

PLANNING COMMITTEE

2019 ANNUAL REPORT

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Senator Tony Vargas, Chair

Senator John McCollister, Vice Chair

Senator Jim Scheer, Speaker of the Legislature

Senator Mike Hilgers, Chair, Executive Board

Senator John Stinner, Chair, Appropriations

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Senator Wendy DeBoer

Senator Matt Hansen
Senator Matt Williams

Nebraska State Legislature

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**A message from Senator Tony Vargas, Chair of the Legislature's Planning Committee,
2019-2020**

The Legislature's Planning Committee plays a critical role in both the Nebraska Unicameral and, more broadly, in our state government's efforts to plan and prepare for the success and wellbeing of future generations. The Planning Committee works with the University of Nebraska-Omaha's College of Public Affairs and Community Service (CPACS), which compiles and presents data about demographic and workforce data to the Committee. The Committee uses that data to set priorities and then makes recommendations to the Legislature for legislation that aligns with those goals.

On behalf of the Committee, I would like to thank Dr. Josie Schafer, Director of CPAC at UNO, for her thoughtful and thorough work, as well as Dr. John Bartle, for his work with the Committee over the years. Thanks are also in order for Dr. Schafer's and Dr. Bartle's staff and students, as well as the other professors and researchers who have worked with the Committee. Finally, I would like to express personal thanks to my fellow committee members and their staffs for their engagement throughout the year and support of the committee's work.

Nebraska is on the cusp of major changes -- we have a rapidly aging population, shifting workforce needs, and a steady migration from rural to urban communities. It is imperative that we consider these factors as we discuss and debate fiscal and economic policies. It is up to us to prepare for our state's future now. I hope the information in this report will spur exciting and innovative policy ideas that will serve Nebraskans for many generations.

Sincerely,



Senator Tony Vargas
Legislative District 7

Legislature's Planning Committee

History

The Legislature's Planning Committee was created by LB653, which was passed during the first session of the 101st Legislature. The committee was created to assist state government in identifying emerging trends, assets, and challenges of the state and the long-term implications of the decisions made by the Nebraska Legislature. The committee is charged with:

- collecting and analyzing data about Nebraska, including, but not limited to, demographics, workforce, education, wages, wealth, tax structure, revenue, natural resources, assets, challenges, trends, and growth and efficiency of government;
- identifying long-term issues significant to the state;
- setting goals and benchmarks;
- issuing a yearly report of the committee's findings; and
- proposing legislation.*

The committee is comprised of the Speaker, the Chairperson of the Executive Board, The Chairperson of the Appropriations Committee, and six Senators selected by the Executive Board.

**A rule change in 2019 allowed the Committee to designate a priority bill for the first time.*

Mission Statement and Goals

The first committee, in 2009, set the following Mission Statement and Goals:

Mission Statement

The planning committee of the Legislature is charged with establishing and maintaining a future focus on the priorities of the State. Its responsibility is to assure continuity of policy to achieve long term goals. The committee will do so by collecting and analyzing data, identifying priorities, setting long term goals, and establishing benchmarks.

Goals

- Lead the nation in the preservation and enhancement of our economy;
- Ensure the growth and long-term vitality of agriculture in Nebraska;
- Ensure a well-educated citizenry qualified for successful employment, lifelong learning, and effective participation in a democratic society;
- Design individual health and human service programs that allow Nebraskans to thrive;
- Preserve and manage the natural resources in our state for future generations;

- Foster an environment of safety and security throughout Nebraska;
- Promote efficient and effective governmental operations, develop shared priorities, and focus on the future of Nebraskans through a disciplined planning process; and
- Ensure Nebraska’s effective connectivity via transportation and telecommunications locally, statewide, nationally, and internationally.

Legislature’s Planning Committee Goals and Outcomes (2018)

In 2018, the Committee established three goals and made three recommendations to the Legislature. These were:

1. **Secure Planning Committee priority bill authority:** In 2017, the Committee proposed a rule change that received initial approval from the Legislature but ultimately was not adopted due to an unrelated Rules debate that abandoned all proposed Permanent Rule changes.

Outcome: Per this committee’s recommendation, in 2019 Senator Vargas proposed and was successful in securing priority bill authority for the Committee.

2. **Pass legislation to formalize processes for augmenting the cash reserve to facilitate internal “loans” for capital projects and exceptional long term investments and to establish a repayment protocol:** Nebraska’s State Constitution prohibits the use of debt, therefore forcing the state’s cash reserves to provide financing for unplanned changes in revenue. The Committee’s proposal was to structure and augment cash reserves with proper funding to function as an in-house bank, where money could be “loaned” for capital projects and exceptional long-term investments.

