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Appropriations Committee  
December 01, 2015

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[LR257 LR321 LR333]

The Committee on Appropriations met at 9:00 a.m. on Tuesday, December 1, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR321, LR257, and LR333. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Tanya Cook; Ken Haar; Bill Kintner; John Kuehn; John Stinner; and Dan Watermeier. Senators absent: None.

SENATOR MELLO: (Recorder malfunction)...Committee. Today we have three interim studies that we'll be hearing: LR321 by Senator Morfeld, LR257 by Senator Kuehn, and LR333 by Senator Watermeier. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District, and serve as Chair of the Appropriations Committee. I would like to start off today by having members do self-introductions, starting with Senator Kintner.

SENATOR KINTNER: Good morning. I'm Senator Bill Kintner from Legislative District 2.

SENATOR COOK: Good morning. I'm Senator Tanya Cook from District 13.

SENATOR KUEHN: John Kuehn, District 38.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4.

SENATOR STINNER: John Stinner, District 48.

SENATOR BOLZ: Senator Kate Bolz, District 29.

SENATOR HAAR: Ken Haar, District 21. And sitting next to me...

SENATOR WATERMEIER: Senator Watermeier from Syracuse. (Laughter)

SENATOR MELLO: Assisting the committee today is Laurie Vollertsen, our committee clerk; and our Legislative Fiscal Analyst, Mike Calvert. On the tables in the back of the room you will

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find yellow testifier sheets. If you're planning on testifying today, please fill out one of the sheets and hand it to Laurie when you come up. It helps us keep an accurate record of today's public hearing. If you do have any handouts, please bring at least 11 copies and give them to one of the pages. If you do not have enough copies, they will help make more for you. We will begin testimony today on each interim study with the introducer's opening statement. Following opening statements, we will hear from invited testimony on each resolution, followed by others who would like to testify. We'll finish with a closing statement by the introducer if they so wish to give one. We ask that you begin your testimony today by giving us your first and last name and spelling it for the public record. We will be using a strict five-minute light system today, so when you begin your testimony the light on the table will turn green, the yellow light is your one-minute warning, and the red light comes on, we ask that you wrap up with any of your final thoughts. As a general matter of committee policy, I'd like to remind senators that the use of cell phones and other electronic devices is not allowed during public hearings. And at this time, I would ask all of us, including senators and others in the room, to please look at your cell phone and make sure that it is on the silent or the vibrate mode. With that being said, at this time we will start today's public hearings with LR321 from Senator Morfeld. [LR321]

SENATOR MORFELD: (Exhibit 1) Good morning, Senator Mello and members of the Appropriations Committee. For the record, my name is Adam Morfeld, that's A-d-a-m M-o-r-f-e-l-d, and I represent the "Fighting 46th" Legislative District, which includes downtown, the University of Nebraska-Lincoln, and northeast Lincoln. I appear before you today to introduce LR321 relating to tourism in our state. And this is the first time I have actually appeared before the Appropriations Committee, so hopefully it goes well. The purpose of this resolution is to begin a serious conversation on how to continue to strengthen tourism in Nebraska. Tourism is a large industry in our state, in fact it's the third largest, and we should continue to maximize our investment in it to bring in additional revenue into our state. This only works if Nebraska has the attractions that draw not only our own citizens but also visitors from other states and, ideally, around the world. Additional revenue brought into Nebraska is obviously important, but it's also important to encourage Nebraskans to vacation in Nebraska as well. And finally, I have also spent the last several months sitting down with CEOs and executives from both big and small businesses throughout my district, and the number one need that they all discuss is the need to attract young talent to our state. The ability to attract talent is impacted not only by how much

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money the business can pay the potential employee but also the quality of life which the community and state can provide. This includes the thoughtful development of our natural wonders and attractions right here in Nebraska. And just as an example, I sat down with one of the founders of Hudl just a few weeks ago and they noted that when they bring in high-level recruits to Lincoln, these recruits not only ask about the quality of the schools and life and social opportunities in the city and state but also whether or not there are natural attractions, such as trails, state parks, and other opportunities to enjoy, opportunities that can be enjoyed by both people in the state and who may come out of the state to enjoy them as well. And in summary, my interest in this issue is threefold: first, to ensure that we are highlighting preserving our natural and man-made opportunities in our state; provide for additional revenue streams in the process; and finally, to ensure that we are able to attract high-quality, young and old talent alike to our state that considers these factors and amenities when deciding whether or not to start a family and live in Nebraska, whether they grew up here or they're looking to move here. Just as a quick summary, last year I proposed a bill that would grant \$1 million to four different sites across the state. These were so-called Nebraska Treasures. This would include a site in the 1st Congressional District, one in the 2nd Congressional District, and two in the 3rd Congressional District, given its size. I can't honestly say that I have any ideas specifically in mind for these sites, but that's where the Nebraska Tourism Commission and the criteria established in the legislation would come into play. Ultimately, this was a large appropriation that was being asked for in the Government Committee, where this bill went, and so I thought it made sense to introduce a similar study in front of the committee that would actually make the appropriation. As a matter of good, competitive economic development policy in the tourism industry, it makes sense to invest state funds into tourism projects that will attract more visitors and dollars to our state. The question is whether or not the approach should be broad and shallow, trying to help any and all potential sites with a limited pool of money, or whether the effort should target a smaller number of projects that are most likely to draw out-of-state money. The second approach, which focuses on a few sites, is more difficult from a political perspective. However, I think it is much more sensible in a public policy point of view. Competition for tourism dollars requires us to compete both nationally and internationally. We simply do not have the financial resources or the natural resources to compete nationally, much less globally, unless we focus on this industry and provide financial assistance to these important projects. And as I close, I do want to acknowledge that this committee has a very difficult task this year with the current

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financial forecast, and I do not take the task lightly. However, this is a vital industry, one with growth potential, and I hope that this is an investment that will draw visitors to our state who will spend that amount of time and much more money as they take in tourist attractions in the state. Thank you again for considering this resolution and I'll try to answer any questions that the committee may have. [LR321]

SENATOR MELLO: Thank you, Senator Morfeld. Are there any questions from the committee? Senator Cook. [LR321]

SENATOR COOK: Thank you, Senator Mello. And good morning, Senator Morfeld. I don't know, in the research that you did for your bill proposal this year, whether or not there was an analysis of how much use of the current top tourist...like what are the top tourist destinations across Nebraska and where are they and how much money do they cost and how much money do they bring in? Did your office do that or research that from the agency? [LR321]

SENATOR MORFELD: Our office doesn't have that, but I believe the Tourism Commission has that. [LR321]

SENATOR COOK: Okay. [LR321]

SENATOR MORFELD: And Kathy is going to be testifying right behind me. [LR321]

SENATOR COOK: Okay, great. I'll save that. [LR321]

SENATOR MORFELD: Yeah. [LR321]

SENATOR COOK: Thank you. [LR321]

SENATOR MELLO: Any other questions from the committee? Senator Morfeld, can I just verify the invited testifiers you have? You have Kathy McKillip from the Nebraska Tourism Commission. Is it Andy Pollock from the Nebraska Travel Association or Jeff Maul? [LR321]

