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Government, Military and Veterans Affairs Committee  
February 18, 2016

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[LB978 LB999 LB1080]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Thursday, February 18, 2016, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1080, LB978, and LB999. Senators present: John Murante, Chairperson; Tommy Garrett, Vice Chairperson; Dave Bloomfield; Joni Craighead; Mike Groene; Matt Hansen; and Tyson Larson. Senator absent: Beau McCoy.

SENATOR MURANTE: Well, welcome, everyone, here to the Government, Military and Veterans Affairs Committee. My name is John Murante, I'm the state senator for District 49, which includes Gretna and northwest Sarpy County, and I'm the Chairman of this committee. We are here today for the purposes of conducting three public hearings. We'll be taking up the bills in the order on which they appear on the agenda on the outside of this room. If you're here and wish to testify on any of the matters before us, we ask that you fill out this green sheet that are located on either side of the room. If you are here and wish to state your support or opposition to any of the matters before us but do not wish to testify, I ask that you fill this sign-in sheet out, also located on either side of the room, and we will take your opinion into account. If you do testify, we ask that you begin by stating and spelling your name for the record, which is very important for our Transcribers' Office. The order of business is that the introducer will be permitted an opening statement. We'll then proceed to proponent testimony, followed by opponent testimony, neutral testimony, and then the introducer will be given an opportunity to close. We ask that you listen very carefully and try not to be repetitive. In the Government Committee we do use the light system. We have four minutes of testimony. When the green light comes on that means you have four minutes remaining. When the yellow light comes on we ask that you begin wrapping up your remarks because you have one minute remaining. And when the red light comes on we ask that you conclude your remarks and we'll open the committee up to any questions they may have of you. At this time, I'd ask everyone to turn off or silence any cell phones or other electronic devices. If you have any prepared statement, exhibits, or anything you'd like distributed to the committee, we ask that you provide 12 copies to the pages who will distribute them to us. If you don't have 12 copies, that's fine. Just give them to the pages and we'll make copies for you. And there aren't many members here to introduce, but I will introduce them anyway. To my far left, Sherry Shaffer is our committee clerk. Next is State Senator Joni Craighead from Omaha, Nebraska. State Senator Beau McCoy, also from Omaha, Senator McCoy will not be with us today. Next to me, to my left, is State Senator Matt Hansen from Lincoln, Nebraska. I do anticipate Senator Hansen being here today. Andrew La Grone is the committee's research analyst. Next to him, State Senator Tommy Garrett from Bellevue, Nebraska. Senator Garrett, who I anticipate will be with us today, is the Vice Chairman of this committee. State Senator Dave Bloomfield from Hoskins, Nebraska. Next to Senator Bloomfield is State Senator Tyson Larson of O'Neill and State Senator Mike Groene of North Platte. And we

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welcome Senator Hansen as well. Formalities having been dispensed with, Senator Seiler, welcome back to your committee on Government, Military and Veterans Affairs. [LB1080]

