

Transcript Prepared by Clerk of the Legislature Transcribers Office
Banking, Commerce and Insurance Committee January 25, 2022
Rough Draft

WILLIAMS: Good afternoon, everyone. We will be beginning our hearing. Welcome to the Banking, Commerce and Insurance Committee hearing. My name is Matt Williams. I'm from Gothenburg and represent Legislative District 36. And I'm honored to serve as Chairman of the committee. The committee will take up the bills in the order that they have been posted. Our hearing today is your part of the public process. This is your opportunity to express your opinion on the proposed legislation before us today. The committee members may come and go during the hearing. We have to introduce bills and are sometimes called away. Do not interpret that that we are not interested in what's going on here. It's just part of the process. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off or silence your cell phones. Move to the front row when you are ready to testify. The order of testimony will be the introducer first, followed by the proponents, followed by opponents, neutral testimony, and then the senator will be asked to make a closing statement. Please, when you come up hand in your pink sheets to the committee clerk. Also when you testify, if you would please spell your first and last names for the record and please be concise. We ask that you limit your testimony to five minutes. We do use a light system. The green light will be on when you begin your testimony. After four minutes, it will turn yellow. And after one more minute, at the end of five minutes, it'll turn red and we'll ask that you wind up your testimony. If you will not be testifying at the microphone, but want to go on the record as having a position on a bill heard today, there are white tablets at the entrance where you may sign your name and leave the information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members as exhibits only while you are testifying. Please hand them to the page for distribution to the committee and the staff will-- if you do not have ten copies, that's what we need, the pages will make those for you. To my immediate right is committee counsel, Bill Marienau; to my left at the end of the table is committee clerk, Natalie Schunk. And the committee members are with us today and we'll ask them to introduce themselves at this time starting with Senator Pahls.

PAHLS: Thank you, Chair. Rich Pahls, District 31, southwest Omaha. And I have to be careful because I have a constituent in the audience.

McCOLLISTER: John McCollister, District 20, central Omaha.

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SLAMA: Julie Slama, District 1: Otoe, Johnson, Nemaha, Pawnee, and Richardson counties.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

AGUILAR: Ray Aguilar, District 35, Grand Island.

FLOOD: Mike Flood from Norfolk, District 19, Madison and southern Pierce County.

BOSTAR: Eliot Bostar, District 29, south central Lincoln.

WILLIAMS: And our pages today are Logan and Malcolm, and we thank them for their work today. And our first bill today is LB894. And I'm introducing that on behalf of Senator Stinner, so I'll turn the leadership of the committee over to Senator Slama.

SLAMA: Thank you, Mr. Chairman. Hello, Senator Williams, you're welcome to open on LB894.

WILLIAMS: Thank you very much, Senator Slama and members of the committee. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, and I represent Legislative District 36. I am introducing LB894 on behalf of Senator John Stinner, who is unable to attend as he is conducting the Appropriations hearing. And they will be hearing long after we're finished today. LB894 removes the requirement that a CPA firm must be owned by more than one CPA, but it maintains the requirement that a CPA or a group of CPAs hold at least 51 percent of the equity ownership of a CPA firm. In the fall of 2020, the Nebraska Board of Public Accountancy was contacted by a small CPA firm regarding its succession plan due to the retirement of one of three members of the firm. The remaining firm leadership was to include the current CPA and a non-CPA enrolled agent. State Board Administrator Kristen VanWinkle explained to the CPA that this ownership structure would fail to meet the requirements of Nebraska law and State Board regulations since current Nebraska law requires firm ownership to consist of at least two CPAs and one non-CPA owner. After learning of these requirements, it was discovered that this would impact the firm's succession plan and require the retiring CPA to hold a 1 percent interest in the ownership to meet the state's requirement. The CPA expressed his interest to change current statute so-- to VanWinkle and also the State Board Director Dan Sweetwood. As recommended, the CPA also contacted the Nebraska Society of CPAs President Joni Sundquist. He also reached out to me. He happens to be a constituent of mine from