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SENATOR MORFELD: I think somebody is going to be...one of their members, yep. [LR321]

SENATOR MELLO: Jeff Maul from the Travel...? [LR321]

SENATOR MORFELD: Yep. [LR321]

SENATOR MELLO: Okay. And then who from the Omaha Visitors and Convention Bureau? Is there any... [LR321]

SENATOR MORFELD: I believe they have testimony... [LR321]

SENATOR MELLO: A letter? Okay. [LR321]

SENATOR MORFELD: ...and a letter. Also the mayor of Lincoln I believe will be testifying as well. [LR321]

SENATOR MELLO: Okay. All right. Thank you. [LR321]

SENATOR MORFELD: I cut down the testifier list from 20 to 5, so you guys can thank me later. [LR321]

SENATOR MELLO: (Laughter) Thank you, Senator Morfeld. Up first we'll have Mayor Chris Beutler. He's not here. We'll move on and come back to him. We'll then have Kathy McKillip from the Nebraska Tourism Commission. [LR321]

KATHY McKILLIP: Good morning. [LR321]

SENATOR COOK: Good morning. [LR321]

KATHY McKILLIP: (Exhibits 2 and 3) It's lovely out today. Isn't it a beautiful sunrise? I thought it was very pretty. I'm Kathy McKillip, K-a-t-h-y, McKillip, M-c-K-i-l-l-i-p. I'm the executive director with the Nebraska Tourism Commission and I'm here in support today of LR321. I want

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to thank Chairman Mello and Vice Chair Hilkemann and members of the Appropriations Committee for allowing us this opportunity to speak. And, Senators, thank you also for the opportunity from Senator Morfeld and Senator Stinner for introducing LR321. As many of you know, tourism is the third largest industry, and we just heard that from Senator Morfeld, trailing only behind manufacturing and agriculture. It is also important to note that tourism does have an expanding role in agriculture, as we've seen a growth in both the agri/ecotourism fields and ecotourism agricultural fields for tourism. As the third largest industry, tourism is an economic driver for communities, counties, and the state of Nebraska. Tourism generates revenue and encourages spending by drawing people from far and wide to experience and celebrate our brand and amenities statewide. LR321 is an amazing opportunity to take the state's third largest industry to the next level. As we are here today to gather, listen, and share thoughts regarding the potential of LR321, there is still much to be discussed and discovered. As Nebraskans, it seems to be in our DNA to be humble almost to a fault. It's in our nature to deflect accolades and recognition. That approach simply does not work for the tourism industry. LR321 presents the opportunity to clearly recognize that our state has unique and valuable points of interest and experiences to behold: something different, something good, and, more importantly, something that today's traveler is craving to experience. LR321 would provide a much needed opportunity to examine the potential growth for tourism in Nebraska. Albeit no simple task, the criteria by which to designate specific tourism sites for potential grant funding needs careful consideration. We would suggest that the state Tourism Commission is ideally situated to assist in this effort. And, generally speaking, the criteria should support community collaboration, maximized economic return on both the public and the private sector investments, and enhance the quality of life in communities across the state while increasing awareness of Nebraska's assets, including the attractions and destinations that stimulate the traveler spending. Guidelines that should be considered for developing the grant program should also support the four drivers of Nebraska's tourism brand experience. Those four drivers are: sport tourism and outdoor recreation; culinary and agritourism development and enhancement; heritage tourism development and stability; arts, cultural, and entertainment tourism. Finally, the grant program also should consider and include a means of objectivity measurement of how potential projects are reserved and considered: enhancement to communities and regions of the state, one; improve or expand upon Nebraskan's tourism economy; number three, target or expand upon the development of tourism infrastructure; and four, increase or strengthen the development of partnerships with local,

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regional, and statewide tourism organizations, economic development and government organizations, with ideal projects leading to increased revenue for local lodging facilities. It is not uncommon for the state to support tourism via grant-funded programs. As suggested here with LR321, nearby states, in conducting our research, including Montana, Indiana, Texas, Missouri, North Dakota, South Dakota, Iowa, and Wisconsin, have funding programs to enhance and expand their state's tourism economy. Several states focus on projects that strengthen the economy through the development, enhancement of tourism infrastructure projects. In some states, the funding is directed as to brick and mortar, and projects which include costs associated with building and remodeling of old or preserving historic, cultural, and recreational, or native tribal artifacts and natural amenity projects. Most state-supported grant models have hard-to-hard dollar matches for financial aid. The (sic) general, most programs are...also outline ineligible activities, or the common approach would be public works, personnel expenses, administrative costs, marketing expenses, marketing research, and routine upkeep and maintenance. There are many approaches to consider if you review the potential of LR321 as a demonstration of state support to the third largest industry. The above-mentioned are just some quick thoughts and comments. Nebraska Tourism is grateful for the forward-thinking and innovative approach to the committee that you have taken to bring this topic into discussion. Naturally, we feel the topic has merit and is very willing to work with the committee upon this important issue. Thank you again for this opportunity to speak before the committee, and thank you again for your service and commitment to the state of Nebraska. [LR321]

SENATOR KINTNER: Ah, exactly five minutes. [LR321]

SENATOR MELLO: Thank you for your testimony, Director McKillip. [LR321]

KATHY McKILLIP: I worked on that very hard, Senator Kintner. [LR321]

SENATOR MELLO: Are there any questions from the committee? Senator Cook. [LR321]

SENATOR COOK: Thank you, Senator Mello. And I'll just ask the question that I asked of Senator Morfeld about whether or not the agency has done an analysis of what the current top spots are in the state. [LR321]

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KATHY McKILLIP: We do, Senator Cook, and it's not the best science. I will be the first one to admit it. We take in the numbers. We don't control the visitor numbers, but what we do is we ask all attractions and facilities to keep track of what they do, whether it's ticket sales or whether it's a clicker to do that. [LR321]

SENATOR COOK: Uh-huh. [LR321]

KATHY McKILLIP: And then they submit those numbers to us. And the top nine that we have is, number one would be Omaha Henry Doorly Zoo and Aquarium, and then we move on to the Omaha Children's Museum, the Haymarket Park, the Lincoln Children's Zoo, the Durham Museum, Lauritzen Gardens, Joslyn Art Museum, Edgerton Explorit Center, and Arbor Lodge State Historical Park. Now I would be in quite a bit of trouble here with Commissioner Roger Kuhn in the room if I did not mention that the state parks play an important factor. As a matter of fact, they are right up there in that list. So I'm just going to say that the state parks have a very high attendance and they turn those numbers in to us and we have those. And the number one state park is not Mahoney. It is now Branched Oak Recreation Center outside of Lincoln. Mahoney is second. And I can go through the state parks list, but that's probably a better question suited for Commissioner Kuhn. But we don't know the economic impact. And that's a great question, Senator Cook, because that's part of this process where we can start saying that this industry has such value that we need to have that number and have a process in place to value and balance off the economic impact. We have the attendance numbers. [LR321]

SENATOR COOK: All right. [LR321]

KATHY McKILLIP: I hope that I answered your question. [LR321]

