counties that we surveyed. Now this puts pressure on property taxes and it's especially troublesome because it separates the control over spending from the tax authority responsible for paying for it. And I think that disconnect is part of what is contributed to our property tax burden in this state today. I do think it's important to have the conversation on every unfunded mandate on that list and many others that didn't make it onto the list. The philosophical conversation about whose responsibility a particular service is to provide in terms of where in state or local government it ought to rest. Certainly probation costs are driven in large part by state policy. And so I think that this particular mandate is more clearly the responsibility of state policymakers in the budget-making process than it is the county budget makers. This is also a transparency issue. I mentioned that our report primarily looked at the big ticket items, the independent line items that we could identify as being directly related to mandates. But the weight of mandates on local government is much greater than just those big ticket items would suggest, and I think if we budget and mandate spending in a way that's much clearer and more transparent to the public, it's easier for them to hold the right person accountable. At this point, I'll thank you for giving me the opportunity to testify and answer any questions. [LB427]

SENATOR MURANTE: Thank you, Mr. Clark. Are there any questions? Seeing none, thank you very much for coming down today. Additional proponent testimony on LB427? Welcome. [LB427]

KERRY EAGAN: (Exhibit 2) Thank you. Good afternoon, Senator Murante, members of the Government, Military and Veterans Affairs Committee. My name is Kerry Eagan, that's spelled K-e-r-r-y E-a-g-a-n. I'm here on behalf of the Lancaster County Board of Commissioners to testify in favor of LB427. What is being passed out to you is the fiscal note which we prepared for LB427, prepared by the county's budget and fiscal officer, Dennis Meyer. For the current budget year, 2014-2015 which runs from July 1 through June 30, the county has budgeted \$667,830. We, of course, saw a significant increase with LB561 when we added 43 new juvenile probation officers to the total. So that got quite a bump. The board does believe that this is an expense which would more appropriately be paid by the state rather than the property taxpayers in Lancaster County. I'd be happy to answer any questions. [LB427]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you very much for coming today. [LB427]

KERRY EAGAN: Thank you. [LB427]

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SENATOR MURANTE: Much appreciate it. Additional proponents. Mr. Kelley, welcome to the Government, Military and Veterans Affairs Committee. [LB427]

MIKE KELLEY: Thank you, Mr. Chairman. My name is Mike Kelley. I am a registered lobbyist for Douglas County and I want to just echo the sentiments you've already heard from everybody. The tri-county area, we looked at several different things. There's probably... [LB427]

SENATOR MURANTE: Could you spell your name for us, please? [LB427]

MIKE KELLEY: Oh, Kelley, K-e-l-l-e-y, and Mike is M-i-k-e. Thanks for reminding me. There's probably...the tri-county area met and there's probably 20 of these at least, these unfunded mandates. Now just to give you a little bit of history, in the last ten years or so, you know, we've had...we used to have a jail reimbursement, we used to get a lot of money for that, that's gone away. Aid to counties has gone away. I don't blame anybody in particular. It's the economy and different things that happened. But it's...to the counties in general and the cities, it's over \$100 million, \$120 million. In addition to that, prior administration was very much against raising fees. Because I know some of your all are in same way. But that puts us in a double squeeze. Okay. So you've got that we're mandated to do more and more things as happened with the probation bill, and then so we have to look at...we know you're not going to swallow, as a practical matter, \$120 million if we come to you. But we've got to try to ease the pressure on the property tax someplace. And everything goes in cycles. When I first started lobbying, which I hate to admit was probably 30 years ago, it was all "let's talk about property tax". And that was big for 15 or 20 years and all of a sudden that kind of slowed down and everybody was talking about income tax and other things. Now after the last election cycle, the public has been screaming more and more about property tax, which is great because I think that's the one tax people hate the most. I know I do. So, anyway, you've got...our urge to you is please keep these balls in the air. This bill, there will be another bill later by Senator Bolz, they add up. Individually they're not that much, but together they're a lot of money. And they're a lot of money to the state, but our hope is we could maybe take some of these one at a time and pick them off. And that will...it might not lower the property tax, but if it stops it from going up that's still something the taxpayers will appreciate. So with that, I'd be happy to answer any questions. Thanks for your time. [LB427]

SENATOR MURANTE: Thank you. [LB427]

MIKE KELLEY: And thanks to Senator Groene for introducing the bill. [LB427]

SENATOR MURANTE: Thank you. Senator Bloomfield has a question. [LB427]

SENATOR BLOOMFIELD: Thank you, Senator Murante. What percentage has your

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property evaluation changed in your county in the last eight or ten years? [LB427]

MIKE KELLEY: Well, you know, I can't answer that directly. I can get you the answer to that. We had a long period of increase for many, many years. And then we decreased over about the last five years. Douglas County actually went down. Now we've kind of settled down and come back, started to come back up. But I'd say over the last ten years we were probably six or seven years were down. And then we've come back up in the last two or three years. [LB427]

SENATOR BLOOMFIELD: And your taxpayers, your property taxpayers, have basically seen kind of a level line on valuation then with some fluctuation? [LB427]

MIKE KELLEY: True, and some have even gone down, yes. [LB427]

SENATOR BLOOMFIELD: In comparison to our rural counties that have seen nothing but increase for the last ten years or so. [LB427]

MIKE KELLEY: And I do feel for our rural colleagues who are getting hammered that way. No question about it. That's unfair. [LB427]

SENATOR BLOOMFIELD: Okay. Thank you. [LB427]

SENATOR MURANTE: Thank you, Senator Bloomfield. Additional questions? Seeing none, thank you very much for coming down today. We are still on proponent testimony for LB427. Any additional proponents? Seeing none, are there any opponents to LB427? Is there any neutral testimony? Seeing none, Senator Groene, you are recognized to close. [LB427]

SENATOR GROENE: Thank you, Chairman Murante. I always...you got to remember we're talking to counties here. We're not talking to schools on property tax, to cities, and the NRDs. And I've always felt not real sorry, but the county government commissioners has always been the dog that got kicked. They're the ones that send the bill out. They pay their property taxes at the treasurer's office, and everybody blames the county when the county only gets 15 percent of it. And then the poor guy's part of funding is a debt tax. (Laugh) So they kind of take the brunt of it. But a couple of points were made here. You know, we talk about valuations going up, valuations going up. The county has a lid. So even though the ag land went up and you think, well, they're getting all this extra money and they're not. They can only increase their spending by 2 percent, 3. They're not like some of the other property tax leviers that can get around that with TEEOSA formulas and stuff. So they're really getting hit. So when they got a 2 percent lid or some of them are up to...I mean 2 percent increase spending, if some of them are on the 50 percent lid. So here comes the state with a new probation cost, how are they going to pay for that? I think our county...Joe didn't mention it but our maintainers for our

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roads are 15, 20 years old. They do a wonderful job in our county but they're up against lids and then here comes another mandate. How do they pay for that and fix my road when it's all got to go to new probation mandate? So it's a different thing. Don't think of all property taxes in the same boat. Counties do very good. I've been involved in taxes and taxpayers and I've analyzed a lot of it. Of all governments that I've seen in the state, if they're public servants, they're in county government. So, anyway, I want to keep that in mind. But this is a property tax situation and it's really pertinent because it also plays into the other problem we're facing as a Legislature, and that's judiciary and the state pens. This issue right here is going to be affected on both sides. So I think this bill really needs to go to the floor and be part of the mix. So thank you, fellow members of the Government Affairs Committee and Chairman Murante. [LB427]

SENATOR MURANTE: (Exhibit 3) Thank you, Senator Groene. And before we conclude the hearing on LB427, I have a letter in support by Amy Prenda of the Nebraska Sheriffs' Association. And with that, we are closing the hearing on LB427. We'll proceed to LB138 by Senator Johnson. Sorry, Senator Ebke. I think the agenda on the door is not the same from the agenda on the yellow copy of the sheet, so. LB138, Senator Johnson, welcome back to the Government Committee. [LB427]

SENATOR JOHNSON: Thank you, Chairman Murante and members of the committee. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n. LB138 actually names the land surveyors regulation act in order to provide for the creation of a code of practice for land surveyors. The Nebraska Board of Examiners for Land Surveyors determined that a code of practice for the land surveyors will be beneficial to the state and will safeguard the life, health, and property of the citizens. The code of practice will provide a guideline by which land surveyors may govern their professional conduct. The code of practice will be made part of the rules and regulations of the Nebraska Board of Examiners for Land Surveyors. The language in Section 10 of LB138 authorizes the establishment of the code of practice and is similar to the language in Section 81-3434 of the Engineers and Architects Regulation Act in 1997 and Section 81-3526 of the Geologists Regulation Act in 1998. The Professional Surveyors Association of Nebraska and the Southeast Nebraska Land Surveyors Association, the two professional land surveyor organizations in Nebraska have submitted letters of support for LB138. LB138 will not physically impact any registered land surveyor, the general public, or the board of examiners for land surveyors. This discussion started out last summer having some discussion with some local people that employ surveyors and also dealing with some people from the county level that have full time or even some part time surveyors. As it moved forward in the discussion, it was felt that probably it's time to put in the code of practice so we get standardized a little bit more. The other bill or the other discussion that we were discussing, we're not presenting that this year. We would like to move forward with this and then move later on on questioning how we handle some of the surveyors and their employment practice. I'll close on my opening. If there's any questions, I'd be willing to answer. [LB138]

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SENATOR MURANTE: Thank you, Senator Johnson. Are there any questions for the senator? Seeing none, thank you very much for your testimony. [LB138]

SENATOR JOHNSON: Thank you. [LB138]

SENATOR MURANTE: Are there proponents wishing to speak on LB138? Welcome to the Government Committee. [LB138]

STEVEN COBB: Thank you. Good afternoon, Chairman Murante, committee members. My name is Steven Cobb, C-o-b-b. I'm the secretary for the Board of Examiners for Land Surveyors. Senator Johnson explained the bill very well. I'll just give you a little history of the board. They have been in...it was created in 1957, and we have not had a code of practice in our rules and regs to date. And the board has determined that it's time to put a code of practice into the rules and regs. So we began to investigate this and we're going to need enabling language in the statutes, and in order to put that enabling language in the statutes we're going to need to name the regulation act. And that's the substance of the bill. May I answer any questions? [LB138]

SENATOR MURANTE: Let's just see. (Laugh) Senator Bloomfield. [LB138]

STEVEN COBB: Yes. [LB138]

SENATOR BLOOMFIELD: Thank you. Why did we all of a sudden decide this was a wonderful idea when we haven't done it for X number of years? [LB138]

STEVEN COBB: Because I think the board has decided that we need to have a base of ethical performance. We need to publish this in the rules and regulations so that it's available for the registered land surveyors to govern their practice and so that the public can review it for their own benefit. [LB138]

SENATOR BLOOMFIELD: Was there an issue that came along that prompted this or you just decide it was needed? [LB138]