SENATOR SEILER: Long time ago. Thank you, Mr. Chairman. I'm here to introduce...my name is Les Seiler, S-e-i-l-e-r, first name is L-e-s, and I'm in District 33, which is all of Adams County and the west half and the south half of Hall County. I'm here to introduce LB1080. And it's a topic most people don't even know is part of our state government. It's called the Cornhusker State Industries and they operate through the penitentiary and have been there for a long time. I remember when I was an Assistant Attorney General, the prisoners made a recliner office chair for the Attorney General and presented it to him. And it was a masterpiece of furniture. And so it goes back to 1966-67. But formally I think it's been more or less stated from about 1987 is when they started getting rules and regulations and passing statutes to implement it. It's a key component of the department's reentry of helping inmates prepare for release and giving them some vocational skills and responsibility of having and holding a job. The Cornhusker State Industries estimates 500 inmates daily work in these job activities and creating some interesting products. There's a 25...there's two changes. One is, a \$25,000 limit on purchasing raw materials and that has not been adjusted since 1987. And guess who introduced that bill is for \$25,000; our famous Ernie Chambers. And we pulled the history on it. He was the proponent of that and thought \$25,000 would be good. That sounds like a pretty big number until you look at the state audit. And we had three...this last year, had three accounts that went over that: \$47,200 for 10,000 yards of polyester quilt for filling jackets; \$31,782 for 19,200 square feet of birch plywood; and \$40,377 for 1,200 plastic lumber planks. So we're asking that number be made to \$50,000. And it's not coming out of the budget, this is a self-funding program that they make, they sell. And the second item is to keep the proceeds from the recyclable materials. When they have leftover materials and they want to recycle them, they sell them and that money should go back into the...as part of the profits so that they can continue to operate on their money instead of going to General Fund and then coming and asking for a General Fund allocation. It just makes good sense. If you'll remember, in LB605 we had a little addition to this program, which we took away from them the aluminum cans. Those aluminum cans are coming out of machines for the inmates and we diverted that money back to the inmates' benefit. So that's one change that's been made since 1987. Otherwise, it's been pretty much operating on its own. I'm going to ask you if, in closing and again now, that if we could get an early X on this, I've got a bill to attach this bill to it to pass it and get it through. It's needed very much. I'll answer any questions you have. [LB1080]

SENATOR MURANTE: Thank you, Senator Seiler. Are there any questions? Senator Bloomfield. [LB1080]

SENATOR BLOOMFIELD: Senator Seiler, is the \$50,000--and this is not a question you're going to get very often from committee--is the \$50,000 enough (inaudible)? [LB1080]

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SENATOR SEILER: Yeah, we believe it is. One of the heads of the Cornhusker State here to testify, that's what they recommend. [LB1080]

SENATOR BLOOMFIELD: Do you know is that because that's where they wanted to get to or they were afraid to ask for more? [LB1080]

SENATOR SEILER: No, I don't think they're afraid to ask for more. It's kind of a self-perpetuating program, so that money gets...and when they sell their products it comes back in. So if we were asking for General Fund money I assume we'd start high and negotiate down, but this is... [LB1080]

SENATOR BLOOMFIELD: And I wouldn't have asked that question (inaudible). [LB1080]

SENATOR SEILER: ...this is just auction and purchasing ability. [LB1080]

SENATOR BLOOMFIELD: I wouldn't have asked that question if we'd been (inaudible) General Funds money. [LB1080]

SENATOR SEILER: Okay. Anybody else? Thank you very... [LB1080]

SENATOR MURANTE: Oh wait, Senator Groene. [LB1080]

SENATOR SEILER: Yes, Senator Groene. [LB1080]

SENATOR GROENE: Why didn't Senator Chambers present this bill? Did anybody bring it to him or... [LB1080]

SENATOR SEILER: No, they brought it to me. And it came through Chairman of the Judiciary, I believe. [LB1080]

SENATOR GROENE: It would have been nice to have Senator Chambers in our committee once. [LB1080]

SENATOR MURANTE: He came here two years ago and he hasn't been back since, so. [LB1080]

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SENATOR SEILER: Well, you missed it. [LB1080]

SENATOR GROENE: But this is part of the Department of Corrections, right Senator?  
[LB1080]

SENATOR SEILER: Yes. [LB1080]

SENATOR GROENE: And this person is...the individual who runs it works for the...under the  
Department of Corrections? [LB1080]

SENATOR SEILER: Right, under the Cornhusker State Industries, yes. [LB1080]

SENATOR GROENE: But it's a self-funding within the Department of Corrections? [LB1080]

SENATOR SEILER: Right. Right, right. [LB1080]

SENATOR GROENE: Thank you. [LB1080]

SENATOR SEILER: That would have been February 5, 1987, when Senator Ernie Chambers  
appeared. [LB1080]

SENATOR MURANTE: All right. Seeing no additional questions, thank you very much for your  
opening. [LB1080]