SENATOR COOK: Yes. Thank you. [LR321]

KATHY McKILLIP: Thank you. [LR321]

SENATOR MELLO: Thank you, Senator Cook. Senator Stinner. [LR321]

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SENATOR STINNER: Yeah. The resolution is pretty specific and it talks about a study committee, first to develop a scoring model, matrix, and other criteria for the economic impact study. How much money do you suppose that study would take? [LR321]

KATHY McKILLIP: You know, I think that's a great question, Senator Stinner. I don't...I think that would have to go out to an RFP. I think you're looking at anywhere between \$50,000 to \$100,000, to be frank. I mean there's companies out there that look at that; however, there's a lot of that can be done in-house. I mean I think there's a lot of resources that we can collaborate with that we wouldn't need to spend those funds. Of course, you know, I'm not going to say what the Appropriations Committee would choose to do, but I would rather see the funds spent on the project moving forward and having us all collaborate together to conduct the research. [LR321]

SENATOR STINNER: And part of that study also would be not only to develop the model but to identify sites for potential development, along with the dollars associated with developing those sites. [LR321]

KATHY McKILLIP: Correct. And that criteria, what's interesting, Senator Stinner, about that is, as I mentioned the states in the letter that I distributed, is that an example is Vision Iowa. Each state has a little different spin on it, but they've all shared their programs with us and also their state statutes with us of how they came about that. Everyone is going to do it a little bit differently. Vision Iowa doesn't offer any grant funds or award any unless the project has a \$20 million impact. So they're looking at larger impacts. That's their model. South Dakota's is a little bit different, of course, because they have casinos that help leverage that off. Wyoming's is different because of the natural resources that help offset it. So we have access to all of those that we can bring to the committee, to the table, to the project to say what works best for Nebraska. This is great how they do their funding sources in other neighboring, like-minded states, but what do we do? [LR321]

SENATOR STINNER: Is your vision to use some local people? Like we have a tourism committee out west. Would they be stakeholders in this study and developing the scoring model? [LR321]

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KATHY McKILLIP: Senator Stinner, I don't know how we cannot include and have a statewide input, because of the impact that it's going to have in all the districts. And I think that that's the key point of...hopefully, the message is that this, a process like this can't happen without strong partnerships and collaborations, and that is all the way from communities to counties to state, and to regionals and in districts. [LR321]

SENATOR STINNER: Okay. [LR321]

KATHY McKILLIP: So I think it will be about bringing a lot of people together from different districts and areas of the state. So yes is my answer. [LR321]

SENATOR STINNER: Tourism predominantly gets their revenue from lodging taxes that comes into the state. How much of the lodging taxes go back out to support the local efforts on tourism? [LR321]

KATHY McKILLIP: Well, the local counties can decide upon. That's a county issue. They can decide upon... [LR321]

SENATOR STINNER: Okay, that is a county...? Okay. [LR321]

KATHY McKILLIP: Yes, it is. It's not the state. The state receives 1 percent. And to be fair with the committee here, the Nebraska Tourism Commission operates on cash funds, and the cash funds are generated from the lodging tax and the tax that's collected there. So kind of that's a choice tax. I mean you can choose to stay at a lodging facility or you can choose to sleep someplace else, like with family, and not pay that tax. So it's kind of a choice. We...our budget is roughly about 99.5 percent cash funds, so that's why we would like to see the lodging facilities succeed because it helps us succeed, and that's our marketing dollars. Now the counties...and not all counties, Senator Stinner, statewide do collect lodging tax. The counties have an opportunity to do 2 percent or 4 percent. When this started in 1983, most of them, you know, went out very cautiously because it has that unfortunate three-letter word attached to it--tax. And if we would call it a visitor opportunity fund (laughter), it might be more softer to...or more palatable. But a lot of counties were nervous about that, thinking they had to pay it, when it's not the counties

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that pay it. It is a responsibility on the county clerk to collect it and send it to Revenue, where Department of Revenue sends it back to them. And then their committee decides on how they grant out and disburse those funds. The first 2 percent is allocated towards marketing and it can include staffing. The second 2 percent, should they go to the maximum of 4 percent, can include brick and mortar, which we strongly encourage. If you're going to for it, go for the 4 percent because it gives you options. In the last three years, we've had nine counties come on board. And instead of 2.5 (percent), 3.5 (percent), 1.5 (percent), you know, trying to do that soft approach, they've gone straight for the 4 (percent) and they haven't regretted it, or if they have, they haven't shared that with us. [LR321]

SENATOR STINNER: Thank you. [LR321]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Senator Haar. [LR321]

SENATOR HAAR: Yes. Scotts Bluff County, what percent are they? [LR321]

KATHY McKILLIP: Four percent. [LR321]

SENATOR HAAR: Good. Well, I just left some 4 percent in your county. (Laughter) [LR321]

SENATOR STINNER: Thank you very much. [LR321]

SENATOR HAAR: We went to visit Wildcat Hills and it's just beautiful... [LR321]

KATHY McKILLIP: Oh, it's beautiful. [LR321]

SENATOR HAAR: ...in the fall. Yeah. Yeah. [LR321]

KATHY McKILLIP: Well, Senator Haar, thank you very much for contributing. I'm sure Senator Stinner thanks you as well. And Wildcat Hills is beautiful. [LR321]

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SENATOR HAAR: Yeah. A question now: I'm sure some of the money needs, and as we look at this, will need to go into existing kinds of things. What are some new and developing tourist opportunities that are happening in Nebraska? What do you see in the future as new kinds of things? [LR321]

KATHY McKILLIP: I think that for Nebraska it's important for us to stay true to ourselves. We're not going to go out and make some, you know, crazy, water, imitated-oceanfront megaplex. You know, maybe a Great Wolf Lodge would satisfy that quest. But we're not going to do that. That's not our DNA. But what we're finding from the visitors in their travel and from our research were those four brand components, that they are overwhelmed with the experience of outdoor recreation. They love the fact of the culinary aspect. I mean it's interesting to hear people talk about the farm-to-table movement and they say, well, what's Nebraska doing? Like we've been doing it for 150 years. You know, we've been doing the farm-to-table movement forever. But the culinary is very, very big right now for our state and people are surprised by it. There's an on-line article right now in Forbes magazine about the culinary Paris meets Omaha, and it's very interesting about the new culinary exposure. But then again, we've got phenomenal private support for our galleries, our art, our culture. And I think that there's a real, real need to go into the ethnicity of Nebraskans and to look at our native tribes and to all Nebraskans that have helped build this state and see what that is. That may spin out in the "N150." But those types of experiential opportunities of understanding cultures and understanding how we move about in a land where the, you know, it's so vast is very intriguing to a traveler where life is moving so quickly for them. [LR321]

SENATOR HAAR: What about the future of the Cowboy Trail? I was in South Dakota a couple years ago and, wow, they've just gone, you know, gangbusters on developing some of their trails. [LR321]

KATHY McKILLIP: Right. [LR321]

SENATOR HAAR: And the economic development along those trails, again, I've participated in that. [LR321]