STEVEN COBB: No, no. This is something that most other professions similar to land surveying have, engineers and architects, geologists have this, and we just felt that it was an appropriate time to move forward with including this in our rules and regulations. [LB138]

SENATOR BLOOMFIELD: Okay. Thank you. [LB138]

SENATOR MURANTE: Thank you, Senator Bloomfield. Senator Groene. [LB138]

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STEVEN COBB: Yes. [LB138]

SENATOR GROENE: Thank you, Chairman Murante. This isn't an attempt to find that you have to have so many credit hours and take extended classes and...they're not trying to limit who is a surveyor now and doing surveyor work? [LB138]

STEVEN COBB: Absolutely not. [LB138]

SENATOR GROENE: It's not kind of an organization's attempt to... [LB138]

STEVEN COBB: No, absolutely not. [LB138]

SENATOR GROENE: It isn't. They're already licensed. They already have to take tests. They have to have certain training. [LB138]

STEVEN COBB: Exactly. We already have regulations that deal with professional development hours and regulations that deal with registration requirements and renewal requirements. [LB138]

SENATOR GROENE: So right now if I hired a surveyor and I thought he did a lousy job, where do I go? [LB138]

STEVEN COBB: You go to the board. [LB138]

SENATOR GROENE: All right. [LB138]

STEVEN COBB: The board already has, by other statutes, the authority to take an action against a registered land surveyor's registration through the complaint process if they find grounds for negligence, incompetence, or misconduct. [LB138]

SENATOR GROENE: This is...rules is for the surveyors themselves then so they know how to behave? [LB138]

STEVEN COBB: Yes. This is a baseline of...a stated baseline of ethical performance, yes. [LB138]

SENATOR GROENE: So they know ahead of time before I make that complaint. [LB138]

STEVEN COBB: Yes. [LB138]

SENATOR GROENE: All right. Thank you. [LB138]

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SENATOR MURANTE: Additional questions? Seeing none, thank you very much for your testimony. [LB138]

STEVEN COBB: Thank you. [LB138]

SENATOR MURANTE: Looks like we have additional proponent testimony. What I do now is anyone else who would like to testify, I'd ask that you come forward now and kind of sit in the first couple rows. Welcome to the Government Committee. [LB138]

DENNIS WHITFIELD: Good afternoon, Chairman, and members of the committee. My name is Dennis Whitfield, W-h-i-t-f-i-e-l-d. I reside in Bellevue, Nebraska, where I own and operate my own land surveying and construction management business. As you probably know, the board of examiners' main duty is to enforce and administer the laws relating to the regulation of land surveying to safeguard life, health, and property of the citizens. The land surveying act will allow us to do that, as Mr. Cobb mentioned, as a baseline for that enforcement. To answer a little bit on Senator Bloomfield's question, I think this action by the board is somewhat client based, the need to protect our clients. As everybody knows, as humanity evolves we expect more and more and more of our licensed professionals. And this engineering act will allow us to set that guideline and establish that baseline for the performance of our professionals. I think it's similar to the engineers act that was enacted in 1997 where coming out of the high inflation rates and the downturn in the market in the '80s, they started to see a different client base in the '90s requesting more of their services and that enhanced them to move towards their act which we based our act upon. So with that, I'd like to offer any questions. [LB138]

SENATOR MURANTE: Thank you very much. Are there any questions? Seeing none, thank you very much for your testimony. [LB138]

DENNIS WHITFIELD: Thank you, Chairman and members. [LB138]

SENATOR MURANTE: Additional proponent testimony. Mr. Kohout, welcome to the Government, Military and Veterans Affairs Committee. [LB138]

JOE KOHOUT: (Exhibit 1) Thank you, Mr. Chairman. Mr. Chairman, members of the committee, Joe Kohout, K-o-h-o-u-t, registered lobbyist appearing today on behalf of our client, the Professional Engineers Coalition of Nebraska. I'm passing a letter out to the members of the committee from Todd Whitfield who is a representative of the Professional Surveyors Association Nebraska on behalf of the coalition. Mr. Whitfield couldn't join you today to testify stating our support for LB138. So with that, I'd try to answer any questions that you might have. [LB138]

SENATOR MURANTE: Thank you for your concise testimony, Mr. Kohout. Senator Groene has a question. [LB138]

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SENATOR GROENE: Just a quick one, but...so you guys are going to sit around their board of surveyors and they're going to put together a...and there's going to be no cost, they're not going to be hiring consultants and everybody to write something up for them. [LB138]

JOE KOHOUT: Senator, the Professional Engineers Coalition is the organization and then the surveyors are those who would be regulated by the act. So they took a position of support on the bill. So that would be more of a question for the board, how they're going to develop those individual rules, but, you know, trust me. After representing these folks for about eight years, if they have concerns about (laugh) what the code is going to and how they're going to be affected by it, they'll be here to testify on that. And I know that over in Health and Human Services there's a revision to the Engineers and Architects Act that frankly is the second version of that. Last year, that was introduced and met a serious amount of opposition from some of the regulated entities. They were the first ones to step up and oppose that. And so I think it's a great step and our organization supports it. [LB138]

SENATOR MURANTE: Senator Bloomfield. [LB138]

SENATOR BLOOMFIELD: Thank you, Senator Murante. Mr. Kohout, I'm...I guess it comes with old age, I'm always a little suspicious people come up and say, oh please, regulate us a little more. And I wonder if down the road we're going to see people prevented from coming into this business because of these regulations. But not if that's where we're going, are we going to limit competition by adding regulation? [LB138]

JOE KOHOUT: You know, that was not a conversation that we had. Our focus was more on what this will do for the industry and for those who utilize the industry as a code of practice. You know, the other entities that are members, I want to say the vast majority of them, have some sort of code of ethics that are already in place. So it was sort of the natural next step for them to...for the surveyors then to be subject to some provision. So I don't know that it's necessarily a bar. I think the registration and the education requirements and that sort of stuff continues to be, sort of act as that natural stop to anyone engaging in the business without it affecting the life and health and safety of individuals. [LB138]

SENATOR BLOOMFIELD: Do you see a scenario where it could be used to block somebody from... [LB138]

JOE KOHOUT: I didn't see that, but I certainly will take that back and suggest and see if the members think that that might in some way affect it. So I'm happy to do that. [LB138]

SENATOR BLOOMFIELD: Thank you. [LB138]

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SENATOR MURANTE: Okay. Additional questions? Seeing none, thank you very much for coming down today. [LB138]

JOE KOHOUT: Thank you. [LB138]

SENATOR MURANTE: We are still on proponent testimony for LB138. Any additional proponents? Any opponents? Any neutral testimony? Senator Johnson? [LB138]

SENATOR JOHNSON: Thank you. My closing will be brief. A couple of questions: Why now? Why not now? Things change. You know, land is land and markers are markers and whatnot. But I think as I started asking some questions just to increase my knowledge and then the state came in and all of a sudden thought, you know, we should probably put this in writing and make sure everybody is comfortable, that we're on the same page. I think it's a very proactive move and I think governing themselves a little bit is probably a value instead of some outside company coming in and trying to tell them some things. I think they know their business. So I think they just want to be proactive on it, so. Close. If there's any questions? I would encourage you to advance the bill if possible. Thank you. [LB138]

SENATOR MURANTE: (Exhibits 2 and 3) Thank you, Senator Johnson. Any final questions? All right. Before we close the hearing on LB138, I have two letters of support for LB138, one from Dennis Whitfield of the Southeast Nebraska Land Surveyors Association, and the other from Wayne Dietz of the Professional Surveyors Association of Nebraska. And with that, the hearing on LB138 is closed. [LB138]

SENATOR JOHNSON: Thank you for your time. [LB138]

SENATOR MURANTE: Thank you very much, Senator Johnson. And we will proceed now to Senator Ebke's LB132. Apologize for the delay, Senator Ebke.

SENATOR EBKE: That's okay. Somewhere along the line we got mixed messages here, but that's okay. [LB132]

SENATOR MURANTE: Well, welcome to your Committee on Government, Military and Veterans Affairs. [LB132]

SENATOR EBKE: Well, thank you very much, Senator Murante and members of the committee. For the record, my name is Laura Ebke, L-a-u-r-a E-b-k-e. I represent the 32nd Legislative District which includes Saline, Jefferson, Thayer, Filmore Counties, and the southwest portion of Lancaster County. Today, I'm here to talk about LB132 which deals with joint public agencies and those bonding procedures. LB132 links joint public agency bond issuance procedures to taxing powers. It requires joint public

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agencies to follow the same bond issuance procedures that a participating public agency would be required to follow to bond the particular revenue stream. As it stands right now, JPAs can issue bonding without public hearing or a vote. Let me give you a quick history of the JPA Act. The Joint Public Agency Act was passed in 1999 to encourage local government entities to cooperate to achieve efficiencies and better serve the needs of the local communities. There is a bit of a loophole in the JPA Act which allows JPAs to issue bonds without public hearing or citizen vote. This loophole leads to the potential for government agencies to form a JPA simply to gain more access to tax revenues with less oversight. This creates a situation where instead of achieving efficiencies, JPAs are actually encouraging spending and creating bureaucracy. There's a few more things that I would mention right now. First, LB132 is not aimed at or in reaction to any action taken by existing joint public agencies. It will not affect the current outstanding bonds of any existing JPAs. You may hear some testimony in opposition to this bill. Those testifiers will likely tell you something along the lines of this: This bill makes it harder for JPAs to issue bonds. Well, yes, that's true, it does. What LB132 accomplishes is to close a loophole. The measure is intended to increase transparency and accountability and to keep control on property taxes. If we close the loophole, we require the JPAs to go through the same bond issuance procedures as its participating public agencies. The bond issuance procedures would be linked to taxing authority. JPAs only have taxing powers that are specifically given to them by their participating public agencies. Under LB132, when a JPA bonds a revenue stream, it must follow the same procedures the participating public agency would need to follow to bond that same stream. So if an agency gives some of its taxing authority to the JPA, but would typically have to have an election in order to issue bonds, the JPA would have to do the same thing. Currently, that's not the case. By closing this loophole, it returns JPAs to their original purpose of encouraging intergovernmental cooperation to make the most efficient use of tax dollars. This is an issue of transparency and government oversight. We're ensuring citizens have a say in taxation that will affect them in one way or the other. This is a simple solution. I think we owe it to the public to have it fixed. And I'll be happy to try to answer any questions you have, and I know that there are a number of people who will be testifying after me who have even more to say about it. [LB132]

SENATOR MURANTE: Thank you very much for your introduction. Senator Groene. [LB132]

SENATOR GROENE: Educate me, Senator Ebke. Can you give me some real life examples of JPAs that I might be familiar with? [LB132]

SENATOR EBKE: Sure, the arena in Lincoln. [LB132]

SENATOR GROENE: A list of them, yeah, something you know. [LB132]

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SENATOR EBKE: That's one. That's probably the biggest. [LB132]