SENATOR SEILER: My pleasure. [LB1080]

SENATOR MURANTE: Is there proponent testimony to LB1080? Welcome. [LB1080]

JEREMY ELDER: (Exhibit 1) Thank you. Good afternoon, Chairman Murante and members of  
the Government Committee. My name is Jeremy Elder, J-e-r-e-m-y E-l-d-e-r, I'm here today  
representing the Nebraska Department of Correctional Services as deputy director in charge of  
Cornhusker State Industries in support of LB1080. I'd like to thank Senator Seiler for introducing  
the legislation on behalf of our department. I'll try not to be too repetitive. I'm sure there's a few  
things I'm going to repeat that Senator Seiler has already mentioned. CSI is a correctional  
industries division of the Nebraska Department of Correctional Services. We engage  
approximately 500 inmates on a daily basis involved in job training, education, and work  
experience which amounts to in excess of 800,000 work hours per year of inmate work. The time

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invested in job training improves outcomes for individuals reentering our communities. We're an integral part of government. We also operate quite a bit differently than most government agencies. We're self-supporting, as Senator Seiler mentioned, which means we don't receive any General Funds, so the proceeds from our sales of products go back to grow and sustain our program. Our unique business requirements have prompted us to seek the two major provisions identified in LB1080. The first component is to increase our purchasing authority from \$25,000 to \$50,000. And as Senator Seiler mentioned, \$25,000 was an individual purchasing authority first granted in 1987. If you look at 29 years later, it basically represents a 2.4 percent increase per year if you were just to look at it as a measure of inflation, so it's really a fairly modest increase. To give you a little bit of background on what kind of raw materials usage CSI has, we average about \$5 million to \$7 million of raw material purchases a year. A lot of the materials we keep on hand, but a lot of our requirements come from special projects. When we go sell a large job to our customers, we need to go out and purchase sometimes materials that aren't well planned for. The purchasing requirements that we currently have that exceed \$25,000 limits CSI's ability to provide responsive customer service and obtain the best pricing. There is extended project completion time lines, reduced efficiency, and potential lost sales. The second component of LB1080 is to allow CSI to retain funds generated from recycled materials. A similar change was made in LB605 last year to retain funds from recycling of inmate pop cans that was now retained in the inmate betterment fund. Because CSI is self-supporting, we desire that any profit or loss would accrue to the Correctional Industries Revolving Fund. We have an interest not only in preserving recycling funds of materials that we use now, but also allowing for future expansion of recycling programs. Throughout the United States there is a number of innovative programs that involve recycling and sustainability to provide innovative work opportunities for inmates within other correctional settings. And we'd like to keep that as a possibility in Nebraska. Under the current State Government Recycling Management Act, the self-sustaining recycling operation would not be possible, as all expenses would be incurred by an agency, but the proceeds would accrue to the Resource Recovery Fund. I'd like to thank you for the opportunity to testify here today and I'd be happy to answer any questions you may have. [LB1080]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions?  
Senator Garrett. [LB1080]

SENATOR GARRETT: Not so much a question as a comment. I got to see...I visited the...toured the Eastern Nebraska Veterans Home and saw a lot of the kinds of things that you guys make and you do some real quality work. They commented about that and it was really impressive. [LB1080]

JEREMY ELDER: Yeah. And it's not always just the products you see, but we also do a lot of laundry service that seems to be a value for them as well. [LB1080]

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SENATOR GARRETT: Thank you. [LB1080]

SENATOR MURANTE: Thank you. Senator Groene. [LB1080]

SENATOR GROENE: So most of your companies are other government entities? [LB1080]

JEREMY ELDER: We're restricted to either government or nonprofit entities for most of our products. There's Braille products we're allowed to sell across the United States and then there's a couple of restrictions on some particular items. [LB1080]

SENATOR GROENE: But nonprofits across the United States (inaudible)? [LB1080]