3. **Restore the Rainy-Day Fund to two times an average month’s revenue and, absent significant deterioration in the state’s economy, do it over the next two biennial budgets:** In the previous two biennial budgets, and despite reasonably normal economic conditions, cash reserves were approximately halved. Data presented to the Committee over the last decade set the stage for future demands on cash reserves, and, concerned for a future fiscal crisis, the Committee issued this singular and urgent priority recommendation to the Legislature.

Outcome: A combination of projected increases in revenue and a planned transfer to the cash reserves will restore the Rainy Day Fund to \$616 million by FY2021, an increase of approximately \$282 million, or over 1.5 times, the balance in 2018. *(Information current as of the [November 2019 Tax Review Committee monthly report.](#))*

In addition, LB713, which was introduced and passed in 2019, added a new step in the budgeting process of the legislature that will require additional revenue and budget

reports throughout the biennium, which will include on revenue volatility, budget stress testing, and a long-term budget for major programs. This information will be critical as we work together towards the goal of replenishing the Rainy Day Fund.

Legislature's Planning Committee, 2019 Summary

Over the last decade, with the help of the University of Nebraska Omaha College of Public Affairs and Community Service, the Committee amassed data in nine key areas -- economy, agriculture, natural resources, state and local government, education, health and human services, public safety, and transportation and telecommunications -- and identified strengths, struggles, and opportunities facing the State of Nebraska. As the Committee continues to receive updated data from the University each year, we are now moving into the strategic planning and implementation phase of our work. Now that the Committee can designate a priority bill, the next step is to begin putting the Committee's recommendations into effect through legislation.

In 2019, the Committee met to prioritize areas of importance for the Committee's work over the next decade and set goals for each area. From these, the Committee will work to make concrete policy recommendations for the next annual report.

Rainy Day Fund

1. Develop new funding mechanisms for the Rainy Day Fund
2. Increase Rainy Day Fund preparation for the next recession
3. Ensure the Rainy Day Fund is equal to 16% of the budget of the State of Nebraska

Rural Development

1. Reduced outmigration, particularly among families with kids by ensuring a good quality of life, including safety, healthcare, and education
2. Greater broadband access and speed
3. Growth in the number of remote workers living in rural Nebraska:
4. Growth in agribusiness
5. More accessible and affordable housing

Retain and Attract 18-34 Year Olds

1. Net positive in-migration of persons with a bachelor's degree or more
2. Higher median incomes across the state
3. Growth in number of H3 (high wage, high skill, high demand) jobs
4. Growth in value added technology jobs

Workforce Training

1. Stronger pipeline between K-12 and workforce

2. Growth in community college technology programs
3. Lower unemployment rate and number of persons with more than one job
4. Reduction in the number of unfilled jobs

Improve K-12 Educational Outcomes

1. Increase in proficiency scores at 3rd, 8th, and 11th grade
2. Increase GED Equivalency passage rate
3. Increase coverage of needed and prioritized educational services
4. Decrease absence and truancy rate

At the November 2019 meeting, the Committee reviewed legislation and policy initiatives from several other states in four of the five priority areas. These included:

Rainy Day Fund: Link reserve funds to volatile revenue streams as nine other states do, invest volatile revenue sources in budget stabilization funds per a recommendation from the Tax Policy Center, use an economic formula to determine the amount of deposits into the Cash Reserve Fund.

Rural development: Recent grants from the Appalachian Regional Commission, the Wisconsin Legislatures Rural Initiative, a range of rural economic development incentives and grants in Utah, the Rural Opportunity Zone Program in Kansas, and the Business Investment Program in Kentucky. Broadband access and middle-income housing were also noted as policies that could impact rural development but for which there is less detailed research regarding efforts in other states. The committee plans to follow-up with the Rural Broadband Taskforce to learn about 2020 policy recommendations as well.

Retain and Attract 18-35 year Olds: Merit based scholarship programs in Georgia, North Carolina's Research Triangle Park and Austin's Technology Incubators as places that have created clusters or ecosystems that support growth in high demand, high wage jobs. The committee agreed there should be an emphasis on policies that provide scholarships, grants, or loan forgiveness that targets low-income individuals and that ties financial aid to committing a year of residency post-graduation. In addition, the committee discussed a desire for more research regarding policies that support vibrant, diverse, and inclusive communities.

Workforce Training: Career academies (including one in Grand Island), associate degree scholarships in Tennessee, technical high schools and wage subsidies for apprenticeships in Connecticut, exemptions for tuition or fees in a registered apprenticeship program in Florida, work based programs in schools in Georgia and Massachusetts.

The Committee's work in 2020 will be to further research and analyze the impact these policies have had in other states and how they could be applied in Nebraska before making concrete policy recommendations in these five priority areas to the Legislature.

Data and presentation materials provided to the Committee by the University are provided as supplemental materials to this report.