SENATOR GROENE: What was? What did you say? [LB132]

SENATOR EBKE: The arena here in Lincoln. [LB132]

SENATOR GROENE: They voted on that, didn't they? [LB132]

SENATOR EBKE: Well, they voted on a portion of it. [LB132]

SENATOR GROENE: All right. [LB132]

SENATOR EBKE: I think the number, somebody will correct me if I'm wrong I'm sure, but I think it was something like \$25 million that they voted, on but there was another \$300 million, something like that, that they didn't vote on. [LB132]

SENATOR MURANTE: Okay. [LB132]

SENATOR GROENE: Any others? Smaller ones? [LB132]

SENATOR EBKE: I'm sure there are. That's the one that's the big one. [LB132]

SENATOR GROENE: That's the one I help pay for when I'm down here. [LB132]

SENATOR EBKE: Right. Yeah. [LB132]

SENATOR MURANTE: Any additional questions? Seeing none, thank you very much. We'll proceed to proponent testimony. Ms. Post, welcome to the Government, Military and Veterans Affairs Committee. [LB132]

ANN POST: Thank you, Chairman Murante. Good afternoon. My name is Ann Post, that's A-n-n P-o-s-t, and I am here today on behalf of the Lincoln Independent Business Association in support of LB132. As Senator Ebke said, what it does is require joint public agencies to follow the same bond issuance procedures as their members. So as Senator Ebke said, the explicit goal in state statute of joint public agencies and the Joint Public Agency Act is to allow government entities to work together to create efficiencies to make the best use of their powers to better serve Nebraska's citizens. The act does this by allowing different agencies of government at all levels to essentially enter into a contract to create a new governmental entity called a joint public agency or a JPA. There are actually six JPAs in the state right now. One is the West Haymarket JPA, and that is the one...the arena just down the road; there is the Lancaster County Correctional Facilities JPA here in Lincoln in Lancaster County; the Lancaster County Agricultural Society JPA that created the Lancaster Event Center here; the Cedar Bluffs

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Recreational Facility; the Exeter-Milligan School Facilities Joint Public Agency; and there's the Boone County Development Agency. So I think that's all six. So generally the JPA Act gives JPAs about the same powers as the agencies that make them up. One exception is when it comes to bonding. When it comes to bonding, JPAs actually have much more authority to bond than their member entities. So let me give you an example. Say a city wanted to build a swimming pool and they could decide to do that by issuing general obligation bonds, bonds paid by property taxes. And to do so they would have to go to a public vote. Say there was a school that wanted to build a swimming pool. If they wanted to issue general obligation bonds to do it, they would also have to go to a vote. But if that city and school district came together to build the same swimming pool, they could issue general obligation bonds, again, paid by property taxes, only this time no vote is required. Now LB132 fixes this loophole, as Senator Ebke said, by tying taxing authority...by tying bond issuance procedures to taxing authority. So if we go back to our swimming pool example, if we have a JPA that is a city and a school district, and the school district gives the JPA the taxing authority and, therefore, the revenue stream to bond, that JPA would have to jump through all of the same hoops as the school district would to issue those general obligation bonds. Now some of the opposition to this bill that you may hear will use legal and technical language to tell you that this will make it harder for JPAs to bond. It will. That's the entire purpose of this bill. That's why LIBA is excited about this bill. And if there are any technical issues that opponents would like to amend or to address with amendments, LIBA would support those amendments as long as they preserve that core purpose of the bill of requiring a vote of the people to issue bonds against property taxes. So, overall, when you listen to them I want you to think to yourself--does this bill prevent joint public agencies from...prevent government agencies from working together to create efficiencies. And the answer is no, it doesn't prevent that. So though the technicalities of bonding in the JPA Act can be complex, the purpose of this bill is simple. That agency should not be able to use JPAs to get around a public vote. This is why LIBA supports LB132 and this is why LIBA asks you as the committee to advance it to General File. [LB132]

SENATOR MURANTE: Thank you, Ms. Post. So a question I have for you is the way the bill is constructed right now, when we say we have to follow the bond procedures required by law for the participating public agencies, what if the laws...if the procedures for the two public agencies are different? [LB132]

ANN POST: The idea was we said it ties it to taxing authority. So in your joint public agency agreement, the entities have to specifically give taxing authority to the joint public agency. So the school district, per se, would have to write in that agreement they are giving a certain levy amount to the JPA. So if the JPA bonded that levy authority from the school, they would have to follow the school district's procedures. So in that way, the people...if the school district gave their authority to the JPA, it's the citizens in that school district that are paying for it and those citizens have to approve it. [LB132]

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SENATOR MURANTE: Thank you very much. Additional questions? Senator Bloomfield then Senator Hansen. [LB132]

SENATOR BLOOMFIELD: Thank you. Ms. Post, Senator Ebke threw out some numbers on what the arena was. Can you clarify those just a little bit? How much of that was approved by the voters and how much of it was snatched out of thin air? [LB132]

ANN POST: Yes. Yeah, I can. With the West Haymarket Joint Public Agency, the citizens vote of Lincoln actually voted on \$25 million in turnback taxes. So those are bonds that are paid by sales taxes generated around the arena of the bond that are then turned back to pay off the bonds for the arena. The joint public agency issued around \$344 million in bonds without a vote. Now the city of Lincoln set a policy that they said that they would consider that \$25 million worth of vote, a vote up or down by citizens on the project overall, but the citizens approved \$25 million and we have almost \$350 million in debt. [LB132]

SENATOR BLOOMFIELD: So under LB132, would the city of Lincoln be able to say, well, if you vote for our \$25 million you need to assume that you're going to get the other \$300 million and still do that or not? [LB132]

ANN POST: Under LB132, the city of Lincoln if it were bond...if they gave their taxing authority to the JPA, like they did, they would have to go to a vote. And as the vote on those \$25 million showed, that project was popular and it passed. So it isn't an hindrance if you have a good project and a popular project, it will still get built. [LB132]

SENATOR BLOOMFIELD: Thank you. [LB132]

SENATOR MURANTE: Senator Groene. [LB132]

SENATOR GROENE: Hypothetical, two school districts can't get a basketball gym built, so they start one of these corporations. They can build the gym? [LB132]

ANN POST: Are you talking about right now or under LB132. [LB132]

SENATOR GROENE: Right now without going to a building fund bond issuance? [LB132]

ANN POST: Right now. They issue the bonds but they don't have to go to a vote. [LB132]

SENATOR GROENE: Is that what Milligan and Exeter did? [LB132]

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ANN POST: I believe that JPA never actually issued bonds. They talked about it and I believe there was some citizens that were not very happy with the situation, so they actually never issued bonds and now the tax revenues have accumulated and they're going to build it without issuing bonds. [LB132]

SENATOR GROENE: So just like the university and Lincoln, a town and a city could say we need a new event center to play basketball, they could do this and I wouldn't get a chance to vote on it? [LB132]

ANN POST: Correct. [LB132]

SENATOR GROENE: How do they then put it on my tax rolls to pay for those bonds? Does it come on my city bill or is there a new line on my property tax? [LB132]

ANN POST: There's a new line on your property taxes for the JPA. [LB132]

SENATOR GROENE: I know what TIF were, if he got ahold of this he'd be selling it all over too. [LB132]

SENATOR MURANTE: Thank you, Senator Groene. Senator Hansen. [LB132]

SENATOR HANSEN: Yes, thank you. I wanted to follow up on a question Senator Murante asked. So when they say two organizations, you mentioned say a county and a city, would the taxing authority have to just match one of them when you said they authorized taxing authority? [LB132]

ANN POST: So is your question if say in our city school district example they wanted to build a swimming pool would it just have to be the school district or the city that gave their taxing authority, is that your question? [LB132]

SENATOR HANSEN: Yes. [LB132]

ANN POST: Under this, that would be the most practical. Both could give their taxing authority and they could go through separate bond issuance processes and hold two separate votes, but practically they probably wouldn't want to do that. [LB132]

SENATOR HANSEN: Okay. Thank you. [LB132]

SENATOR MURANTE: Thank you, Senator Hansen. Any additional questions? Seeing none, thank you very much for your testimony. [LB132]

ANN POST: Thank you. [LB132]

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SENATOR MURANTE: Additional proponent testimony on LB132? And before we continue, would it be possible perhaps for one of the pages to go get Chuck and see what's going on with our speaker system. Welcome. [LB132]

DICK CLARK: Thank you. Chairman Murante, members of the Government, Military and Veterans Affairs Committee, again, my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm director of research at the Platte Institute and I thank you for this opportunity to speak today in support of LB132. As others have said before me, this is a straightforward piece of legislation. You can look and see the length of the bill to see that it's not a super complex bill. It applies to joint public agencies with the power to levy taxes. It just requires that they follow the same process for issuing bonds under the independent bonding power granted to JPAs that the participating public agencies are required to follow when acting under their own authority. This protects the taxpayer by ensuring that the laws authorizing formation of JPAs do not authorize an end run around full transparency and accountability. For a long time, Nebraskans have carefully limited their government's ability to spend more than it has. Author Rose Wilder Lane wrote in 1943 that the only American who can honestly object to the size of the national debt, no matter large it is or how dangerous, is a Nebraskan. Nebraskans do not permit their politicians to put them into debt. A Nebraskan controls his money. Any Nebraskan who is in debt put himself there. The Constitution of Nebraska does not permit the politicians in Lincoln to contract a debt for other Nebraskans. Nebraska has fine roads, fine schools, every public institution that anyone can desire and they are paid for. Senators, as you know, today there are permissible forms of public indebtedness in Nebraska. I don't deny that sometimes public borrowing does become necessary. But Nebraskans do generally favor the principle of pay-as-you-go when it comes to their private expenditures and their public ones. While bonding is sometimes necessary, any bond issue should be contemplated in full view of the public and everyone should understand the consequences for the taxpayers. If a voter would have the right to weigh in at the ballot box on a bond issue by a public agency, that agency shouldn't be able to avoid that accountability to that voter by using the JPA legislation. High property taxes are a serious challenge in Nebraska and property taxes levied for purposes of bond repayment are not restricted by levy limits in state law. While JPAs are not authorized to levy local option sales tax, they do also have the power to impose occupation tax and wheel tax when one of the participating agencies is a municipality. If members of a JPA want to take action that will increase taxes, taxpayers should have all the transparency and all the accountability that they deserve. Thank you, again, for the opportunity to testify in support of this bill and I'd be happy to answer questions. [LB132]

SENATOR MURANTE: Thank you, Mr. Clark. Senator Bloomfield. [LB132]

SENATOR BLOOMFIELD: Thank you. Mr. Clark, can you tell us when JPAs were first established and how? [LB132]

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DICK CLARK: Well, I don't know a whole lot about the legislative conversation that went on, but I know that the enabling statute was passed in 1999, and I'd have to get back to you later on all the history surrounding what got it going. [LB132]