JEREMY ELDER: No, we can only sell within Nebraska to government or nonprofit for the (inaudible). [LB1080]

SENATOR GROENE: But outside of the state you can? [LB1080]

JEREMY ELDER: Outside of the state we can only sell Braille under our traditional program. There is a federal program called Private Venture...Private Industry or Prison Industry Enhancement Act, which allows a private company to partner with correctional industries, paying inmates prevailing wages. And those products can be sold across the United States. [LB1080]

SENATOR GROENE: And the folks...the inmates that work in...they have to work a normal 40 hours? They have to show up on time? [LB1080]

JEREMY ELDER: The normal workday, yeah. I mean, there's a lot of work ethic and so forth developed. Our standard is almost an eight-hour day... [LB1080]

SENATOR GROENE: What is your...of your graduates or whatever you want to call them, your "recidivism" rate versus the general population of the prison? [LB1080]

JEREMY ELDER: We've done some studies on that. I don't have a good number to present to you today. We're working on that some more to make sure that we have a well-defined measurement for that. We're actually working now with the Department of Labor to also identify inmates who leave our programs, what types of income they have after they are released and

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compare that to a general inmate to have some other more qualitative measure of what their employment looks like after release. [LB1080]

SENATOR GROENE: (Inaudible.) And on the recyclable materials, what are they usually? [LB1080]

JEREMY ELDER: It's scrap from steel projects we do, aluminum. We do all the signs now for the Department of Roads. So any of the... [LB1080]

SENATOR GROENE: You do the signs? All right. [LB1080]

JEREMY ELDER: So any of the drop-off materials we have from that. One of the things that came up is, we do chemical...we manufacture chemicals, so our raw materials come in a 55-gallon barrel. And once those are used, they get sent back to a company to reuse them and we get credited for that so it's another recycling activity. [LB1080]

SENATOR GROENE: The old standard line is, do you make license plates there? [LB1080]

JEREMY ELDER: Yes. [LB1080]

SENATOR GROENE: How many states do that yet? [LB1080]

JEREMY ELDER: Virtually all states. There's a couple where private companies have taken over, but most states still have license plates in one form or another. There's a lot of variables of how often they're issued and so forth, but they're definitely an important component of our program. [LB1080]

SENATOR GROENE: Thank you. Saved me a couple of hours of taking a tour...tell me what you did. Thank you. [LB1080]

SENATOR MURANTE: Thank you, Senator Groene. Seeing no additional questions, thank you very much for coming down today. I appreciate it. [LB1080]

JEREMY ELDER: Thank you. [LB1080]

SENATOR MURANTE: Is there additional proponent testimony to LB1080? Seeing none, is there any opponent testimony? Is there any neutral testimony? Senator Seiler. [LB1080]

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SENATOR SEILER: Thank you very much and I'll just waive. [LB1080]

SENATOR MURANTE: All right. Senator Seiler waives closing. That ends the public hearing on LB1080. We'll proceed to the next item on the agenda, LB978. Senator Craighead. [LB1080 LB978]