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Dawson County. He also reached out to Senator Stinner for his intent to make these changes. Based on the confusion of several other firms over the years and of an interest in changing the physical ownership requirements, the State Board and the Society Board determined that a review of today's law and regulations were needed. A meeting was held between the State Board's legislative committee and the society leadership to gauge the desire for further examination of this issue and to seek a potentially new path forward on the matter. After some discussion, the group determined that the subject warranted the creation of a joint task force to review the issue and make recommendations. Both the State Board and the Society have reached out to counterparts throughout the country to gather information on the laws and regulations in each state. According to the American Institute of Certified Public Accountants, the Uniform Accountancy Act, Section 7(c)(1) and (2) allow for non-CPA ownership of firms by requiring that only a simple majority of firm ownership be licensed CPAs. The results of the State Board's and the Society's polls support the findings that most jurisdictions have adopted the UAA simple majority ownership provision. Following the meeting of the task force, members of both the full Society Board, along with the State Board, voted to approve proceeding with the recommended legislative changes. Ryan Burger, immediate past chairman of the Nebraska Society of CPAs, is here to go into more detail about the need for LB894 and answer some of your more technical questions if you have those. In addition, Dan Sweetwood, executive director of the Nebraska Board of Public Accountancy, has submitted a letter to me and the committee indicating that no harm to the public could be identified due to this proposed legislative change, and that the change would assist small CPA firms with succession planning. If I could ask a page to distribute these letters to the committee members, please. Thank you. With that, I appreciate your consideration and would be happy to attempt to answer any initial questions that you might have. Thank you, Senator Slama.

SLAMA: Thank you, Chairman Williams. Are there any questions, questions for Senator Williams? All right. Seeing none, thank you, Senator Williams. And we'll, we'll open it up to proponent testimony. Is anyone here to testify in support of LB794 [SIC--LB894]? Please. Welcome.

RYAN BURGER: Good afternoon, Chairman Williams, members of the Banking, Commerce and Insurance Committee. For the record, my name is Ryan Burger, R-y-a-n B-u-r-g-e-r, and I'm the immediate past chair of the Nebraska Society of CPAs, representing more than 2,500 members in our states. I'm here today to express the Society's strong support of

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LB894, which would remove the head count requirement while maintaining the requirement that CPA firms are owned by a CPA or a group of CPAs with at least 51 percent equity ownership of the firm. We've worked closely with the State Board of Accountancy in the drafting of this legislation, and we have appreciated the assistance of Senators John Stinner and Matt Williams and their offices, the guidance of our Legal Counsel Bill Marienau, and the help of Nebraska Board of Public Accountancy Executive Director Dan Sweetwood on the measure. I can go into many details on this. If you prefer in the interest of time, I'll just state that we believe the changes set forth allow for the protection of public interest while also strengthening the accounting profession in our state. Like so many others, we are struggling with workforce requirements, how to make those better amongst our firms. And this legislation, I think, will help small CPA firms in Nebraska remain in place while also providing a solution to some of these workforce challenges. So I thank you for your valuable time and consideration of our views. We urge the committee to advance LB894 and I'd be happy to answer any questions that you may have at this time.

SLAMA: Thank you, Mr. Burger. Are there any questions? Senator Flood.

FLOOD: Thank you, Senator Slama. I believe you are proposing what is already the law for law firms. Are you familiar with the rule-- I think it's 51 percent a law firm has to be owned by a member of the State Bar.

RYAN BURGER: Yeah, I'm not familiar with the law firm requirements.

FLOOD: I do think this brings into harmony with what the--

RYAN BURGER: OK.

FLOOD: --current law is as it relates to the ownership of law firms.

RYAN BURGER: That would make sense to me.

FLOOD: Yeah.

SLAMA: All right. Yes, Senator Bostar.

BOSTAR: Thank you, Senator Slama. Do you-- why does the statute exist the way it does currently?