SENATOR BLOOMFIELD: Okay. Maybe we'll find it as we go along. Thank you. [LB132]

SENATOR MURANTE: Thank you, Senator Bloomfield. Any additional questions? Seeing none, thank you very much for your testimony. [LB132]

DICK CLARK: Thank you. [LB132]

SENATOR MURANTE: Additional proponent testimony on LB132. Welcome to the Government Committee. [LB132]

CHARLOTTE RALSTON: (Exhibit 1) Thank you, Senator. Thank you all, senators, for allowing me to testify. [LB132]

SENATOR MURANTE: Do you have a green sheet filled out? [LB132]

CHARLOTTE RALSTON: I do. [LB132]

SENATOR MURANTE: Okay, wonderful. [LB132]

CHARLOTTE RALSTON: I also have these for you. Good afternoon. My name is Charlotte Ralston, that's R-a-l-s-t-o-n. I am a citizen from Lincoln, Nebraska, testifying on behalf of myself and other citizens of like mind. I am testifying in support of the amendment of LB132, an amendment to the statute that I will refer to as the JPA. This a community love story I wrote for my friends, family, and fellow citizens that I thought might be worth sharing with you. It's JPA in layman's terms. It's how elected representatives love this new way to bypass the taxpayers' vote for bonding schools, infrastructure, and other projects. Historically, all major projects require the vote of the people to approve the sale of bonds, taking on taxpayer funded debt before the project could be undertaken. This kept the decision of making long-term indebtedness in the hands of the people who have to pay for it via property and other taxes. Bonds that citizens vote on are used for major projects such as schools, infrastructure, jails, libraries, and civic centers. So if this worked, why aren't our elected representatives bypassing this arrangement? Because we citizens make it difficult to go into debt. The Lincoln voters were asked to approve bonds for a new jail in Lincoln. The voters were not convinced this was necessary at the time and voted it down, so the bonds could not be sold to build a new jail. However, elected representatives disagreed. They felt the voters were mistaken. Rather than communicate a need they asked themselves, I assume, so how can we get a jail built. Presto! Form a JPA. The city council and county

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commissioners used the JPA statute to circumvent the voters and create a corporation forming a board of its own which went ahead and sold the bonds to build a \$63 million jail on West O Street without a vote of the people. How could they do this if we voted no? Under the JPA statute, any two or more government agencies are allowed to join together and form a new corporation with a board that has all of their combined authority and combined taxing power. This law was put in place in 1999 as a libraries act--by Senator Wickersham sponsored it, you could ask him the details--and never used until our Lincoln officials discovered it. They must have been thinking what a gold mine. We never have to ask the voters again. We can just build whatever we want and still tax them for it, so the story goes. Where has this been done? The first project was when the ag society and county joined hands to build the Lancaster Event Center. No bonds went to the vote of the people but we're liable for this \$35 million debt. The second project was the jail. The county commissioners chose to put their portion of the bonds on our property tax inside the property...inside the levy lid. The city bonds sit outside the levy. This isn't optional. The bonds do sit outside unless they vote to put them inside, thus, the two entries on our property tax statement. The third and most current project is the West Haymarket Park. The voters approved a special \$25 million bond toward an arena to be paid by a turnback tax. The sales tax is used to pay back that bond. But the almost and corrected \$344 million rest of the project not even voted on, and the citizens didn't notice because the word "\$25 million" and "arena" were used in the language and people really didn't know what they were voting on. Presto! A JPA was born. The city and the state university joined hands to form it. It appears, number one, the taxpayers of the state and the city are technically liable for the bonds. You might verify that. No one outside of nor in Lincoln voted on any part of this JPA bond. The voters of Lincoln did not vote on the bonds for the project, just a bond paid with a turnback tax. So an approximate \$344 million were bonded without a vote of the taxpayer, continuing a dangerous trend of using JPA to fund projects for which we citizens are liable. This JPA does sit outside the levy lid, meaning it circumvents the limit for debt that the state puts on cities and counties. So elected representatives bypass the voter to issue bonds which we are indebted to pay but had no voice to directly approve or disapprove. On top of that, remember, there is no legal limit on what they can continue to spend with this JPA because they sit outside the levy lid. If these projects go overbudget, they don't have to come back to the voter, they just sell more bonds. Citizens want the power to approve the debt obligations of our community. We want the power of our vote restored on our bonds for major projects. It's time to amend it. It may come to your community soon as soon as they catch on. Then the sky is the limit and they can legally tax you without any...with any taxing authority they have. Please end this community love story and approve LB132. Thank you. [LB132]

SENATOR MURANTE: Thank you, Ms. Ralston, for your testimony. Are there any questions? Seeing none, thank you very much for coming down today, much appreciate it. Additional proponent testimony. Welcome to the Government Committee. [LB132]

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ROY CHRISTENSEN: Thank you, Senator Murante, and members of the committee. My name is Roy Christensen, R-o-y C-h-r-i-s-t-e-n-s-e-n. I'm here representing myself today. And I want to say that I believe JPAs are an important tool for public agencies to use to promote public projects that benefit everyone. I would also like to say that this could be considered a hindrance, LB132 could be considered a hindrance to JPAs only if allowing people to vote is a hindrance. I encourage you to support this bill. Any questions? [LB132]

SENATOR MURANTE: Thank you very much. Are there any questions? Seeing none, thank you very much for coming down today. Any additional proponent testimony on LB132? Seeing none, we'll move to opposition testimony. And as before what I'd ask is the opponents to come and sit closer to the front of the room and we'll get going. Ms. Rex, welcome back to the Government Committee. [LB132]

LYNN REX: Thank you. Senator Murante, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We do respectfully oppose this measure. First of all, Senator Bloomfield, a little bit of history. This was established in 1999. The first bill actually was LB1089 introduced in 1998. The Legislature then passed it with passage of LB87 in 1999. The purpose, as articulated also by the introducer, was for cooperation and efficiency, to try to incent it. Because at that time there was a real concern that localities and other agencies were not working together. What can we do to make them work together more? And, in fact, you may remember or may not that in fact in 1996 that's when Senator Warner was Chair of the Revenue Committee. He then structured what now are the levy limits with passage of LB1114 in 1996. Those took effect in 1998. He also put into play with the Revenue Committee in the Legislature LB299 that put in play, basically, the lid law on restricted funds. That was supposed to go away in two years. It never went away. This was part of that same effort, again, to try to create incentives. And at that time the Local Cooperation Act was amended. There were a variety of bills that were passed as part of the 1996 property tax passage. This came later when Senator Wickersham, because Senator Warner passed away, became Chair of the Revenue Committee. And one of the most important distinctions with a JPA and I think one of the most important distinctions in terms of transparency and what folks can do is because only elected officials can serve on a JPA. When you have an interlocal agreement, and those, by the way, deal with solid waste, insurance, all kinds of other things, appointed officials can come representing local governing bodies, not on a JPA. It has to be an elected official. Why? Because the background is that, basically, those folks are subject to an election. If people don't like what they're doing, they don't have to reelect them. They're subject to recall. For example, in Lincoln, Nebraska, you've got city officials, county officials that are subject to recall. Certainly no one at the university is in the Board of Regents but and state senators are not and you should not be, by the way. But notwithstanding all of that, you are dealing here with elected officials. You're dealing here with open meetings. JPAs are subject to the open meetings act, the public records law. And I would just want

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to underscore a very important point. There are hundreds of local governing bodies in the state of Nebraska. We have 529 cities and villages, 93 counties, all the school districts that are out there. There are only six that have been created, only six JPAs since 1999. I would submit to you, that is not an abuse. I would also tell you that there are things being done through elected officials who are trying very hard to make sure that there's collaboration. For example, I know a little bit about the Exeter project. That individual happens to serve on my executive board as the chair of the Village Board of Exeter, and the whole purpose there was to create, basically, an extension to the school where the city could have the communications room also to use for distance learning for their rescue squad personnel and others. That's the only facility they have in their village to do something like that. In addition to recreation centers so that seniors and others could use that when the kids aren't using it during the day, and that's in addition to the actual school building. This was an arrangement through the JPA with the city and the school. So in conclusion, what I would submit to you is the primary purpose of this was, again, part of an overall package in the mid-90s to create incentives for local governments to work together, and not only together but also with the state and other agencies. This was one of the major incentives. In addition, I wanted to just underscore again these are elected officials. In contrast to other kind of agencies that you may hear about, these can only be elected officials. And that is so that you have the ultimate transparency and also responsiveness to constituents. We certainly hope that...I mean, we're happy always to work with the committee and the introducing senator, but we certainly hope that this bill is not advanced and certainly not in its current form because of other technical issues. And there will be bond counsel following me that will address those. [LB132]

SENATOR MURANTE: Thank you, Ms. Rex. Are there questions? Senator Bloomfield. [LB132]

SENATOR BLOOMFIELD: Thank you. Ms. Rex, you said at the beginning of your testimony what the legislative bill number was. I didn't get that. [LB132]

LYNN REX: Yes, LB87 in 1999. That actually was a bill by Senator Wickersham. But the previous year, Senator Bloomfield, he introduced LB1089 in 1998. That did not pass. So essentially, the Legislature had an entire year to deal with this. And I would also indicate to you, initially Senator Wickersham had both blended. He had blended the Interlocal Cooperation Act and the joint powers, the joint agency act together and what occurred is that through the standing committee amendments those were separated out. So you have...you still have the Interlocal Cooperation Act as one standing act in which you can have elected officials or appointed officials. Then you have the JPA which is only elected officials serving on that body. [LB132]

SENATOR BLOOMFIELD: Okay. Thank you. [LB132]

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LYNN REX: You're welcome. [LB132]

SENATOR MURANTE: Thank you, Senator Bloomfield. Senator Groene has a question. [LB132]

LYNN REX: Yes, sir. [LB132]

SENATOR GROENE: I'm confused here. If I have a school board, they're elected officials. [LB132]

LYNN REX: Yes. [LB132]

SENATOR GROENE: But we put a restriction on them that they have to put it before the vote. If you're a city council, you're elected, we put restrictions on them they have to put it on the vote. So what's wrong with putting restrictions on when they gain together, join together. [LB132]

LYNN REX: Well, again, Senator, this was to create incentives. And the same way, let me give you another example. When subtitle D came down through the federal government requiring cities...actually requiring states to put in place regional landfills because this is in an era where people were concerned about water quality and everything else. The state of Nebraska did not create any funds for cities and counties. They passed the mandate on. So they mandated without 1 cent, they mandated to municipalities and counties that you shall, basically, take care of this issue. You shall comply with subtitle D, period. In order to incent that, they put in place...sorry about that, the noise. I apologize. [LB132]

SENATOR GROENE: You didn't do it. [LB132]