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KATHY McKILLIP: Yeah. Well, I love that question, Senator Haar, because I love...and I would love to see more happen with the Cowboy Trail. We have a staff member, Alex Duryea, who is assigned to increasing the exposure of bike trails and biking across Nebraska. And the reason for that is not because we're all like, oh, we want everybody to bike, but it goes back to recreational outdoor opportunities. And those who are cyclists like to have a good meal at night and take a hot shower. [LR321]

SENATOR HAAR: You bet. [LR321]

KATHY McKILLIP: So it's great. Now some of them will go a little bit rogue and want to camp, but they are very committed to that experience in small towns and connectivity. They love that. This last September, Alex took a group of 20-plus out to kind of analyze the Cowboy Trail. And they went the whole, you know, distance. And they looked at that and, you know, came back with what could we do to market it and do some promotional ideas. We're going to do a promotional ride in June of the whole trail, kind of like the Pink Gorilla Events such as the Lincoln Marathon, trying to get bigger rides into Nebraska to go start utilizing our trail systems. So we're very interested in that and we're participating in Nebraska Game and Parks Commission. They're going to have some meetings coming up about the Cowboy Trail and we'll have a role there. But it's a very important outlet. [LR321]

SENATOR HAAR: So is that... [LR321]

KATHY McKILLIP: Our trail systems are very important to us. [LR321]

SENATOR HAAR: So is that primarily Game and Parks then? [LR321]

KATHY McKILLIP: I would defer that question to Commissioner Kuhn, who's sitting in the audience. [LR321]

SENATOR HAAR: Okay. And he'll be talking. [LR321]

KATHY McKILLIP: Yeah. [LR321]

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SENATOR HAAR: Okay. Thanks. [LR321]

SENATOR MELLO: Thank you, Senator Haar. Senator Bolz. [LR321]

SENATOR BOLZ: Good morning. [LR321]

KATHY McKILLIP: Hi. [LR321]

SENATOR BOLZ: I'm just not clear yet on exactly what the vision being promoted today is. And maybe I'm asking for some more concrete examples. But it seems to me that some of the entities that you listed, like the Omaha Zoo, are doing fantastic. So what would state dollars do there? And if we're not talking about the entities that are already successful, what is it exactly that state dollars are trying to leverage for the others? And how do we...how do we articulate what we should invest in if it's proposed economic development rather than current economic impact? I guess I'm needing more specificity on exactly what you're putting forth. [LR321]

KATHY McKILLIP: Oh, certainly, Senator Bolz. And you're correct, the Omaha Henry Doorly Zoo and Aquarium is very successful and we're thankful for that because it is a great draw. And visitors like different things. It's a great draw not only for families. We're finding millennials really connecting with that zoo as well. We also look at the opportunity of growth as expanding trails. Trails could be a component. We see that as the more society, especially millennials, are looking at getting outdoors, a little Patagonian, if you will. You know, they want to go experience something and then they want to share it socially, and they want to do it with a group of people or they want to do this ride all by themselves and then journal about it. So I see the trails being a certain compact. It would be risky of me to say which site needs to have an attraction without going into the process with the committee and understanding what the vision is, because we have a vision. We need more product. And what that product is, is going to be best presented through the local community members where they're at. Wildcat Hills would be a great example in the Scottsbluff-Gering area as far as expanding opportunities for outdoor activities there. I'm not saying that we need to build 15 more museums. I think that what we need to do is conduct the research to say what it is that is the best suited for Nebraska. It can be enhancement of, you know, areas where it's outdoor rec. It can be enhancement of bringing in exhibits or engaging

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millennials. The millennials want to go experience something. When we take them around the state, they've never been outside or further west than Grand Island. It is really surprising how they respond. And I think that that's, you know, part of our process of doing that. But to answer your question, do I have four ideas listed that we need money for this, that, and the other? I think that, in all due respect, would be very presumptuous of me to do that without discussions with the committee of where it would go. But I have no doubt that the money could be utilized greatly. [LR321]

SENATOR BOLZ: Yeah. I think maybe the question I'm asking isn't clear. I guess I'm not clear what your vision is for how this comes together and what specific need, that isn't being met, needs to be filled by state dollars. [LR321]

KATHY McKILLIP: Okay. [LR321]

SENATOR BOLZ: I'm not asking you for four specific ideas, but I'm also...but I'm not clear why you need state dollars to build economic impact for tourism when the ones that are the most successful and are leading the way seem to be leveraging existing tools and philanthropic funds. [LR321]

KATHY McKILLIP: I agree, and I understand the question that you're presenting it in that manner. And I think that's what's important is, as we look at the cash funds, is that what is the...is there a state...are we ever going to have a state that has a role in tourism? I mean we make money for the state. We generate revenue for the state. As an industry, that's what we do. We bring money in, we promote the state, we promote the successful attractions that we have. That's what we do. And if we're not doing it you would not see an increase on the lodging tax in our cash funds. So we're doing that very well. So as an industry that makes money and generates revenue for the money, why would you not support that, in my opinion, in some format from a state angle? There's not one state in the country that does not have buy-in from their state government when it comes to tourism, not one, except for Washington, and they went against all tourism. They don't have any funding for tourism because they don't want any more people coming to visit. So...and that's just a whole nother discussion. But they do, they're very happy with where they're at. But we also know what happened when Colorado tried to do that 15 years

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ago and defund all of their tourism activities. They become a casebook study of what not to do. So I think it's looking at what the role is for the state when it comes to this industry and the power and the impact that this industry has as an economic driver. [LR321]

SENATOR BOLZ: Thank you. [LR321]

KATHY McKILLIP: And so I hope that helped address the question, Senator Bolz. I appreciate it. [LR321]

SENATOR BOLZ: Thank you. [LR321]

SENATOR MELLO: Senator Kintner. [LR321]

SENATOR KINTNER: Thanks for coming. [LR321]

KATHY McKILLIP: Well, thank you, Senator Kintner. [LR321]

SENATOR KINTNER: So you're asking us, just to piggyback on what Senator Bolz said, you're asking us is for the million dollars that was originally in Senator Morfeld's bill? Or what exactly do you want from us, just so I understand? [LR321]

KATHY McKILLIP: Well, I think that's fair, Senator Kintner. I think what we're asking for is an opportunity to grow the industry. And a way to grow the industry is to build partnerships. And maybe we look at it as a million, maybe we look at it as \$10 million. I mean...(laugh) I just wanted to see that response. [LR321]

SENATOR KINTNER: Okay. Okay. All right. All right. (Inaudible) (Laughter) [LR321]

KATHY McKILLIP: (Laugh) Maybe. But I think that it's an opportunity to look at, as we move forward as an industry, we can't continue to compete and keep raising numbers. Now if we're satisfied with minimal income for this industry, so be it. But if we want to compete with the Iowa, the Missouris, and the South Dakotas, even with the opportunities they have, looking at

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their research projects, we have to start having a plan and a goal of how we move this industry forward. And so that's what we're looking at is, what would be the impact of completing the Chief Standing Bear Trail? You know, how do we leverage federal dollars and come in with a partnership like that? Again, it seems we go back to trails, and I'm not a number one trail person, but I think that's part of the discussion. So, yes, we are looking to the state for funding to move the industry forward. [LR321]