RYAN BURGER: That's a really good question. I don't know specific answers to that question, but I do know it was established in 1994,

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and I believe the understanding at that time was to try to protect public interest to ensure that CPAs were running and managing the firm. With CPA comes certain license and education requirements similar to legal firms, and we wanted to make sure, I believe, that, that the firm was working under a license jurisdiction within our rules that we're adhering to certain values and providing quality accounting work for the public. What I believe happened is my understanding when this was brought to our attention almost two years ago, I believe this was the rule as long as 51 percent was owned by CPA or a group of CPAs in terms of voting interest, profit equity, that that was the rule. What I didn't understand the actual rule was what I call the head count in aggregate, where you could have one CPA owner and then you try to bring in a non-CPA owner just to own 1 percent, 5 percent, whatever the number is. And now you have violated the head count rule of a one to one. Now you're 50/50 in terms of head count, which was the specific rule. I just-- I'm uncertain it really makes sense for what we're doing today, and I don't think it provides additional protection to the public for our first CPAs to the public interest for what we're providing because as long as 51 percent is still owned by a CPA or a group of CPAs, they're making the decisions and are upheld to those higher standards by the Board of Accountancy. So--

BOSTAR: Thank you.

RYAN BURGER: --hopefully, that answers the question.

SLAMA: All right. Senator McCollister.

McCOLLISTER: Yeah, thank you, Senator Slama. How often does this problem occur?

RYAN BURGER: Don't know for sure how often this occurs. My estimation is it will happen more often as we have single-member sole CPA owners in various places throughout the state, and they have been doing it for a very long time and they are looking for the beginning of their exit strategy. And this is in place to begin that process. I'm really only aware of the one specific case that brought this to our attention. My assumption for every one that we are aware of, there's ten more that we're unaware of and that number will increase as some of these single or sole practitioner firms are beginning their exit strategy.

McCOLLISTER: Thank you.

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SLAMA: All right. Thank you, Mr. Burger. Are there any additional proponents for LB894? Seeing none, is anyone here to testify as an opponent to LB894? Any neutral testimony? Fantastic. Seeing none, Senator Williams, you're welcome to close.

McCOLLISTER: Any letters?

SLAMA: There are no letters for the record on LB894.

WILLIAMS: Thank you and I appreciate those questions. And it is my understanding, Senator Flood, that this would harmonize it with what, as I understand, what the ownership of a law firm would be. The situation that happened in my legislative district was a situation where you had two CPAs and one non-CPA employee that does a lot of the bookkeeping in the work for area customers. One of those CPAs was in a position of wanting to retire from the business, and they came with the idea, which I think generally, as Mr. Burger cited, people thought was the, the rule that he could just retire and the remaining CPA could own a majority portion of the business and the non-CPA employee could own the balance. And that's when they started this process and found out no based on the headcount rule, that wouldn't work. So simply stated, the, the bill that is being presented removes the head count rule. It still maintains the fact that 51 percent or more of the ownership of the firm has to be with licensed CPAs. So with that, I would be happy to answer any questions. I would encourage the committee to look favorably upon LB894.

SLAMA: Thank you, Senator Williams. Are there any additional questions for the senator? All right. Seeing none, thank you, Senator Williams. This closes the hearing on LB894.

WILLIAMS: We are moving on on the agenda to LB739 presented by Senator Bostar to change provisions related to insurance coverage for colorectal cancer screenings. Welcome, Senator Bostar.

BOSTAR: Thank you. Good afternoon, Chairman Williams and fellow members of the Banking, Commerce and Insurance Committee. I am Senator Eliot Bostar, E-i-l-o-t B-o-s-t-a-r, representing Legislative District 29 in Lincoln, and I'm here today to introduce to you LB739. This is a very simple bill, and it reflects changes in national health expert recommendations by the United States Preventive Services Task Force and American Cancer Society that men and women at average risk for colorectal cancer be regularly screened beginning at 45 years of age. LB739 changes Nebraska statute requiring health insurance policies not

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excluded by federal law to include screening coverage for a colorectal cancer examination and laboratory tests for any nonsymptomatic person from age 50 or older to age 45 or over. Colorectal cancer is the third leading cause of all cancer related deaths in men and women in the United States. Starting in 2012, national data shows that there has been a rising incidence of 2 percent each year in colorectal cancer diagnosis in people younger than age 50, and that actually that trend is the opposite of what you're seeing over age 50. It makes sense, then, that screening is required earlier because of these statistics. Our statute should reflect national recommendations to save lives while also saving longer-term medical costs. Dr. Alan Thorson will be testifying after me to provide additional detail on screening guidelines and testing. And I'd be happy to answer any initial questions you may have.