LYNN REX: In order to incent that they created regional landfills across the state so that you have a dozen or so, as opposed to hundreds of regional landfills. And how was that accomplished? Because it was issued with bonds, again, to incent it without a vote of the people because this was to force people to get together and take care of business and get it done. It was a federal mandate that had to be done. So the purpose here, Senator Groene, is that, I mean, we're not...you know, in terms of voting of the people and so forth, I would submit to you that they do that when they elect those school board members. This is representative government. Just like when you're elected, you're represented here is as representative government. People are asking you to use your best judgment in terms of what should be done to represent them. And, again, those school board members, city officials, county officials, all subject to recall, all subject to election. [LB132]

SENATOR MURANTE: I'd like to expand upon that because I'm not sure that your

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response was responsive to what his question was. [LB132]

LYNN REX: Oh, okay. [LB132]

SENATOR MURANTE: I think...I'll ask the question in my own terms. You have...it seemed to me like you had two separate arguments as to why this was a bad idea. The first was these are elected officials. They have accountability to the voters, and so that is the level of...that is where the transparency is going to come from. And the second was to help facilitate communication among political subdivisions. [LB132]

LYNN REX: Cooperation and efficiency. [LB132]

SENATOR MURANTE: And cooperation. So with what Senator Groene said, when these elected officials who have accountability to the people go back to their city council and they go back to their school boards and their county boards and they try and bond independent of the JPA, even though they're elected officials the state has said it's good public policy that they have to go to the people for a general obligation bond. So the real question is, what's the difference. Why should they be treated differently in this context? [LB132]

LYNN REX: Because the incentive here was to collaborate, to have different entities working together. That was the incentive. And again that same incentive was you'll find that in other parts of the statute as well to try to create this kind of cooperation among local governments and the state itself. [LB132]

SENATOR MURANTE: Well then that begs the question, it's your...your argument hinges on having to go to the people to get assent for a ballot initiative will hurt the cooperation between two political subdivisions. What leads you to believe that? [LB132]

LYNN REX: Well, Senator, what I'm suggesting is that if you go back and read the legislative history, what you'll find is that Senator Wickersham said this is about efficiency. The Interlocal Cooperation Act is rather high maintenance. Let's make something that is not as high maintenance. Let's see what we can do to try to have as much collaboration as we can because at that time, and we're going back to the mid-90s now, what was occurring is that instead of schools going together or for example in Exeter, the city building its own little recreation/communications room in the city, and the school doing one and the city doing one, go together and do it. And, again, I would just submit to you it was created as an incentive. That's why this is as it was drafted. [LB132]

SENATOR MURANTE: Okay. Senator Bloomfield, then Senator Groene. [LB132]

SENATOR BLOOMFIELD: Okay. As I understand this, let's make a city, the city of

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Bloomfield. [LB132]

LYNN REX: Okay. [LB132]

SENATOR BLOOMFIELD: We really ought to build a new school. And they take that to the voters and the voters say, no, we're not going to give you the right to build a new school. The school board comes in and says we really ought to build a new school. And they take it to the voters and the voters say, no, we're not going to give you the money to build that new school. So the city and the school board form a JPA and they can go ahead and build the school over what the people voted twice no on. Am I correct in that understanding? [LB132]

LYNN REX: I don't know school law. I know municipal law. I would tell you that under that scenario, those city officials better be prepared to deal with recall elections. I don't know of many citizens that put up with that. [LB132]

SENATOR BLOOMFIELD: But they still spend the money in the school is there against the opposition of the people. [LB132]

LYNN REX: But, again, when you're dealing with JPAs, I just want to underscore the fact, they're not just doing this, and I know that there's issue here about notice and so forth, they've got to have notice. This is all done in a public meeting. This is not done in isolation. And by the way, if anybody followed, if any of you, and I know, Senator Hansen, you did, in terms of as members of this Lincoln community here that the way in which our arena was structured. Oh my goodness! You couldn't swing a cat without finding out how that was going to be financed, what was going to happen. And I remember one of my neighbors who is not...he's not really politically that sensitive and he said, you know, I just wish the Lincoln Journal-Star could cover something else. I'm sick of reading about it. We get it! We get it! If we're going to vote for it, we're going to vote for it. If we're not, we're not. And they voted for that \$25 million. So...overwhelmingly I might add. So the transparency was overwhelming. Why? In my view, you've got three elected officials who understand they have constituencies. [LB132]

SENATOR BLOOMFIELD: Ms. Rex, I would suggest you modify your language on swinging cats after we had our ag hearing. (Laughter) [LB132]

LYNN REX: Oh, I'm so sorry. I apologize. I apologize to all cats. [LB132]

SENATOR MURANTE: Cats, not mountain lions. [LB132]

LYNN REX: And especially Senator Chambers. I'm not suggesting mountain lions. No. Excuse me. Bad idea. I'm sorry. [LB132]

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SENATOR MURANTE: Senator Groene. [LB132]

SENATOR GROENE: Ms. Rex, I think we all see the advantage of the interlocal agreement. [LB132]

LYNN REX: Yes. [LB132]

SENATOR GROENE: You got the swimming pool, and since we both need a swimming pool, instead of both of them, the taxpayer sees that. But we don't understand how it might be two public entities, but it's the same voter. It's the same person who voted for both and they see the advantage to the JPA, but they still should be able to vote on it. And they'll probably vote for it because now they were able to take their two government entities and join them and be more efficient. The purpose of the JPA, I don't think anybody sees any against that. But this bonding thing, I want to vote on that bond just like I would have if the school would have done it alone. I might vote no for the school and I'd vote no for the city, but you put them together and I say, well, this makes more sense, I'll vote for it. But I'm still the same voter, I don't change. The entities...I guess I'm lecturing, but I'll leave it alone. [LB132]

SENATOR MURANTE: Okay. Thank you. Any additional questions? Seeing none, thank you very much for your testimony. Much appreciate it. [LB132]

LYNN REX: Thank you very much for your time. And as always, we're welcome to work with committee and the introducer on anything you decide to proceed with. Thank you. [LB132]

SENATOR MURANTE: Wonderful. Thank you. [LB132]

SENATOR GROENE: Your job is not easy either. [LB132]

SENATOR MURANTE: Additional opponent testimony. Welcome to the Government Committee. [LB132]

MICHAEL ROGERS: Thank you. Good afternoon, Chairman, members of the committee. My name is Michael Rogers, R-o-g-e-r-s. I'm a bond attorney at Gilmore and Bell and I am here representing the city of Lincoln in opposition to LB132. And my testimony today will be primarily regarding technical legal matters related to LB132 as it's drafted. The Joint Public Agency Act is a nuanced set of statutes which is delicately balanced and operates well in its present form. And changes to the JPA Act must be made with caution or it could render the act unusable for communities. First, LB132 introduces, for the first time, the concept of bond issuance procedures in the statutes and it is unclear what would be included in those procedures. Presumably it sounds like

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a bond election was intended to be part of bond issuance procedures under LB132, but more frequently an election would be considered an authorization for a political subdivision to issue bonds rather than a procedural matter. Nevertheless, if authorizations are included in the term or to be read to be included in the term "bond issuance procedures," it could be difficult for a joint public agency to know how to proceed. Elections are one aspect of the authorization process for any political subdivision to issue bonds if they have the authority to issue bonds. But there are other authorizing steps which must be taken before issuing bonds. For example, a city's adoption of an ordinance is part of the authorization process for issuing bonds of a city, which among other things requires three readings and publication of the ordinance, signatures of certain people after adoption. A JPA could be forced to follow similar steps and possibly others depending on the member political subdivisions prior to issuing bonds and particular steps in those authorizing steps maybe impractical or impossible for a JPA to complete. If part of the bond issuance procedures includes a bond election, the question of who would vote on the matter is not addressed by LB132. In other words, the electorate is not necessarily identified by the election process. A conservative read of LB132, which bond attorneys read things conservatively to take...because we render opinions on things at the end of the day, most bond attorneys would approach the situation and require all voters in each member jurisdiction to vote on the bonds under the way LB132 is currently drafted, which means that if the JPA includes a statewide member like the university, it would require a statewide election. Next, political subdivisions typically have different bond issuance requirements for different types of bonds. For example, counties can issue several different types of bonds. They can issue hospital bonds whether they're revenue bonds payable from revenues or taxes. They can issue highway allocation fund pledge bonds. Nonvoted limited tax bonds payable from a 5.2-cent levy. And also voted general obligation bonds. And it's not clear which set of processes a JPA would have to follow if a county had delegated tax levy authority. If it delegates levy authority for a project that would not have required a vote of the people, would it still be required to hold an election, because some of its...types of bonds would require an election. Another important thing that I'd like to point out here is that if there are two members of a JPA, and this was touched on earlier, and both members delegate tax levy authority, the bond authorization procedures of each of the members must be followed by the JPA and it would be unclear how those procedures would go and whether they would overlap, whether if the jurisdictions were overlapping. If it were determined that both jurisdictions was to vote separately if you would have two separate ballot questions on the same ballot for the same project depending for each of the respective members. And in summary, the bond issuance process is a complex and varied for the many types of political subdivisions in Nebraska with no centralized process for all issuers requiring a JPA to generally go through the bond issuance process of one of its members would present many difficulties which would make it very difficult for a JPA to issue bonds in the future. Be happy to answer any questions. [LB132]

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SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Senator Groene. [LB132]

SENATOR GROENE: We just heard that it's a separate line item on my property tax statement for the JPA bond. So why do I got to go through either the counties or the cities? You have your own. On my property tax statement, there's going to be a separate line that I'm paying this much for that bond payment. Why do I have...what's the difference if we vote on it or what you did without a vote? [LB132]

MICHAEL ROGERS: I was pointing out that under LB132, the way it's drafted, it would be unclear who the electorate would be, who would have to vote on the bond issue. It talks about procedures of the member who delegated tax levy authority, but that doesn't identify the electorate or the voters. [LB132]

SENATOR GROENE: That isn't what I...the question I asked, I'm referring to your point about who's bonding authority would we use. But you have your own. [LB132]

MICHAEL ROGERS: Oh, under the JPA the way it currently stands. [LB132]

SENATOR GROENE: Yeah. So that argument is moot, isn't it, about whose bonding authority you'd use because you'd have your own? At least I get a vote on it. [LB132]

MICHAEL ROGERS: Excuse me, I may have misspoken. It's the tax levy authority that's delegated from either the county or whoever the two members are. One of the members of a JPA needs to give up some of its tax levy authority and delegate it or give it to the JPA in order for the JPA to have any tax levy powers. So there are...and then it does show up as a separate line item for the taxpayers, the same taxpayers as that political subdivision. [LB132]

SENATOR GROENE: Don't like to drag it on, but how are you paying the bonds off for the basketball arena? Is that a property tax levy? [LB132]

MICHAEL ROGERS: In the end, there could be a tax levied, but there hasn't been a tax levied on. It's been paid from other revenues is my understanding. [LB132]

SENATOR MURANTE: Thank you, Senator Groene. Additional questions? Senator Hansen. [LB132]