SENATOR KINTNER: If you're looking at doing a study to figure out if we spend this much money we'll get this much back,... [LR321]

KATHY McKILLIP: Uh-huh. [LR321]

SENATOR KINTNER: ...obviously, there's national studies you can look at. [LR321]

KATHY McKILLIP: Uh-huh. [LR321]

SENATOR KINTNER: But that's not exactly specific to what we're doing. So you need more specific... [LR321]

KATHY McKILLIP: Well, I think that we would need it to be more specific to fit the needs of Nebraskans and what our visitors are looking for. The visitor that goes to Chicago is not necessarily going to look for the same experience on Michigan Avenue as they're going to get in the Old Market. It's just unrealistic to compare apples and watermelons. It's not going to be that way. But the study doesn't necessarily have to cost any money is what I'm trying to look at here, is that I think if we bring everything together and bring in the other resources and templates that are out there, we can carve it into what, one, fiscally conservative we can afford and can do and what is the best return back from the study, from the recommendations that come out of it. And it may only be a million and not ten at that point, Senator Kintner. [LR321]

SENATOR KINTNER: I assume that you're up on best practices,... [LR321]

KATHY McKILLIP: Yes. [LR321]

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SENATOR KINTNER: ...you talk to your counterparts in all the other states. [LR321]

KATHY McKILLIP: Yes. [LR321]

SENATOR KINTNER: And you can see what's working and what's not working. [LR321]

KATHY McKILLIP: Yes. And I think that in some other states what they would maybe have in something like this, a similar type grant-funded program, would not be appropriate at all for Nebraska. It would not. So some of them specifically go into only doing a project, as in Vision Iowa, of \$20 million. Well, it may say only projects in Des Moines, because that's where our best feeder market is. We realize that we have great attractions statewide and it would be a shortfall to not consider what those other markets are to come in. When we market the state of Nebraska, we look, key and first, outwardly within a 350-mile area. It would be wrong for the state Tourism Office to only market to Chicago, Minneapolis, and Kansas City when in greater Nebraska those markets are Denver and Sioux Falls or South Dakota and those other areas, so...or Rapid City. So that's where we have to balance where we market as well and where that will come apart. So that's part of the study. [LR321]

SENATOR KINTNER: Okay. Thank you. [LR321]

KATHY McKILLIP: You're welcome, Senator Kintner. [LR321]

SENATOR MELLO: Senator Cook. [LR321]

SENATOR COOK: Thank you, Senator Mello. I have a very straightforward question. Define for me, please, agritourism and ecotourism. [LR321]

KATHY McKILLIP: Thank you, Senator Cook. Agritourism is an activity that is growing a product such as you-pick farms, such as your...it's more of your farm-to-table movement, if you will, where they want to come out and experience hands-on what's happening. Ecotourism is your birding activities, your crane watching, your watchable wildlife, if you will. You're going out and immersing yourself in the environment and experiencing that. If we look at agritourism,

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that's all what you're growing; the "eco" mostly has to do with the visionary, the vision, the activity. So your trails would fall under that too. Boy, I've used trails a lot today and I'm not even with Game and Parks Commission. So it's something that's the balance. [LR321]

SENATOR COOK: Great. Thank you. [LR321]

KATHY McKILLIP: You're welcome, Senator Cook. [LR321]

SENATOR MELLO: Senator Haar. [LR321]

SENATOR HAAR: Yeah. Kind of for me the context was said long ago by a Caesar who said people need bread and circus. And I think people expect government to get involved in the circus, in the entertainment part of their lives. Wouldn't you agree that the...I mean usually when we talk about tourism, it's bringing in people from other states. But we're talking about getting Nebraskans to engage with Nebraska. Isn't that the main thrust of all of this? [LR321]

KATHY McKILLIP: Well, that's a great point, Senator Haar, and unfortunately we do have a task before us that we do need Nebraskans promoting Nebraska and enjoying Nebraska. Our Passport Program just continues to knock it out of the park because, good or bad, I'm surprised how many Nebraskans say, I've never been to, you know, Grand Island; I've never been to the State Fair; I've never been to Fort Robinson. And I know sometimes those of us who are out there traveling and putting on a lot of miles, as Senator Stinner does in his district, those things are just...are life-altering for some people. It's almost like a spiritual experience when we talk to visitors and we survey them. It's like to watch the sunset and watch the sun, you know, fall and rise is very impactful when you don't have big buildings all the way around you. And so when they get out and experience these activities and these historical components of Nebraska, even Nebraskans need to reconnect. And mostly we see that coming from the metro region needing to refuel themselves with visits to greater Nebraska. Now from an international and national standpoint, it's the same feed. Our markets are Germany, Canada, and recently...and we have Jeff Maul, the executive director with the Lincoln Commission and Visitors Bureau, here with us today, received a request from Russia about visitation here. We partner with Brand U.S.A., which is the U.S. Travel Association's marketing, federal government, of promoting travel to the

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United States. And we're receiving a lot of requests. Brazil would be our southern counterpart. We have a lot of Brazilians that love it. And of course, the ornithology with the cranes, we see a spike in travel from China and Japan. So it's not uncommon for us to have international visitors. Just two weeks ago we held the VitiNord Conference in Nebraska City at the Lied Lodge Conference Center, first time ever it was held in the United States. VitiNord is the production of cold weather grapes. It's a wine association internationally. Two hundred and seventy people, sold out, and there was more than 14 countries represented, and it's the first time you could say in Nebraska City that all rooms were sold out and international travelers in the same sentence. So it was very exciting to have them come experience what, you know, our agritourism and what we have in that environment. So, yes, we need to promote not only to Nebraskans to get them to know we have product out there that is worthy of their time. Actually, the external visitor kind of gets it better than Nebraskans do. It's that humble, we don't really toot our own horn or appreciate our own accolades. I hope I answered your question, Senator Haar. [LR321]

SENATOR HAAR: Yeah. Thanks. [LR321]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Director. [LR321]

KATHY McKILLIP: Okay. Thank you so much. [LR321]

SENATOR MELLO: Next up we have Lincoln Mayor Chris Beutler. [LR321]

CHRIS BEUTLER: (Exhibits 4 and 5) Afternoon, Mr. Chairman, members of the committee, counsel. It always feels so nice to be back here no matter how long you're gone. And when you have to come in, in bad weather, though, I'm not sure you feel the same way about it every day. But my name is Chris Beutler, for the record, and I'm mayor of Lincoln, very pleased to be here today to support Senator Morfeld and Senator Stinner. Senator, thank you for cosponsoring this resolution. And I'm pleased to testify on behalf of the city of Lincoln in favor of the bill. I have long believed that tourism has been a neglected child of economic development for too long now in the state of Nebraska. As Senator Morfeld noted in his opening statement, he introduced LB562 last session which proposed significant state investment, as you know, in four tourism