WILLIAMS: Are there questions for Senator Bostar? Seeing none, thank you.

BOSTAR: Oh.

WILLIAMS: Oh, I'm sorry. Senator Flood.

FLOOD: Thank you. Senator Bostar, I'm having trouble hearing you with that mask on.

BOSTAR: Well, I'm going to keep it on.

FLOOD: OK. How old are you?

BOSTAR: I'm 34, Senator.

FLOOD: Oh, so you're 11 years away. Have you ever drank the fluid that you have to drink before a colonoscopy?

BOSTAR: I have not.

FLOOD: As a 46-year-old male, I'm not sure I want this to go to 45.

BOSTAR: Well, you're certainly welcome to vote against it.

FLOOD: I can hardly hear you. Thank you.

WILLIAMS: As a 73-year-old male that has had to do this several times and a wife that is also 73 that has been a patient of Dr. Thorson's

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clinic in Omaha, I think everybody ought to have to drink this solution.

FLOOD: Including the introducer.

WILLIAMS: Including the introducer.

SLAMA: As a 25-year-old female, I object to that.

WILLIAMS: All righty, back to. We would invite the first proponent. Welcome, Doctor.

ALAN THORSON: Thank you. Senator Williams, Senator Aguilar, Senator Bostar, Senator Flood, Senator McCollister, Senator Pahls, Senator Slama, thank you for the opportunity of speaking with you today. My name is Alan Thorson. That's A-l-a-n T-h-o-r-s-o-n. I'm here to testify today on LB739 on behalf of the Nebraska Cancer Coalition, the Nebraska Medical Association, the American Cancer Society Cancer Action Network, Friends of Public Health in Nebraska, and the Nebraska Rural Health Association. In addition to my testimony today, 16 organizations that serve on the Nebraska Cancer Coalition board have submitted a letter of support via the online portal and our letter of support that's included in the packet I gave you list those 16 organizations. My comments today are meant to be brief you'll be happy to hear. Both the American Cancer Society in about 2018 and the United States Preventive Services Task Force in 2021 have updated their recommendations for screening for colon and rectal cancer to begin at age 45 rather than age 50, which was the age previously recommended. I've attached these comments and-- to these comments an infographic, which I believe Senator Bostar also presented to you. I think ours is in living color, but it summarizes the pertinent information for Nebraskans, and as Senator Bostar stated, from 2013 to 2017, the incidence of colorectal cancer nationally dropped by about 1 percent per year likely due, at least for age 50 to 64, likely due at least in part to increased screening in that age population per the current statute that Nebraska has mandating insurance coverage at age 50. However, simultaneously, incidence rates have been increasing by approximately 2 percent per year for the population younger than age 50. The reasons for this increase in the younger population are really not clear, but are likely multifactorial. What is known is that in both the American Cancer Society and the United States Preventive Services Task Force, statistical analysis-- analyses and simulations have shown that lowering the screening age to 45 will provide the same relative benefits in terms of life years saved to those younger than

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50 as it has provided to those older than 50 over the past several years. Screening for colorectal cancer, pertinent to the questions about drinking the gallon jug, screening for colorectal cancer entails a number of options, including noninvasive tests such as FOBT, FIT or DNA, which are stool-based tests and require a follow-up colonoscopy to complete the screening if any of those tests happen to be positive or the other option is a stand-alone colonoscopy performed once every ten years, as opposed to the stool-based tests which are required to be performed every one to three years depending upon the test selected. LB739 simply updates the current Nebraska statute to acknowledge the changing patterns of colorectal cancer and its potential impact on the citizens of the state of Nebraska. For all of these reasons, we strongly urge all members of the committee provide support for LB739, both here in the committee and on the legislative floor. That's the end of my comments. I thank you very much for the opportunity. I'd be happy to answer any questions if there are any.

WILLIAMS: Thank you, Dr. Thorson. Are there questions? Seeing none, thank you very much. And you'd please say hi to Dr. Blatchford.

ALAN THORSON: I will do that. Thank you very much.

WILLIAMS: We invite the next proponent. Mr. Bell, welcome.