SENATOR HANSEN: You said that the bonds or the JPA would have to get some of the tax levy authority of one of the two or multiple agencies, correct? [LB132]

MICHAEL ROGERS: Yes. [LB132]

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SENATOR HANSEN: So earlier I think somebody made a reference to almost unlimited. In theory, there would have to a limit because the JPA couldn't exceed the combined taxing authority of the two agencies, correct? [LB132]

MICHAEL ROGERS: They couldn't exceed whatever had been delegated to them by the agencies who are members. [LB132]

SENATOR HANSEN: Who in turn have some sort of statutory limit on how much they have in the first place. [LB132]

MICHAEL ROGERS: Typically that's right. [LB132]

SENATOR HANSEN: Okay. Thank you. [LB132]

SENATOR MURANTE: (Exhibits 2 and 3) Thank you, Senator Hansen. Additional questions? Seeing none, thank you very much for your testimony today. Additional opposition testimony to LB132? Seeing none, is there any neutral testimony to LB132? Seeing none, Senator Ebke waives closing. And before we close the hearing on LB132, I have two letters of support for LB132, one from Michael Benker of the Home Builders Association of Lincoln, and the other from Matt Litt of Americans for Prosperity. And with that, the hearing on LB132 is closed. And we will eagerly await the arrival of Senator Bolz. We'll now begin the hearing on LB61. You are recognized to open on behalf of Senator Bolz. And I'll remind the committee that it's tradition that when a bill is introduced by someone other than a state senator we don't ask questions of that person. So go ahead. [LB132]

DAN JENKINS: (Exhibits 1 and 2) And I appreciate that. (Laughter) I apologize. Senator Bolz is currently opening on another bill that went a little longer on the previous to go in. My name is Dan Jenkins, that's D-a-n J-e-n-k-i-n-s, and I am Senator Bolz's legislative aide. I'm here to introduce LB61. This bill would eliminate the statutory requirement that counties cover the cost of rent for space utilized by the Department of Health and Human Services. The bill is a matter of fairness. In the 1980s, the state of Nebraska took over administration of Medicaid from the counties. A last-minute amendment was adopted to require counties to provide space for the provision of public assistance programs such as Medicaid and the Supplemental Nutrition Assistance Program, SNAP, food stamps. Today, these programs are state run and administered and decisions about the programs are largely made at the state level. However, counties continue to pay for the space. Not only does the space requirement fail to make sense with the state-administered structure of public assistance programs, the requirement also has disproportionate effects. Some counties are able to provide space in existing offices, however, other counties have been required by HHS to pay for specific and costly spaces. For example, here in Lincoln the Golds Building space is required to the tune of \$292,000 a year. A bill was passed several years ago to allow counties the

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option of negotiating space requirements, but HHS has the final say. Today, some counties disproportionately bear the significant expenses of office space, rent, and the taxpayers in those counties pay more for the same services. I have a handout for the committee with a listing of the counties and their office space burdens. It's not comprehensive, but it's a good start and we'll get more information to you later. And I would also note that we have a...that when we saw the fiscal note it assumed that the state would pay costs for spaces that are cohabited in county-already-owned buildings. We made an amendment to clarify that this is really just focussing on where there's a private building and we're paying the rent for them. So cohabited buildings wouldn't be covered in the bill and that should reduce the fiscal note to some degree. Thank you. [LB61]

SENATOR MURANTE: Okay. Thank you very much. And we will proceed to proponent testimony on LB61. Welcome back. [LB61]

KERRY EAGAN: Thank you. I need my glasses for this one. [LB61]

SENATOR MURANTE: No problem. [LB61]

KERRY EAGAN: (Exhibits 3 and 4) Good afternoon again, Senator Murante, members of the Government, Military and Veterans Affairs Committee. My name again is Kerry Eagan, spelled K-e-r-r-y E-a-g-a-n. I am the chief administrative officer for Lancaster County Board of Commissioners. I would like to thank Senator Bolz for introducing LB61. I'm here to testify on behalf of the Lancaster County Board in support of this bill. Nebraska revised statute Section 68-130, which is the object of this bill, was originally passed in 1982 after the transfer of Medicaid from the counties to the state. It's interesting that the language for 68-130 was not included in the original bill transferring Medicaid, which was 1982 Neb. laws LB522. Ironically, there was another bill that was introduced, LB602, that originally was intended to also transfer the responsibility for providing care to the medically indigent individuals who didn't qualify for Medicaid or one of the other categorical aid programs. We commonly refer to this obligation as general assistance, which is a huge obligation on the counties. But in its final form, LB602 left in the responsibility for the medically indigent with the counties under state statute 68-104 and also imposed this new obligation under Section 68-130 to provide facilities to the Department of Health and Human Services at no additional cost. Presently, Lancaster County covers these costs under our general assistance program. At the time of the transfer, Medicaid services were being provided through county-owned or county-controlled facilities. To help guarantee a smooth transition for clients and providers, it certainly made sense to continue providing these services in as many of these same facilities as possible. Also, requiring counties to maintain these facilities at no cost to the state softened the financial burden to the state during this major transition of services. However, conditions have changed substantially since 1983. The state Department of Public Welfare grew and became the Department of Social Services,

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which was later merged into the all-encompassing Department of Health and Human Services. As the role of HHS expanded, the manner in which services were provided became more centralized. HHS facilities in many counties have either been eliminated or reduced in size and services are being provided to the entire state through call centers and larger facilities located in more populous areas. Many counties no longer provided facilities for HHS and other counties questioned the payment of rent for facilities that either did not exist or were reduced in size. In response, LB234 was passed by the Legislature in 2011 allowing counties to eliminate, with the consent of HHS, or reduce their obligations under 68-130. As a result, the financial burden placed on counties by Section 68-130 is not being shared equally by property taxpayers from one county to another. In 2013, 27 counties were neither providing facilities nor paying rent to HHS even though their citizens continue to receive services from HHS. In 2015, this list had grown to 45 counties who are neither providing facilities or paying rent under Section 68-130. It is clearly unfair for taxpayers in some counties to provide facilities or rent payments for the benefit of HHS which serves the entire state, while the taxpayers in other counties are paying nothing. In Lancaster County, the situation may be even more unfair. Since many HHS services are being consolidated in our county, it is possible the services are being provided to residents in other counties using facilities for which Lancaster County pays the rent. You heard a figure of \$292,000 as we're paying for the Golds space. That was in the year 2013. In 2014, Lancaster County paid \$307,636 to rent 41,267 square feet at Golds. However, even though we've made numerous requests, HHS cannot or will not tell us how this space is being used. In this regard, I would refer you to the letter from Garold Chalupa, which I submitted to the committee along with this testimony. Finally, it is difficult to justify the continued use of property tax to support the operations of HHS following the state's elimination of county aid and county reimbursement program several years ago. During that process, Lancaster County lost \$3 million worth of property tax relief when these programs were eliminated, putting additional pressure on the property tax to provide mandated services. Under these circumstances, it's time to eliminate this outdated form of county aid to the state. Thank you. I would be happy to answer any questions. [LB61]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Senator Bloomfield. [LB61]

SENATOR BLOOMFIELD: Seeing how I couldn't ask the introducer, I think we dealt with this to some degree about two years ago. [LB61]

KERRY EAGAN: Yes, the same bill was introduced, yes. [LB61]

SENATOR BLOOMFIELD: If memory serves me, we kind of decided that the counties asked for this back in the day when they thought they were going to lose everything. Am I correct with that or... [LB61]

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KERRY EAGAN: I've read the legislative history on this and it's pretty interesting. Again, LB522, which was the Medicaid transfer, did not have these provisions in it. So Medicaid was already transferred, already approved by the Legislature and in place. Then along comes LB604 which says, you know we forgot the aid to indigent medical people. Those are the people that don't qualify for Medicaid, and you see Senator Campbell's bill to expand Medicaid which would now include those people. That was still the obligation of the counties. So LB604 was introduced to transfer that obligation to the state as well. While somewhere very late in the process, as you'll see in the legislative history, there was some back-room negotiations and LB604 was basically denied and became 68-104 which says if there are no categorical aid programs paying for the individuals, then the county shall appropriate a fund which will be used to pay for the medically indigent. And it also then for the first time introduced the language on 68-130 which was that the counties will continue to provide facilities as they existed in April of 1983 to the state free of charge. [LB61]

SENATOR BLOOMFIELD: But did the counties not agree to that at that time? [LB61]

KERRY EAGAN: I don't think there was much discussion on it. I think the discussion occurred in a back room between maybe several officials. Maybe the county lobbyist was involved. I think Jack Mills was the lobbyist at the time. But under those circumstances that's hardly the light of day or counties like Lancaster certainly getting to put in their 2 cents worth about whether this was a good bill or not. As I indicated in my testimony, I think it did make sense to soften the financial blow at the time. [LB61]

SENATOR BLOOMFIELD: Okay. Thank you. [LB61]

KERRY EAGAN: And certainly with county facilities providing most of the services, you'd want to leave those services in place for the benefit of everyone. But conditions are way different now. [LB61]

SENATOR MURANTE: Senator Groene, then Senator Garrett. [LB61]

SENATOR GROENE: Thank you, Chairman. Are you guy...is Lancaster County having a hard time with that 2 percent, 3 percent limit or are you at the 51-50 percent yet? [LB61]

KERRY EAGAN: I think our levy, and I'd have to check, is right around 27 cents, a little more, and we can go up to 30. The 20 cents is an additional, but we share the 15 cents with the rural levy, and then there's 5 additional cents you can use if you have interlocal agreements. We look at the levy as a 30-cent levy, and the primary goal of my commissioners is to keep the levy the same. So when we lost \$3 million of state aid, our levy did not go up. But as a result we really cut costs and cut back in every area. So the budget lids right now, we also have lots of unused budget authorities, that's not giving

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us too much of a problem. The problem is trying to keep property taxes down by being responsible by keeping the levy down and try to get our growth through the growth in the valuation. [LB61]

SENATOR GROENE: How much notice do you have from the state on these mandates that all of a sudden we need more room, HHS, or we need new computers? How is that...HHS dictates that or do you... [LB61]

KERRY EAGAN: They make budget requests for things like computers, office equipment, that sort of thing. We had...the fiscal note, I think if you...that I passed out on another bill for this committee indicated that probation had needed 25 additional computers, and that was negotiated through there. This bill is only about the rent. So we don't talk about computers or anything. They submit what it costs them to lease at Golds Galleria and there are built in, I don't want to say multipliers but every year there's a built in inflation or... [LB61]

SENATOR GROENE: So it's opposite from probation. They go out and rent and then they present you a bill. [LB61]

KERRY EAGAN: That's pretty much what happened here. They used to be... [LB61]

SENATOR GROENE: And probation, you decide where they're going to be. [LB61]

KERRY EAGAN: Well, with probation, yes. We worked with them to try to find the space that made the most sense to be close to the county courthouse or with the juveniles, close to where the juvenile services are being provided. We're out of county space now, so for the 43 that we had to add for LB561, that was across 9th Street and down a little bit. [LB61]