SENATOR CRAIGHEAD: Thank you, Chairman Murante and fellow committee members. My name is Joni Craighead, J-o-n-i C-r-a-i-g-h-e-a-d, and I represent District 6 in Omaha in Douglas County. LB978 is an omnibus bill for the Department of Administrative Services to modernize and align statute with current practices by making the following changes: in Section 1, the legislation would revise statute 81-118.02 to change the statement regarding promulgating rules and regulation for authorization instructions to a "may", rather than a "shall", in order to align the statute with current practices and requirements of the Procurement Card Program policies established by the accounting division regarding authorization instructions for transactions. This would streamline and place all requirements regarding the program in one document. This legislation has no fiscal impact. Section 2 of LB978 would create consistency within statute 81-1108.15 between the facilities construction of facilities administration exclusions. Currently, it excludes those building which are owned and maintained by external agencies from the Building Division's administrative authority, but still requires Building Division to manage construction projects that exceed \$50,000 in these facilities. Building Division does not have the staff or capability to perform these construction management duties for buildings for which it has no ownership. The proposal aligns the statute with current practice and set the dollar amount for construction projects to be managed to match the dollar amount established in 81-1108.43(1)(a), as it is adjusted every four years. There is no fiscal impact with this legislation. In Section 3, statute 81-1108.43 would be revised simply to clarify the dollar threshold to be used for purposes of capital construction projects, prohibited acts, exception, warrant when issued--81-1108.15(3) (a). There is no fiscal impact with this legislation. Section 4 deals with real property and authorized purchases. Due to inflation, the current threshold is overly prohibitive and does not allow any real latitude for the purchase of real property. The proposed legislation modifies Nebraska Revised Statute 81-1119 by allowing for inflation and current property values, thus giving Building Division the ability to exercise its statutory authority to purchase real property. Two thresholds are proposed to allow greater latitude for the purchase of property within the capital environs, due to limit availability and high demand in the capital environs area. There is no fiscal impact with this legislation. Section 5 will repeal Sections 81-118.02, 81-1108.15, 81-1108.43, and 81-1119. These sections are repealed so as to be replaced by the proposed sections described above. Section 6 repeals statutes 81-1126 through 81-1129, the United States Saving Bond payroll deduction. These statutes are outdated and obsolete, the US Treasury ended the Payroll Deduction Program some time ago. This section of the legislation will bring statutes up to date with current practices. There is no fiscal impact with this legislation. Lastly, the repeal of Section 90-244 relates to the Department of Administrative Services sell or lease State Office

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Building in Omaha distribution of proceeds. This statute is outdated, being from 1985, and the property reference is no longer the Omaha State Office Building. There is no fiscal impact with this legislation. I appreciate your consideration of this bill, and if you don't mind, I'd would love to defer every question you may have to our wonderful representatives from the Department of Administrative Services. Thank you for your consideration. [LB978]

SENATOR MURANTE: Thank you, Senator Craighead. I will gladly accommodate your request, so we will proceed to proponent testimony on LB978. [LB978]

BO BOTELHO: (Exhibit 1) Good afternoon. My name is Bo Botelho, B-o B-o-t-e-l-h-o. I am the general counsel and deputy director for the Department of Administrative Services. I've prepared written testimony which generally reflects exactly what Senator Craighead already recited to you all, so I won't read it all again. I would point out that the portion regarding the purchase thresholds for real property for the State Building Division was not incorporated in this bill. All other components addressed by Senator Craighead was in fact put in the bill. [LB978]

SENATOR MURANTE: All right, so we deferred all questions until this moment. Does anyone have any questions? Seeing none, thank you very much for your very brief testimony. Much appreciate it. [LB978]

BO BOTELHO: Thank you. [LB978]

SENATOR MURANTE: Is there additional proponent testimony to LB978? Is there any opponent testimony? Is there any neutral testimony? Senator Craighead waives closing and we will end the hearing on LB978. And we'll proceed to the final item on the agenda, LB999. Senator Garrett. LB999, yeah, better than LB666. Yeah, we had that earlier today. Welcome, Senator Garrett. [LB978]

SENATOR GARRETT: (Exhibit 1) Thank you, Senator Murante, fellow members of the Government, Military and Veterans Affairs Committee. For the record, my name is Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t, and I'm here to introduce LB999 as amended. LB999 changes provisions related to the sale of surplus property, requiring the proceeds to be deposited and credited to the fund from which the property was originally purchased or the General Fund. Current statute provides for these proceeds to be deposited and credited to only the General Fund unless there is an exception, such as funds received from the sale of passenger-carrying motor vehicles used by the Nebraska State Patrol or the sale of micrographic equipment, other than that of the University of Nebraska and state colleges, less selling costs. LB999 does not change these exceptions. Very simply, the funds received from the sale of surplus property would return to the fund or funds from which the property was originally purchased or the General Fund, if the fund