ROBERT BELL: Good afternoon, Chairman Williams and members of the Banking, Commerce and Insurance Committee. My name is Robert M. Bell. Last name is spelled B-e-l-l. I'm the executive director of and registered lobbyist for the Nebraska Insurance Federation. I'm here today to testify in support of LB739. The Nebraska, as you know, the Nebraska Insurance Federation is the state trade association of insurance-- Nebraska insurance companies, including most of the health insurer and its plans selling in that state. The health insurers appreciate Senator Bostar, Chairman Williams, and advocates who are pursuing the passage of LB739 for reaching out and meeting with the insurance industry early in the process. If memory serves me correctly, our first meeting was during the redistricting special session. The insurance companies in Nebraska support clarifying the existing colorectal cancer screening mandate by lowering the mandated coverage age from 50 to 45, which align state law with coverage mandated by the federal Affordable Care Act. The ACA defer some preventative care requirements and the determination of the U.S. Preventive Services Task Force, which currently recently changed its colorectal cancer screening age recommendation for adults from 45-- from age 50 to 45, excuse me. Changing state law to match the federal

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requirements will help eliminate confusion. For these reasons, the Nebraska Insurance Federation supports the passage of LB739. Thank you for the opportunity to testify.

WILLIAMS: Thank you, Mr. Bell. Are there questions? Seeing none, thank you for your testimony.

ROBERT BELL: You're welcome.

WILLIAMS: Invite the next proponent. Welcome, Mr. Blake.

JEREMIAH BLAKE: Good afternoon. Chairman Williams and members of the Banking, Commerce and Insurance Committee, my name is Jeremiah Blake, spelled J-e-r-e-m-i-a-h B as in boy -l-a-k-e. I'm the government affairs associate for Blue Cross and Blue Shield of Nebraska, and I'm here to testify in support of LB739. As has been discussed by Dr. Thorson and Senator Bostar, early detection of colorectal cancer can save lives and reduce healthcare costs. For this reason, we have made it a priority to promote prevention and early detection of colorectal cancer screening through effective promotion. To raise awareness about the importance of screening, we have made outreach to our partners in the provider community, integrated reminders into member communications, and sponsored events and activities such as the National Colorectal Cancer Awareness Month in March. As a result of these efforts, we have seen an increase in preventative colorectal cancer screening. In 2017, just shy of 50 percent of insured Blue Cross members were screened. That number increased to 62 percent by September of 2021. We are proud of the progress we have made in the last few years, but more work remains and LB739 is a part of that effort to raise awareness about the importance of getting screened for colorectal cancer. LB739 would also bring Nebraska statute in line with recommendations of the U.S. Preventive Services Task Force as has been discussed previously. We are in the process of implementing this recommendation from the Task Force and will begin covering screening for adults aged 45 and older with no cost sharing to the patient. So I want to thank Senator Bostar for his leadership on this issue. Reluctantly, as somebody who turns 45 next week, I encourage the committee to support this bill.

WILLIAMS: Are there questions for Mr. Blake? Seeing none, thank you for your testimony. Are there any additional proponents? Seeing none, is there anyone here to testify in opposition? Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, Senator Bostar.

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BOSTAR: Thank you, Chairman Williams and members of the committee for your time and attention to this issue. I would certainly ask you to advance this legislation. It provides a, I think, a small but important benefit to community of folks age 45 and older. And with that, I would be happy to answer any final questions.

WILLIAMS: Senator Pahls.

PAHLS: Thank you, Chair. Do you believe that this bill is one that would go on consent calendar?

BOSTAR: I, I think I would probably prefer to not speculate as to the Speaker's choices without first conferring with him.

PAHLS: I understand that, I just sort of [INAUDIBLE]. I, I appreciate your answer.

WILLIAMS: Any additional questions? Before we close the hearing, we do have letters. We have six letters of support: Andy Hale from the Hospital Association; Megan Word from the American Cancer Society Cancer Action Network; Jeremy Eshliman from Friends of Public Health in Nebraska; Jina Ragland from AARP Nebraska; Carmen Chinchilla from the Nebraska Oncology Society; and a letter from the Nebraska Cancer Coalition. With that, we will close the public hearing on LB739. We will move forward now and open the public hearing on LB846, presented by Senator Slama to change provisions related to an annual audit under the Nebraska Banking Act.