SENATOR GROENE: I think I understand. [LB61]

KERRY EAGAN: Yeah. With this, no, it was dictated, the space was dictated to us. [LB61]

SENATOR GROENE: It's dictated to you. On the other... [LB61]

KERRY EAGAN: Originally, the space was provided in the old federal building. [LB61]

SENATOR GROENE: So HHS said we need this space, we're going to rent it, here's your bill. [LB61]

KERRY EAGAN: Basically that's the way it's occurred. It was transferred to Golds from the old federal building about 1993 and we've been paying that rent ever since. We've

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howled about it, but we've paid it up. We've paid it. [LB61]

SENATOR GROENE: Thank you. [LB61]

SENATOR MURANTE: Thank you, Senator Groene. Senator Garrett. [LB61]

SENATOR GARRETT: Thank you, Chair. And perhaps you're not the right one to ask this question. I looked at the bill from two years ago and the fiscal note and there's a \$2 million difference between that fiscal note two years ago and the current fiscal note. I haven't had a chance to go through it with a fine tooth comb. Can you... [LB61]

KERRY EAGAN: Is the fiscal note higher or lower? [LB61]

SENATOR GARRETT: The one is higher now. It was \$3.165 million before and going into the out-years it's all the way up to \$5.2 (million) from \$3.1 (million). [LB61]

KERRY EAGAN: Yeah, maybe they had more time to look at it. But what's interesting is that two years ago there were 27 counties not providing facilities and not paying rent. Zero. Now there are 45 counties that are not paying rent or providing space. So almost half the counties in the state are not paying under this. That I think is the real question. [LB61]

SENATOR GARRETT: Thank you. [LB61]

SENATOR MURANTE: Senator Garrett. Any additional questions? Seeing none, thank you very much for coming down today. [LB61]

KERRY EAGAN: Thank you. [LB61]

SENATOR MURANTE: Additional proponent testimony, LB61. Welcome back, Mr. Clark. [LB61]

DICK CLARK: Thank you, Mr. Chairman. I'll be as concise as I know how and start out by mentioning again my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm director of research for the Platte Institute. Pleased today to come in and testify in support of LB61 brought by Senator Bolz. Appreciate her introducing the bill. I would incorporate by reference, my testimony from LB427 earlier today. Generally an unfunded mandate and the pressures on property taxes that they present. As to this particular topic, this particular mandated expenditure, I understand there was a deal here more than 30 years ago. And I am not prepared to talk about whether or not it was a good deal for the state or for the counties at that time. However, today I know that DHHS operational administrative costs are primarily driven by state policy. They're not primarily driven by local policy. And again, I think it's important for the revenue source that's being utilized and the control over how

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it is utilized to be in one place so it's a little easier for accountability to land where it ought to. I do think it's important to seriously evaluate whether this should be a local responsibility or a state one. You know, I do feel that the department was pretty reasonable a few years ago in the conversation with LB234. When I was working on it in the Heineman administration, I don't believe there was any opposition there. And that was about unused space not being paid for anymore. I thought that was a very reasonable reform. Today I think it's more of a philosophical question. If it's a state function, if it's a state responsibility, is it something that ought to rely on the local revenue sources or on the state ones. And with that, I'll end my testimony and answer any questions. Thank you. [LB61]

SENATOR MURANTE: Thank you, Mr. Clark. Are there any questions? Senator Bloomfield. [LB61]

SENATOR BLOOMFIELD: When the agreement was made, Mr. Clark, years back was it for a given area of space, 100 square feet or was it the same number today or has that increased as time went by? [LB61]

DICK CLARK: You know, I'd have to look at the statute for the specific metric given, but my understanding is it just requires that they continue to provide the space as it existed at the time of the agreement. So if there was an expansion of a facility, then that would be something that would bear on the state resources rather than increasing the reliance on local ones. [LB61]

SENATOR BLOOMFIELD: So if they were, your understanding and mine both I think is if they were...if the county was furnishing 500 square feet at the beginning of this, they're still furnishing 500 square feet. [LB61]

DICK CLARK: I think that's right, although certainly the folks from the department, who I imagine will follow after me on the other side of this bill, will be able to answer that in greater detail. [LB61]

SENATOR BLOOMFIELD: Somebody will give us the answer. [LB61]

DICK CLARK: Yes, sir. [LB61]

SENATOR MURANTE: All right. Thank you very much for your testimony. [LB61]

DICK CLARK: Thank you. [LB61]

SENATOR MURANTE: Mr. Mach, welcome to your Committee on Government, Military and Veterans Affairs. [LB61]

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COBY MACH: (Exhibit 5) Thank you, Mr. Chairman and members of the Government, Military and Veterans Affairs Committee. My name is Coby Mach, C-o-b-y M-a-c-h. I am the president of the Lincoln Independent Business Association, LIBA. If you're not familiar, we're an organization that has 1,300 members here in Lancaster County. We're here today in support of LB61 as a measure that eliminates an unfunded mandate and, thereby, increases accountability and reduces reliance on property taxes. In Nebraska, unfunded mandates from state to local government are in part responsible for our reliance on property taxes. State statute does require counties to provide space or pay the rent for space utilized by the Nebraska Department of Health and Human Services in their county. This unfunded mandate requires Lancaster County to pay over \$307,000 per year to the Nebraska Department of Health and Human Services for rent. LB61 eliminates the mandate by requiring the state to pay for the rent for the facilities. By the way, our rent payment doubled when HHS moved into the Lincoln Golds Building. LB61 is an important step, a first step we think in examining all of the unfunded mandates that state government imposes on counties and that drive up property taxes. Many state senators have said that the biggest problem they've heard the past year from constituents were high property taxes. We think that passing LB61 represents a commitment to do the small things right to ensure responsible government in Nebraska and, therefore, LIBA is supportive of LB61. Thank you very much. [LB61]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you very much for coming down today. [LB61]

COBY MACH: Have a good day. [LB61]

SENATOR MURANTE: Much appreciate it. Commissioner, welcome to the Government, Military and Veterans Affairs Committee. [LB61]

MARY BORGESON: Good afternoon. Thank you. Good afternoon, senators. Mary Ann Borgeson, M-a-r-y A-n-n B-o-r-g-e-s-o-n. I'm the chair of the Douglas County Board of Commissioners and we're here to speak in support of LB61. Last year when the Tax Modernization Committee met across the state, there was overwhelming conversation about the need to reduce property taxes. Senator Crawford, who took on the interim study of what unfunded mandates there are on local governments, we've provided many of those, two of which have been talked about today. The one that's being carried by Senator Groene on probation space and this one on HHS space. And we thank Senator Bolz for bringing this forward. In Douglas County, we have approximately \$650,000 in which property tax dollars are used to provide space to HHS for various locations in both leased and county-owned facilities. And so we think this is definitely a good impact or a direct impact on the reduction of property taxes by the state being the one to pick up their cost for their responsibilities of these two offices. I'd entertain any questions. [LB61]

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SENATOR MURANTE: That you very much. Are there any questions? Senator Bloomfield. [LB61]

SENATOR BLOOMFIELD: Thank you. Ms. Borgeson, you're with Douglas County, right? [LB61]

MARY BORGESON: Yes, sir. [LB61]

SENATOR BLOOMFIELD: Okay. The offices that you're paying rent on, if all of a sudden the state said, fine, we're not going to utilize your space anymore, we'll move the whole operation to Lincoln, how much would that cost Omaha in jobs and benefits? [LB61]

MARY BORGESON: To even move the jobs out of... [LB61]

SENATOR BLOOMFIELD: Yeah, that's my question. Is the rent you're paying more than justified by the benefits you're getting from the jobs and whatnot that are created? There's nothing says that HHS can't do everything out of one building in Lincoln. [LB61]

MARY BORGESON: Right. [LB61]

SENATOR BLOOMFIELD: Or in Omaha or in the Sandhills or anywhere else they wanted to do it with today's communication system. [LB61]

MARY BORGESON: I guess that would depend on whether or not the people who...the jobs may go but the people would still be living there, so there would still be of a benefit. I haven't looked at those numbers, so I don't know what the economic development number would... [LB61]

SENATOR BLOOMFIELD: Okay. Just a question that occurs to me. Thank you. [LB61]

MARY BORGESON: I'll look into that though if you want me to. [LB61]

SENATOR MURANTE: Senator Bloomfield. Any additional questions? Seeing none, thank you very much for coming down today. Much appreciate it. [LB61]

MARY BORGESON: Thank you for your time. [LB61]

FRED UHE: Good afternoon, members of the committee. My name again is Fred Uhe, the last name is U-h-e, director of community and government relations for Sarpy County. I will be very brief, just kind of put the Sarpy County spin on this. We currently provide 4,000 square feet to Health and Human Services. In 1983, our fiscal office actually researched the market rates for rent and they were approximately .83 square

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foot. Current rates are about \$19 a square foot. So in current costs that's costing us about \$76,000 a year. Since 1983, using 2.5 percent inflation factor, our fiscal office has computed about \$1.7 million that housing this has cost Sarpy County. We currently are actually paying rent of \$60,000 to house our election commissioner and extension office in an off-site facility due to the lack of space on campus. And again touching on the probation issue we discussed earlier, HHS, we could throw in Department of Motor Vehicles drivers testing. There's a fair number of our space being tied up by state offices performing state functions. And I think Mr. Eagan also raised the issue of fairness where this doesn't impact every county equally. Not every county is paying for...to support these state offices. And so we're just trying to ensure fairness for our taxpayers. So with that, I'd be willing to take any questions. [LB61]

SENATOR GARRETT: Thank you, Mr. Uhe. Senator Groene. [LB61]

SENATOR GROENE: HHS isn't any different than any other business. You got to be where the customers are, aren't you, because they go out, the social workers, and work with the customers. So... [LB61]

FRED UHE: Correct. [LB61]

SENATOR GROENE: So they're citizens of your county. Be pretty hard to do that from Lincoln. Go ahead. [LB61]

FRED UHE: If I can respond, I don't disagree with you. Actually, there's probably some areas within Sarpy County that the office might be better located. You know, allow maybe HHS to go out and negotiate their own rent, look at issues of being on a bus line, etcetera. I mean, public transportation to Papillion where the courthouse is is extremely difficult if you don't have a car. So... [LB61]

SENATOR GROENE: Do you consider it us against them, that you're an entity like a business, a county, versus the state, because I look at my tax dollars and would I rather pay for it with sales tax, income tax, or would I rather pay for it for...tell me if my statement is wrong, with my property taxes and I'd rather have my county fix my roads. [LB61]

FRED UHE: You know, I think I definitely don't want to have us against them. [LB61]

SENATOR GROENE: That's what I hear, I mean. [LB61]

FRED UHE: It should be a partnership... [LB61]

SENATOR GROENE: Not from you, I just... [LB61]