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was no longer in existence. If multiple funds were used, the proceeds would be deposited or credited using the same funds and percentages as the original purchase. I have been told that this is basically how things are being done now and that the Auditor's Office would like to codify this so that they do not have to write agencies up for doing it. I'm a little confused about the fiscal note from DAS saying that it would take half of an FTE to do this, as it is already being done. LB999 would also eliminate an obsolete provision of statute which authorized the Department of Economic Development to convey certain real estate, in connection with the Nebraska Omaha Travel Information Center. Such conveyance has already taken place. And with that, I would like to flick the booger...I mean, pass any questions to Senator Karpisek from the Auditor's Office. [LB999]

SENATOR MURANTE: There's a comment there, but I'll leave it at that. Thank you, Senator Garrett. We will eagerly await flicking the boogers, Senator Karpisek. Senator Karpisek, welcome back to your committee on Government, Military... [LB999]

RUSS KARPISEK: Senator Murante and members of the committee, thank you for hearing us today. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor of Public Accounts, Auditor Janssen. I'd like to thank Senator Garrett for introducing this bill and Colin Fury for helping with it. Senator Garrett did a good job of explaining the bill, and as he said, I think it's pretty simple. Mr. Botelho may disagree, but we'll see about that. Our auditors have had to write up agencies because they are not handling surplus property proceeds in the way statute states. I'd like to thank the Treasurer's Office for helping with this bill, and they helped with the amendment which is now the bill. So what was just handed out is now the bill. The Treasurer's Office has been stricken in multiple places because these funds are deposited by them, but not credited to the various accounts by them. So for example, on Page 2, Line 10 of the amended bill, starting with "shall be deposited in the state treasury and credited by the State Treasurer," "by the State Treasurer" is stricken. As explained to me by the Treasurer's Office, they deposit the money into the state treasury or the bank, if you think of it that way, then as I was told, surplus property moves the money where it should go. And hopefully, Mr. Botelho can clear this up, because we just talked quickly and he says they don't. This is explained on Page 3, Lines 1 through 3 in the new language: "such fees and money shall be remitted by the department to the State Treasurer who shall credit such fees and money to the State Surplus Property Revolving Fund." Again, this is how I have been told that this works and now we're just trying to codify how it's done. The only difference is that we are asking that the money be deposited into the fund from which it came, unless there is no...or if there's an exception or if the fund doesn't exist anymore. If it doesn't exist anymore, of course it goes to the General Fund. Mr. Botelho and I can talk about the fiscal note or maybe he can talk to you a little bit about it. We just need to square that away I think. The last part of the bill would repeal Section 90-253, which Senator Garrett explained is obsolete and has already happened. The property that was in statute has been sold and it's all done. Bill drafters caught that and I made

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sure that it is done and it could be stricken. So basically, what we would like to do in this bill, and it seems like it's done most of the time, is an agency sells a bunch of staplers, they don't need them anymore, the money comes back and is put into the General Fund. We would like to see the money go back into the account from which it came from. So if it was the Auditor's Office had all these staplers, to go back there. Again, we've written people up because it seems to be done that way and so we're just trying to kind of codify how it's being done or help but be done so we don't have to write them up. I will admit this is a Mary Avery bill and she is at the Panama Canal today, so there you have that. I'd be glad to try to answer any questions. [LB999]

SENATOR MURANTE: Senator Bloomfield. [LB999]

SENATOR BLOOMFIELD: Thank you. Senator Karpisek, you mentioned the Auditor's Office had excess staplers laying around, would it also be possible the Department of Roads would have a surplus tractor or road grader that would fall into this? [LB999]

RUSS KARPISEK: I suppose they may. They sell a lot of things on public auction. [LB999]

SENATOR BLOOMFIELD: And that money would then go back to the Department of Roads instead of coming back to the state treasury...or back to the General Fund? [LB999]