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projects across Nebraska, two in each...two...one in each of two Congressional districts and two in the 3rd Congressional District, recognizing land mass and possibilities. We know the positive economic impact tourism has on our state, but we also know that resources are limited. LB562 would focus some resources on our state's unique treasures to develop them into truly special places that can be an authentic attraction to visitors from across the United States and across the world. I remember back a long time ago when I was amazed to discover that Germans know more about Native Americans than we do. The myth of the West is rampant in Europe and across the world, and things...that's just one small example of things that we need to build upon in an authentic sort of way. As some of you may know, there has been interest in this kind of legislation before. It wasn't right before for a variety of reasons, wasn't ripe I might say. Not even five years ago, when we were having a national recession, of course, was it appropriate I think to have this kind of bill. Now, however, it seems to be the right time. Let me suggest a couple of reasons for that: First, the strength of our economy. By all accounts Nebraska has recovered from the Great Recession. Although the Legislature and other elected officials continue, of course, to have tough decisions to make during...in every...in the course of every year, we've positioned ourselves well, I think, to react in better times. Now that we've turned the corner economically, I believe the time is right. We need to consider how to best invest in the future of our state, and I would submit that tourism's time has come and that it makes sense to invest in this area of economic development. Second, the strength of our Nebraska Tourism Commission. Like many of you, I am proud of what our state Tourism Commission has accomplished over the last several years. Working with local partners, it's made great strides in marketing our state, both regionally and nationally. During the hearing on LB562, it was noted that the commission had made the most of its limited resources and, indeed, compared to other states, its resources are limited. And it has grown in cash funds. More specifically, over the last three years the commission's comprehensive efforts have increased lodging tax revenues across the state between 6.5 (percent) and 8 percent in each of those years. In short, our statewide commissioners have demonstrated that they know what they're doing. They know how to target their dollars to get the most bang for their buck. I have no doubt that if you afford them the resources to explore this concept of focused attention to a few investments that it will pay dividends for years to come. And the third reason that timing seems right, the Sesquicentennial. LB562 recognized that this 150th anniversary of statehood presents an opportunity to do one or more things that will have a far longer impact on the state than the short-term things that we do to celebrate. As you may

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remember, we did something similar back in 1967 when we recognized our state's 100th anniversary. Centennial Mall was built. Its renovation will soon be complete--a more beautiful front door for this iconic State Capitol Building. Other things were done with interstate art across the state. So I urge you to think bigger for the Sesquicentennial. Let's think about potential public-private partnerships that will enable us to leverage state dollars, and let's take advantage of the marketing opportunities that will come with our statewide, yearlong, 150th celebration. As Senator Morfeld noted, tourism is currently the third largest industry in Nebraska. You know, some of us think in terms of meat and potatoes a lot and we tend to think in terms of manufacturing facilities and retail facilities and those kinds of things. But the fact of the matter is that tourism and bringing money in from...especially from other states and countries is perhaps one of our cleanest and greatest opportunities for economic development. I want to respect the fact that my time has ended, but I certainly would be glad to exchange ideas with you in a question and answer period. [LR321]

SENATOR MELLO: Thank you, Mayor Beutler. Are there any questions from the committee? Senator Haar. [LR321]

SENATOR HAAR: I'd just like to congratulate you and what you've done to make Lincoln...to bring circus to Lincoln, to make it a...because people expect those amenities and choose cities I think because of amenities. And I want to congratulate you on what you've done in that way for Lincoln. [LR321]

CHRIS BEUTLER: Well, I appreciate that, but I do want the committee to know that fundamentally it's not just a broad interest in the life of our community and the life of individuals, but it's related very strongly to economic development. More and more I think we all understand we're in a world where we have to keep our kids here. We've got to have a labor force in this state. We've got to keep our kids here. We've got to be able to attract young millennials who are working in high-tech areas who can live anyplace in the country. We don't have mountains. We don't have oceans. We need to build a set of cultural amenities in this state and in this population that will have the effect of encouraging all economic development and encouraging the young people who are our future, and who build all forms of economic

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development, to be here doing that building. So it's important for that reason also, Senator.  
[LR321]

SENATOR HAAR: Thank you. [LR321]

SENATOR MELLO: Thank you, Senator Haar. Senator Stinner. [LR321]

SENATOR STINNER: Thank you, Mr. Mayor, for being here. I, too, share your enthusiasm for economic development. But as a former state senator, part of this is about developing a model as a starting point. [LR321]

CHRIS BEUTLER: Yes. [LR321]

SENATOR STINNER: And the economic...being able to score projects that exist today, projects potentially that could be there I think is absolutely critical as we move forward. And that's what this is about, is formation to get this study done, take a look at the projects that you have, maybe identify additional projects. And that's kind of the essence of this. Would you agree that's a good way to go forward? [LR321]

CHRIS BEUTLER: Absolutely. And it's your bill, Senator, so obviously anything I say is simply making suggestions. But it seems to me, I'm thinking totally in line with what you're suggesting. I'm not suggesting that the Appropriations Committee let go of a bunch of money right now. I think you need to hold tight to the money until you see what the executive branch of government can do. It's...the interim study was a bit difficult for me in the sense that it kind of laid upon the legislative branch the task of developing all these criteria and setting out all these things, which I think is the...it's fair to ask the executive branch to do. And so I would look to the next reiteration of the bill to suggest some general outlines to them and what you're looking for them to come back to you with so that they can come back to you with specific projects, they can come back to you with specific funding needs, and they can answer every question that you put to them with regard to models, the appropriateness of what they're suggesting, and describe to you in detail how they set up their examination and how they followed through the examination to determine which projects have the greatest potential for economic good for the state, and then let go of the

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money or not let go of the money, depending on your judgment with respect to the appropriateness of the project given the suggested scale by your Tourism department. [LR321]

SENATOR STINNER: Thank you. Well said. [LR321]

SENATOR MELLO: Thank you, Senator Stinner. Any other questions from the committee? Seeing none, thank you, Mayor Beutler. [LR321]

CHRIS BEUTLER: Thank you. [LR321]

SENATOR MELLO: Next up, Jeff Maul from the Nebraska Travel Association. [LR321]

JEFF MAUL: Good morning. [LR321]

SENATOR MELLO: Morning. Go ahead. [LR321]

JEFF MAUL: (Exhibit 6) Chairman Mello and members of the Appropriations Committee, my name is Jeff Maul, J-e-f-f M-a-u-l. I'm executive director of the Lincoln Convention and Visitors Bureau, beautiful Lincoln, Nebraska, I must say. I'm appearing today on behalf of the Nebraska Travel Association. The Travel Association is a trade association representing nonprofit and for-profit groups and businesses across the state that have direct interest in promoting tourism. The Travel Association applauds Senator Mello...or Senator Morfeld and Stinner for introducing LR321. We understand that the resolution is an outgrowth of LB562, which the same two senators introduced during the 2015 Session. The Travel Association presented testimony in support of LB562, which is also known as the Nebraska Treasures Act. My testimony today will focus on concept behind that act, and I will begin by briefly discussing Nebraska's tourism industry more broadly on behalf of the association. While tourism is a vital part of our economy, state spending to promote tourism is very low compared with other states. In a report prepared by the U.S. Travel Association, which appears in the 2015 Nebraska State Chamber competitiveness "Redbook," Nebraska ranked 38th in total expenditures on tourism promotion. The 2015-16 budget for the Nebraska Tourism Commission is less than \$6 million. If the state gets \$3.1 billion return on \$6 million investment, imagine what the return would be if we were