SLAMA: Fantastic.

WILLIAMS: Welcome, Senator Slama.

SLAMA: Thank you and good afternoon, Chair Williams, members of the Banking, Commerce and Insurance Committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a, and I represent District 1 in southeast Nebraska. I'm here today to present LB846 to you on behalf of the Nebraska Bankers Association. This bill would allow a bank board of directors to submit its annual audit to the Department of Banking 120 days after the end of the calendar year. Currently, they're required to do this 90 days after the end of the calendar, after the end of the calendar year. Making this change would bring the requirements for submission of annual audits by state-chartered banks into conformity with those applicable to national banks. Over the past few years, Nebraska has had a good number of banks convert from national to state charters, including three banks in my district: F&M Bank in Falls City;

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Countryside Banking, Unadilla; and Auburn State Bank in Auburn. This requested change specifically came from F&M Bank in Falls City. The Department of Banking and the Nebraska Bankers Association worked together to create LB846. I'll open it up to any questions you may have, but I'd also like to defer to those behind me who certainly know more about this subject than I. Thank you, members of the committee.

WILLIAMS: Questions for Senator Slama? Seeing none.

SLAMA: Thank you.

WILLIAMS: You are welcome. We'll ask our first proponent to come up. Welcome, Mr. Hallstrom.

ROBERT HALLSTROM: Chairman Williams, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the Nebraska Bankers Association to testify in support of LB846. Senator Slama has provided you with the background as to what we're addressing, which are the time frames or the time limits within which an audit must be submitted to the Department of Banking. In the course of looking and researching this issue, looking at and researching into this issue, I have determined that there are two regulations that are referenced on page one of my written testimony, one relating to annual directors' exams and the other to what I think the department refers to as periodic exams. As Senator Slama indicated, F&M Bank in Falls City brought this issue to our attention, there was a practical problem under the law and we think there's a practical solution. I go into more detail in my testimony, but suffice it to say that we had a situation where a primary investor of F&M Bank had passed away. He had a controlling interest in seven bank-- eight subsidiary banks and seven bank-holding companies located in a number of different states and was required to have an audit. That audit covering the five states, four of those states, by the way, have a 120-day time frame for submitting the required audit, as, by the way, does the Office of the Comptroller of the Currency that regulates national banks. So in moving to 120 days, we are not doing anything unique or novel. The bank had determined initially that the auditing firm that they had approached had quite frankly suggested that 90 days might be a little bit quick for them to be able to do that type of complicated audit. The bank approached the department, and the department who was gracious enough to provide them within the flexibility that they possess with 120-day waiver for two, two years, LB846 would address that issue on a permanent basis instead of having to look to waivers. We dealt with the department, as I

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indicated in talking about this issue, talking about whether or not we could go the regulatory route and avoid the need for legislation, the department expressed their preference for going with a legislative solution to this. I have attached to my testimony proposed amendments that have been provided by the department. Quite frankly, I think the department's language there addresses the fact that we do have two separate types of audits, as I referenced earlier, the annual audit for directors and the periodic audit. So that language, I believe, is acceptable to the department and would hope that they're going to come up and, and indicate and express their support for the amendment that we have submitted to the committee. With that, I'd be happy to address any questions and would encourage the committee to advance LB846 to General File.

WILLIAMS: Are there questions for Mr. Hallstrom? Senator Pahls.

PAHLS: Thank you, Chair. Is this a rarity?

ROBERT HALLSTROM: It's not, it's not necessarily a rarity, Senator. I think the, the situation that came up in terms of the complexity--

PAHLS: OK.

ROBERT HALLSTROM: --of the eight banks, seven holding companies, five different states probably is a, a little bit out of the ordinary. But there are, I'm sure from time to time the complexity or the scope of the audits would, would dictate the need for an extra 30 days to get this completed.

PAHLS: Thank you.

WILLIAMS: Senator McCollister.

McCOLLISTER: Yeah, thank you, Mr. Chairman Williams. The periodic audits, do they occur every year?