RUSS KARPISEK: There are a couple exceptions in the bill and I can't tell... [LB999]

SENATOR BLOOMFIELD: Motor vehicles carrying passengers was one of them. I didn't see (inaudible) about a road grader in there. [LB999]

RUSS KARPISEK: Yeah, I couldn't specifically tell you that, Senator. I guess the question is does it go back to the General Fund and then you have to appropriate it to them or they can...it just goes back to them. And I understand your question. [LB999]

SENATOR BLOOMFIELD: Yeah, there are a lot of dollars can be shuffled around here, if we don't keep an eye on it. [LB999]

RUSS KARPISEK: Yeah. And hopefully again, Mr. Botelho can maybe shed a little more light on that. [LB999]

SENATOR MURANTE: Okay. Senator Groene. [LB999]

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SENATOR GROENE: So, Senator Karpisek or assistant...Russ, so we get that email that this equipment is being sold, we're talking about that all the time, they got cars. All our cars are under Administrative Services, right? Each department don't have their own cars, do they? [LB999]

RUSS KARPISEK: That's what I... [LB999]

SENATOR GROENE: They're all leased from Administrative Services, is that right? I guess we will answer that. [LB999]

RUSS KARPISEK: He will answer that hopefully. [LB999]

SENATOR GROENE: But on like the road grader, that's probably was paid for by gas funds and not general funds in the first place. [LB999]

RUSS KARPISEK: Possibly. [LB999]

SENATOR GROENE: Yeah, because I think they're self-funded. But you're just trying to get all of that stuff to get sold and be put back in the account of the department that their funds originally purchased, correct? [LB999]

RUSS KARPISEK: Correct. [LB999]

SENATOR MURANTE: Okay. Seeing no additional questions, thank you once again for coming down. [LB999]

RUSS KARPISEK: Thank you. [LB999]

SENATOR MURANTE: Still on proponent testimony to LB999? I was wondering about that. Opposition testimony to LB999? Neutral testimony to LB999? [LB999]

BO BOTELHO: Good afternoon, committee and Senator Murante...Chair Murante. My name is again Bo Botelho, B-o B-o-t-e-l-h-o, deputy director and general counsel, Department of Administrative Services. I was not anticipating testifying today, but my name has been invoked by Mr. Karpisek, so I will appear and answer questions. In regards to the fiscal note, it's written in an alternative. The way it works right now, when the property is sent to material to be surplus, it's sold on an auction and the proceeds minus the auction fees are returned to the agency who

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owned the property, who submitted the property to surplus. What the Auditor wants to do is to make sure that the dollars go back to the funds from which the property was originally purchased from, which may be multiple funds. What we do is we send it back. If it's the Department of Health and Human Services property or Department of Roads property we send the proceeds back to the agency, and once it gets to the agency they put it in the fund that they feel is appropriate. And if that's all we need to continue to do, then there's no fiscal impact to materiel. If we are expected to go and identify those individual funds and prorate the proceeds appropriately to the funds with any agency, then we don't have the staffing to do that. And that's basically what our fiscal note is saying, that if you want this done centrally by Administrative Services, we're going to have to bring on a person to do that. If we're just going to continue to send the proceeds back to the surplus agency and it's their obligation to put it in their funds, make that determination, there's no impact to us. And that's really what the Auditor wants to do, is he wants to make sure it goes back to the fund prorated appropriately. Some items are purchased from multiple funds within an agency and it should be prorated back. And so that's I think what the goal is here, and that's what our fiscal note is saying. So that's the fiscal impact. In regards to the fleets, Administrative Services maintains sort of a general fleet of vehicles that can be taken out by state employees for purposes. Some agencies maintain their own fleet--State Patrol owns their vehicles, Department of Roads owns their vehicles. We don't maintain those fleets, they have statutory authority to purchase their own vehicles. That's separate and distinct from the Administrative Services TSB fleet, which is what you were referring to. [LB999]