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more competitive in promoting our industry. A 2012 strategic plan conducted by CSL, which is Convention Sports and Leisure International, projected that a \$5 million increase in funding would have produced \$79.2 million in added tourism spending. Obviously, it takes money to make money, and return to the industry is astounding. Tourism is a big deal. Currently, the Nebraska Tourism Commission awards a total of \$250,000 in community impact grants for promotion of national and international caliber events. Last year the commission awarded a total of \$160,000 in marketing grants for tourism attractions and events of a more local nature. Thanks to the appropriations made during the 2015 Session, the commission now has approximately \$850,000 in aid funding. We appreciate the increased appropriation, and thank you for your leadership in securing this. Still, Nebraska falls well short of funding and needs to be truly competitive in promoting its rich tourism attractions. We could and should do more to attract national and international visitors to take on our natural and man-made treasures of our state. From the Nebraska Sandhills to the Lincoln Children's Zoo--yes, John Chapo, I did say the Lincoln Children's Zoo--Nebraska has much to offer. We just need to let potential visitors know that we're here. LB562, the Nebraska Treasurers Act introduced by Senators Morfeld and Stinner last year, is an important step in the right direction. That bill would complement existing grant programs, the current Community Impact Grant Program awards, or grants used by committees and organizations for attracting national and international visitors. But the funding is still very limited, even with the additional appropriations. The grants, therefore, are very small. The Nebraska Treasures Act, on the other hand, would focus on resources funding and promoting a small handful of big attractions, whether they're new or existing. The combination of small grants for smaller attractions and larger grants for larger attractions is well conceived and would be an important step forward in making Nebraska tourism industry more competitive. The Travel Association supports LB562 and was based part upon the diversity of our attractions it would benefit. The bill called for grants for attractions in all three Congressional districts, including two attractions in the 3rd District. I can personally say that tourism is an important part of Lincoln, and I will thank Mayor Beutler for everything he's done for our community. It is a great time to be in Lincoln. It's important to Omaha and it's even more important to the rest of my colleagues across this great state. We appreciate the legislation's recognition of this fact. The Travel Association supports the Nebraska Treasures Act and urges the Appropriations Committee to give it high priority when it comes to funding decisions during the 2016 Session. That concludes my testimony and I would be happy to answer any questions that you might have. [LR321]

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SENATOR MELLO: Thank you for your testimony today, Mr. Maul. Are there any questions from the committee? Seeing none, thank you. [LR321]

JEFF MAUL: Thank you. [LR321]

SENATOR MELLO: Next up we'll have Roger Kuhn from the Nebraska Game and Parks Commission. [LR321]

ROGER KUHN: (Exhibit 7) Senator Mello, members of the committee, my name is Roger Kuhn, R-o-g-e-r K-u-h-n, assistant director for Nebraska Game and Parks Commission, but I also am a commissioner on the Tourism Commission representing the Game and Parks Commission. As you know, there's nine members on the Tourism Commission. And I want to recognize the chairman of our commission, Tourism Commission, is here in the audience, John Chapo. John is right back here. John has done a fabulous job in leading the Tourism Commission. Along with Director Kathy McKillip, I think we've moved the industry along well since the Tourism Commission has been created. And I want to thank the Legislature for creating the Tourism Commission. The Game and Parks Commission works very closely with the Tourism Commission. We have meetings frequently. And I'll try to answer some of the questions that, you know, Senator Haar had and so forth, as we move along. But I want to get a little bit to the points I wanted to make or testimony. I think there was a question earlier about examples. And also I want to recognize Mayor Beutler slash Senator Beutler. Senator Beutler I worked with a lot during his years with the Legislature. He was always a great advocate of tourism, outdoor recreation. He was a leader on the Cowboy Trail. He also was in the Legislature when we were developing Mahoney State Park. I was superintendent there, so he was a great support and great help. You look back and now you look forward or look today and you think of a development like a Mahoney State Park and what it's meant to the state and so forth. So, Senator Beutler, thank you for all your help and what you're doing in Lincoln as well. But you know, just to talk about some examples, I think one good example of the economic impact or things like that difference to making tourism is a couple sessions ago then-Governor Heineman...and we did not initiate this, etcetera, but Governor Heineman I think recognized the importance of tourism as an industry, a viable industry economically. In his budget package, Governor's budget proposal, he had put in there \$1.7 million to invest in two attractions or two projects, if you will. Wanted one

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in the east, one in the west, similar to this thing with three districts, except this was east and west. So we ended up...and he wanted to make sure they were projects that were economically viable, that make a difference economically revenuewise but also attract tourists and visitors and improve quality of life for the citizens of Nebraska. Those two projects were, one was we developed additional cabins at Mahoney State Park, one of the most popular tourist attractions in the state, and the other was development of campground at Lake McConaughy, one of the most popular tourist attractions in the state. Both of those are in the top five as far as tourist attractions in the state of Nebraska. Two different types of park, one in the east, one in the west. One is water-based recreation--Lake McConaughy; the other one is more of a resort-type park in Mahoney State Park. But both serve the tourism industry. At Mahoney State Park we built and developed the cabins. They were open in July of 2014, about a year ago. And the success has been phenomenal. We knew the demand for cabins at Mahoney State Park outweighs the supply, so it was a safe investment. But on the return, based on the occupants' rates we know and the rates we charge, etcetera, it was a \$1 million investment to build these cabins. The revenue that it generates is \$226,800 annually. So that's about a 23 percent return on your investment just directly in the rental rates or revenue generated by these cabins. But beyond that, there's a lot of indirect benefits. You know, you're selling additional park permits. There are other sales in the park because you have more people in the park and that type of thing. So the indirect benefit, you know, of course is exponential, or benefits beyond just the direct benefit. But it's a great return on the investment, not to mention quality of life. At Lake McConaughy, it was a \$700,000 investment by the state. The county, with their lodging tax money, put in another \$100,000. That generates \$270,000 annually on that \$700,000 investment by the State Legislature and the Governor--a 38 percent return on the investment. So there's just two examples of investments that are made that do return positive benefits. Also, there's a lot of other funding opportunities. When the question came up of, you know, why is there money needed from the Legislature, I think it's important for the Legislature to show support of the industry, show buy-in to the industry. That helps leverage, you know, other dollars that we're trying to get. It's very important to have that leverage or that buy-in, that ownership, from the representatives of the state of Nebraska--you, the Legislature. So I think it sends an important message to then leverage other dollars for these projects. Land and Water is a great program. It's a federal program that provides 50 percent funding match for development projects of many tourist attractions, especially for communities. Oftentimes, communities struggle to come up with that 50 percent. Money like this could be

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beneficial for that. And we've had a lot of recent examples of development. You know, Wildcat Hills Nature Center in Senator Stinner's district is a great example. Senator Harms introduced a bill a number of years ago, the predecessor to Senator Stinner in that district, and he took a step at a time. He got money to do a plan, an estimate, then we raised dollars. The Legislature invested \$1 million between Game and Parks' money and General Fund dollars, half a million each, but that parlayed into another \$1.1 million for a \$2.1 million project. It's under construction currently as we speak. That's a great asset for western Nebraska. Fort Rob officer quarters is another example. We were able to raise \$1.2 million but it was important to get that buy-in from the Legislature, an additional \$250,000. That was a \$1.5 million project that we completed this last May, both of those in western Nebraska. You got the Fossil Freeway or the highway that comes from Denver, the front range, up to Rapid City. These are things that can be promoted. The Tourism Commission has been at the Denver Stock Show the last several years doing great promotion as a sponsor of the Denver Stock Show. That has paid dividends. Lake McConaughy's visitation has skyrocketed in the last few years and I think a large part due to that marketing effort from the Tourism Commission. So those are just some examples. If I could, I'd take time maybe to talk about Senator Haar's question, if you want me to. It's up to you.