ROBERT HALLSTROM: Yes, that's my understanding. The department may be able to speak more specifically to that. But I was only aware of the statutory audit, which I believe is referred to as the annual audit. And then in looking into more detail once the department brought it to our attention that their regulations address two separate types of, of directors' audits.

McCOLLISTER: What's the difference between the two?

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ROBERT HALLSTROM: I'd probably leave it to the, to the--

McCOLLISTER: OK.

ROBERT HALLSTROM: --director who's going to testify--

McCOLLISTER: Thank you.

ROBERT HALLSTROM: --to provide that.

WILLIAMS: Any additional questions? Seeing none, thank you for your testimony.

ROBERT HALLSTROM: Thank you.

WILLIAMS: Invite the next proponent. Welcome, Director Lammers.

KELLY LAMMERS: Good afternoon, Chairman Williams, members of the Banking Commerce Insurance Committee. My name is Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s. I am director of the Nebraska Department of Banking and Finance. I'm appearing today in support of LB846 with the amendment presented today. The Nebraska Department of Banking and Finance is a regulatory agency established by Nebraska law. The department is required to enforce the Nebraska Banking Act, which includes the bank audit requirements. LB846 proposes to establish maximum timetables for which audits must be delivered to the department. Section 8-124 currently does not set a timetable. The department has in place two rules, 45 Nebraska Administrative Code 24 and 45 NAC 25, which set the maximum period for submission of audits and directors' exams. The great majority of bank audits are covered under 45 NAC 25, which requires submission to the department within 90 days after the start of the audit; 45 NAC 24 allows banks the option of a periodic audit, which is defined in the rule as an examination conducted over the course of a year. Periodic audits must be submitted within 90 days of the end of the calendar year under this rule. Nebraska Bankers Association approached the department over the summer about the possibility of placing extended timetable in statute. The department did not object to the proposal based on the need to provide sufficient time for a thorough board review prior to submission of the audit to the department and based on a small increase in the number of late audit submissions. When LB846 was introduced, we contacted the NBA requesting the amendment presented today so that the audits would continue to give us current information. As Nebraska-chartered banks continue to grow, updated guidance offering a defined and increased timetable would assist the industry and the department in this

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critical safety and soundness procedure. Therefore, the department supports LB846 with the proposed amendment. Be happy to answer any questions.

WILLIAMS: Questions for the director? Senator McCollister.

McCOLLISTER: Thank you, Chair Williams. Will you answer the question, although maybe your testimony included that, the difference between the periodic audit and the regular audit?

KELLY LAMMERS: A regular audit would be conducted as a point in time as defined in our rule, whereas a periodic audit may be established and accomplished with an agreement with the auditor in the bank in which it occurs over a period of events throughout a year. Those events are collapsed into a single report, and the rule establishes that audit must be submitted then as of that year end. So it would be conducted over a period of time.

McCOLLISTER: But is that subject to the same 90- or 120-day limit?

KELLY LAMMERS: That's where the timetable became complicated, Senator. It was a situation in which by the end of the year, they must submit it at, at that point in time as of 90 days at year end. In some instances, that created a complication in working with federal regulators or other states. This would establish an increased timetable to submit that kind of report.

McCOLLISTER: As Mr. Hallstrom indicated, most other states are 120 days?

KELLY LAMMERS: It is my understanding that the audit requirements for institutions of \$1 billion and larger would be 120 days following the start date of that audit for the federal standard, sir.

McCOLLISTER: OK, thank you very much.

WILLIAMS: Additional questions? Seeing none, thank you, Director.

KELLY LAMMERS: Thank you.

WILLIAMS: Are there any additional proponents? Seeing none, is there anyone here to testify in opposition? Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, as Senator Slama comes up, we do have one support letter from Phil Burns representing himself, and I'm sure F&M Bank.

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SLAMA: Yes. Thank you, Chairman Williams, members of the committee. I, I think Mr. Hallstrom summed it up pretty well. This is a practical solution to a practical problem. And I'd encourage your support of LB846 and its amendment out of the committee and to the floor. Thank you.

WILLIAMS: Thank you, Senator Slama. Are there any final questions? Seeing none,--

SLAMA: Thank you.

WILLIAMS: --that will close the public hearing on LB846, and that ends our hearings for today.