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FRED UHE: I think because, you know, the county government is probably, most everything we do is a direct function of state government, you know, we're housing prisoners. But based on violation of state laws, you know, where county or state license plates, most everything we do is actually controlled by this body. Unfortunately, whether it be a jail reimbursement, state aid to counties, the partnership has been somewhat one-sided where, you know, it'd be nice for us to be able to charge the state rent and then let them make a business decision if they could negotiate better terms. And I think I mentioned that earlier. When you're looking at, say, budgets for these agencies without knowing the total cost, you know, it's tough to make decisions in a vacuum. So it's maybe more of a cost-based accounting, but these are costs are being borne by property taxpayers for a state function. But, you know, we are in this together. We're all representing the same constituencies and, you know, the citizens are paying state taxes, property taxes. But as mentioned earlier I think by yourself, that the counties do, you know, this is the way you pay property taxes so we probably hear it the most. And we try to be very cognizant of that and run business like practices, but sometimes it's difficult with these mandates, so. [LB61]

SENATOR GROENE: Thank you. [LB61]

SENATOR GARRETT: Thank you. Any additional questions? Thank you, Mr. Uhe. [LB61]

FRED UHE: Thank you. [LB61]

SENATOR GARRETT: Are there any additional proponents? Welcome to the Government, Military and Veterans Affairs Committee. [LB61]

ELAINE MENZEL: Thank you. Senator Garrett and members of the Government Committee, for the record, my name is Elaine Menzel, my last name is spelled M-e-n-z-e-l, and I am here appearing on behalf of the Nebraska Association of County Officials. And if I had the ability to have transcribed what my executive director, Larry Dix, had stated in conjunction with the probation bill that was heard earlier today, I certainly would do so in terms of the property tax relief and unfunded mandates. But I do not have that and to save you time I will not try to put my words in that spin. We do want to express our appreciation to Senator Bolz for once again bringing this issue up. I believe that the county representatives have done a good job representing their perspective of why this legislation would be beneficial to the state. Thank you. I would be welcome to any questions if you have any. [LB61]

SENATOR GARRETT: Thank you. Are there any questions? No. Thank you. Any additional proponents? Okay. This time we'll take any testimony as an opponent. Welcome to the Government, Military and Veterans Affairs Committee. [LB61]

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DR. JOSEPH ACIERNO: (Exhibit 6) Good afternoon, members of the Government, Military and Veterans Affairs Committee. My name is Dr. Joseph Acierno, and that's J-o-s-e-p-h A-c-i-e-r-n-o. I'm the acting CEO of the Department of Health and Human Services. I'm also the Director of the Division of Public Health. I'm here to testify in opposition to LB61. LB61 requires DHHS to pay counties the cost for office space and service facilities used for the administration of public assistance programs. Currently, counties are required to maintain office space and service facilities used for public assistance programs as they existed on April 1, 1983, as part of a package of bills passed in the early 1980s. Prior to July 1, 1983, county boards had the responsibility for the county departments of public welfare, including the cost for building space, equipment, employees, and some program costs, including 14 percent of the cost of the Medicaid program. Several pieces of legislation in 1982 and 1983 mandated the transition of the 89 county welfare offices, 1,200 county employees, and the Medicaid program from counties to state government. This was a purposeful cost shift from counties to the state. Left as one of the responsibilities of the counties was maintaining the office space at county expense. At the time, the county's share of Medicaid was described as a \$20 million burden on the local property tax base. A report documenting these changes states in part, quote, Throughout the 1970s, the counties watched with alarm as the cost of the Medicaid program escalated. Although the Legislature acted on several occasions to lower the size of the county share from 20 to 14 percent, the counties still viewed Medicaid as an uncontrollable expense that was sure to continue to grow. And that it did. From 1975 to 1982, Medicaid expenditures grew at a rate of 13.9 percent per year. A small part of this was growth in program participation, but mostly it represented escalating medical costs. Between 1977 and 1982, the rate of growth of Nebraska's Medicaid costs exceeded 20 percent per year while the recipient population was growing at less than 2 percent per year. During this same time, the general inflation rate was comparatively moderate at 7.2 percent per year. Meanwhile, the counties were subject to a lid of 7 percent on increases in their revenue. By the time that 1982 arrived, some county officials felt that the traditional activity of county government were being jeopardized by continued participation in Medicaid funding, close quote. The transition of welfare offices to state administration occurred in 1983. The transition of all costs of Medicaid transitioned to the state by 1986. The original legislation, including the transition of this office space to the state as well. However, other legislation that year allowed counties to keep the space but required that it be used for the public assistance programs. We'll go up to fiscal year 2013--total Medicaid expenditures were nearly \$1.8 billion. At 14 percent, over \$250 million would be the responsibilities of the counties that had the cost shift not passed years ago. Medicaid expenditures in FY 2013 in Lancaster County alone were over \$278 million; 14 percent would be nearly \$39 million. Expenditures in Douglas County for the same year were over \$517 million; 14 percent is over \$72 million. The Department of Health and Human Services is committed to helping people live better lives where they reside. While we continue to improve access to services through efficiencies, we also committed to being available in local offices across the state. Through the legislative agreements reached in 1982 and 1983,

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counties today provide 185,000 square feet of either county-owned space or leased space for the department. Since then, the department's space needs have continued to evolve through federal and state statutes, policy changes, and agency mergers. In 2011, LB234 modified the office space to allow counties to adjust space, as you've heard, to reduce its presence and notifying the county you'll vacate particular facility, and we have work through counties accordingly. I see the light is on but I have just another minute if I could. On the other hand, if we identify that additional space is needed in a community over and above the original county requirement, the state, not the county, already pays for that additional space. So LB61 would make space unavailable or it would increase department's costs significantly. Our estimate, as you can see, is about \$2.8 million annually to replace the space provided by the counties currently and could cause us to be physically located in fewer counties. As you can see, the costs to the counties that continue to provide the office space pales in comparison to \$250 million-plus the counties would be paying today had the state not stepped up to relieve them of the financial burden of the costs of county public welfare offices and Medicaid. Thanks for your time. I'll answer any questions that you have. [LB61]

SENATOR GARRETT: Thank you, Doctor. Are there any questions? Okay. Thank you for your testimony today. [LB61]

JOSEPH ACIERNO: Thank you. [LB61]

SENATOR GARRETT: Are there any additional opponents that would like to testify? Seeing none, is there any testimony in the neutral capacity? Okay. Seeing none, this...Senator Bolz, you're allowed to close. [LB61]

SENATOR BOLZ: My apologies for missing the opening. I have yet to figure out how to be in two places at once. I just wanted to answer a couple of questions that I heard addressed during the testimony. First, to address your question, Senator Garrett. The comparison of the fiscal notes from the previous time we brought this bill to this year's bill seems to reflect a difference in how the fiscal analyst noted revolving funds. The first fiscal note did not have any reference to any revolving funds listed in the other category. This year's fiscal note does have the increase you referenced in revolving funds which, as you recall, are those funds that go from public agency to public agency like we pay the OCIO for technology and then they pay a government agency back. So it appears to me not to be a significant difference in the actual costs, rather just a difference in how the fiscal analyst took a look at it. [LB61]

SENATOR GARRETT: Okay. Thank you. [LB61]

SENATOR BOLZ: Sure. Senator Bloomfield, I think I heard you asking some questions about how the costs were calculated or you were asking a question about the square feet. Maybe you could repeat that to me and I could try to answer it for you. [LB61]

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SENATOR BLOOMFIELD: The question was the actual space that was required, is that the same square footage as the original agreement or has HHS been able to come in and say, well, we need more space and the county has to provide it. [LB61]

SENATOR BOLZ: The information I have is from a survey by the counties and it appears to me that there is some case-by-case basis where some counties are sharing space and might be saying that a third of that space is for state purposes. You heard Dr. Acierno saying, well, we try to pay anything above and beyond the original allocation. So I think there might be just a difference in perspective of what the state is trying to do in terms of their obligations and how the counties are trying to make do and accommodate the space and make things work. [LB61]

SENATOR BLOOMFIELD: Thank you. [LB61]

SENATOR BOLZ: Another question I heard was regarding what would the consequences, economically, I think this was your question, Senator Bloomfield, economically be to a community to lose some of these facilities or functions. And I think you have a point that those are jobs and they do have meaning in the community. At the same time, we have seen in recent years changing and consolidation of public assistance programs, particularly through ACCESSNebraska and the modernization of public assistance and the call centers. So I think it again is a county-by-county impact. Some counties have already lost the economic benefits and some have gained. You know, this is part of the tension or the wax and wane that we're trying to address in this bill which is the tension between who's responsible--counties or state. You know, in terms of the original agreement in 1983, there may be some circumstance here in which we're just agreeing to disagree that I don't know that it continues to make sense to retain an agreement from before Senator Hansen was born. (Laughter) Obviously, other people have a difference of opinion there, but I would argue that the numbers about the cost allocation to the counties, had the state continued to require the 14 percent cost allocation, I have a little trouble with that. And maybe some on the committee will agree with me about this in that ultimately this is about taxpayer cost. Right? So, you know, the taxpayers are bearing the cost of these programs. It's about how we make that work together. I would argue that there would be significant inefficiencies that would be costly had the counties retained control of the program that wouldn't have added any value to the programs themselves or the taxpayers. So, you know, I don't know if you have further questions about that, but I wanted to share that reflection. [LB61]

SENATOR GARRETT: Senator Bloomfield. [LB61]

SENATOR BLOOMFIELD: I was halfway out the door when you made that statement. [LB61]

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SENATOR BOLZ: Just asking for it, aren't I? [LB61]

SENATOR BLOOMFIELD: About few minutes before Senator Hansen was born, I think we have some Indian tribes in the state would like to disagree with you a little bit. You know, 40 years is not a long time for an agreement. [LB61]

SENATOR BOLZ: Like I said, there may be some agreement to disagree. You know, I think the Medicaid program has changed significantly and dramatically in those 40 years and what that means to us is different. [LB61]

SENATOR BLOOMFIELD: Have to be (Inaudible). Thank you. [LB61]

SENATOR GARRETT: Senator Groene. [LB61]

SENATOR GROENE: But isn't reality this isn't a county or a state program, this is a federal program, in the reality. [LB61]

SENATOR BOLZ: Fair point. [LB61]

SENATOR GROENE: And we pay, what, we get about 53 or 54 percent of it from the federal. [LB61]

SENATOR BOLZ: Fair point. [LB61]

SENATOR GROENE: Yeah, so these county guys are like the officials of the state aren't making the decisions. [LB61]

SENATOR BOLZ: Fair point. [LB61]

SENATOR GARRETT: Thank you, Senator Groene. Any additional questions? Thank you very much, Senator Bolz. [LB61]

SENATOR BOLZ: Thanks, committee. [LB61]

SENATOR GARRETT: And this will conclude today's meeting of the Government, Military and Veterans Affairs Committee. [LB61]