SENATOR MURANTE: Okay, any questions? Senator Bloomfield. [LB999]

SENATOR BLOOMFIELD: Thank you. Currently, under statute isn't that money supposed to all be going back into the General Fund? And we've apparently just at some time back decided not to do that because this seemed to work better? [LB999]

BO BOTELHO: I believe so. Well, there are... [LB999]

SENATOR BLOOMFIELD: How does that escape notice for so long? [LB999]

BO BOTELHO: I can't answer that, Senator Bloomfield. [LB999]

SENATOR GROENE: So are you saying that they're doing this outside of statute? Sending it back to the department instead of back to the General Fund? [LB999]

BO BOTELHO: The proceeds from the sales are going back to the agencies that provided the property. And what they do with those proceeds... [LB999]

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SENATOR GROENE: But there is no statute that says that should be done is what Senator Bloomfield is trying to get to. [LB999]

BO BOTELHO: Well, I think what Senator Bloomfield is saying that the way the statute is currently written that many of those proceeds should be just going back to the General Fund, as opposed to the funds from which the proceeds were originally...or the property was originally purchased from. This bill will change it so that the proceeds go back to the purchasing funds. [LB999]

SENATOR BLOOMFIELD: So my understanding is that we've been doing it wrong, so let's keep doing it that way. And we'll amend the statute to fit the way we would like to do it, which we've been doing anyway, contrary to what statute says. Does that sound correct? [LB999]

BO BOTELHO: Senator Bloomfield, if that's how you want to characterize it. Again, we don't control the proceeds once it gets back to the agency. [LB999]

SENATOR BLOOMFIELD: But am I mistaken that either Senator Karpisek or the introducer said that instead (inaudible) which go back to the General Fund. But we obviously haven't been doing that. [LB999]

SENATOR GROENE: Administrative Services is in charge of all the auctions? [LB999]

BO BOTELHO: Yes. [LB999]

SENATOR GROENE: Department of Roads don't have their own auction? [LB999]

BO BOTELHO: They do not, no. [LB999]

SENATOR GROENE: Everything comes to an auction you guys organize. It might be something from the Treasurer, it might be something from the Auditor, it might be something from HHS. [LB999]

BO BOTELHO: Whatever we get, we sell. [LB999]

SENATOR GROENE: You sell it and it's identified at the auction who brought that. [LB999]

BO BOTELHO: Correct. [LB999]

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SENATOR GROENE: And you're sending it back to them, that money back to them. But that statute says you're supposed to send it to the Treasurer. Existing statute. [LB999]

BO BOTELHO: Well, the Treasurer owns the bank account. So I mean, the Treasurer receives the funds and whatever account it goes to from there is really determined either by the Treasurer or by the agencies as they identify the funds. [LB999]

SENATOR GROENE: All right, yeah. And it does say in present statute if they identify that they originally paid from the cash account of their funds, then it should go back to them. It does...but statute right now says it should go back to the fund that they identify and not back to them generally. And you're just clarifying that, is that... [LB999]

BO BOTELHO: That's what the Auditor is clarifying, yes. [LB999]

SENATOR MURANTE: Okay. Seeing no additional questions, thank you very much for your testimony. [LB999]

BO BOTELHO: Thank you. [LB999]

SENATOR MURANTE: Is there any additional neutral testimony? Seeing none, Senator Garrett. [LB999]

SENATOR GARRETT: I'll waive unless there's anybody wants to ask questions of me. [LB999]

SENATOR MURANTE: Why don't you sit down and we'll see if anyone wants to ask questions of you. [LB999]

SENATOR BLOOMFIELD: I would ask Senator Karpisek some questions at another time. [LB999]

SENATOR MURANTE: You're free to ask him whatever questions, however many questions, as long as it's not here and not right now. All right, seeing nothing else, that closes the hearing on LB999 and ends the hearing for today. We do have a bit of an Exec. [LB999]