[LR321]

SENATOR MELLO: Thank you, Director Kuehn...or Kuhn, I'm sorry. We'll get to Senator Kuehn next. [LR321]

ROGER KUHN: (Laugh) It's close to the same still. [LR321]

SENATOR MELLO: Senator Haar. [LR321]

SENATOR HAAR: Well, a former state senator has asked me to ask you when you're going to bring forward plans to dam the Platte River and flood Ashland. [LR321]

ROGER KUHN: Wow! (Laugh) [LR321]

SENATOR HAAR: No, I'm kidding you. (Laughter) I'm kidding, you know. I would like to hear a little bit about the Cowboy Trail and then I have a follow-up question. [LR321]

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ROGER KUHN: Yeah, the Cowboy Trail is the longest rails-to-trails conversion in the United States. It's 321 miles long. The Legislature accepted it as a gift from the Rails Conservancy, which is a national organization, back in 1994, I believe, and then handed it over to the Game and Parks Commission to develop and run as a hike/bike trail. So we've been doing that for a while. It took time. We did segments every year to surface the trail, deck the bridges, rail the bridges. There's 221 bridges along this 321 miles, so it's a big undertaking. But we've been successful in developing most of the trail through federal funding programs, primarily, which is an 80 percent match, but you still have to come up with the 20 percent match--we didn't have to come up with cash--so were able to get this done. More recently, though, there's been renewed interest in the Cowboy Trail, as you heard a little earlier. There's lot of interest. Millennials are a big part of that. When we do our studies, millennials are looking for this kind of experience. The communities along the Cowboy Trail have a lot to gain. They're small communities but they serve a purpose along that trail as different trailheads as you travel the Cowboy Trail. Most recently, we had the community of Rushville, Nebraska. They volunteered and bought the materials and basically ramrodded. That part of the trail was not finished. West of Valentine, their segment is not finished. They wanted their segment finished. They took the reins. They went and did this, provided the labor, decked the bridges, handrail the bridges. We had a grand opening about two months ago of that section of trail between Rushville and Gordon. There was a real ringleader from Gordon, a lady that had gotten hit along the shoulder of the highway on her bicycle, lucky she survived. But she was a real advocate and pusher to get this done because, of course, she would have been on the trail if it was developed. And so these are the kind of things that can happen. We are having some public meetings over this month, actually. We're having four public meetings in communities along the Cowboy Trail to pick the brains of the local communities on how they want to see the develop go...or the trail go from here as far as development, events, activities, that type of thing. So we're working on a major master plan along those lines for the Cowboy Trail. [LR321]

SENATOR HAAR: And then in your experience with tourism and funding from the Legislature, do you think it's better for the Legislature to sort of, you know, if there's money, to give just an amount of money or to earmark projects? Which do you see is getting more, you know, more traction? [LR321]

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ROGER KUHN: Oh, I think it's always important to do a lot of planning and know where your money is being spent. I think you want to know where the money is being spent. You know, I can talk about just last legislative session. You know, you talk about any new major, you know, projects coming up. There was the venture parks project that this Legislature approved, which is a \$35 million project. The Legislature approved \$7.3 million from Game and Parks funds--park cash funds, if you will, not General Funds--and challenged the Game and Parks Commission to raise the other \$28 million from other funding sources, nonstate funding source, mostly private dollars. So we're currently working on this, but this would be a huge new tourism development project in the lower Platte River Valley between Mahoney, Schramm, Louisville, and Platte River State Parks--Senator Kintner's district, by the way. And so that's a big, big type project that will attract lots and lots of people if we can get that challenge and get it done, so. [LR321]

SENATOR HAAR: Okay. Thanks. [LR321]

ROGER KUHN: Yep. [LR321]

SENATOR MELLO: Thank you, Senator Haar. Any other questions from the committee?  
Senator Hilkemann. [LR321]

SENATOR HILKEMANN: How much of a barrier is the fee at the state parks for people coming in there? And had there been any study done of that? [LR321]

ROGER KUHN: Well, you're talking about the park permit entrance fee. [LR321]

SENATOR HILKEMANN: That's correct. [LR321]

ROGER KUHN: Okay. The park permit entrance fee currently is \$25 a vehicle for a sticker or permit that goes on your windshield of your vehicle, and it's good for all year for all 80 state parks statewide. It currently ranks as one of the lowest in the United States. There's 37 states, I believe, that currently charge a park entrance fee; 13 states have other funding means to support the park system. But of the 37 states, I believe we're tied for second lowest in the country at \$25. As far as an obstacle or hurdle, at times it does. Some examples of that would be when

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somebody wants to have an event at a state park, is probably the most common example. They want to have their graduation party. They want to have their wedding and reception there. They want to have a family reunion there, whatever it may be, and they want to invite guests to a state park to enjoy what's there. And we got to tell them, well, now when your guests come you got to tell them they got to have a park permit. So they're a little awkward, a little troubled by inviting guests and then saying, hey, by the way, you got to pay \$5 for a daily permit or \$25 for an annual permit to come to your niece's graduation or wedding or whatever it may be. And so at times it can be an obstacle because then they won't have their event there, though they really want to. It's a great location, great venue, but they thought that's too troublesome and don't. So it's not so much the cost of the permit that's the problem, honestly. It's more just the nuisance or inconvenience. You know, along with the park permit comes other things. We got to print the permits, we got to count and audit for the permits, we got to law enforce the permits, we got to have people at gatehouses to sell the permits. There's a lot of other indirect issues that go along with the park entrance permit. There's been efforts to do away with the park permit through the Legislature over the years, but it's always a deal, what kind of...what funding mechanism are you going to find to replace the park permit? It generates about \$6 million a year. It's the highest revenue generator we have that support our park system. And unless you're going to, you know, substitute it with some other funding source, that's the best system we have, so. I also wanted to hand out for you...there were some questions on the economic impact. We've done studies, as far as Game and Parks has, with South Lincoln Associates. They're an independent firm. If I could, I can hand these out. But the economic impact is huge when it comes to outdoor recreation and tourism with hunting, fishing. Wildlife viewing is listed on this list. Wildlife viewing is a big one, which is your ecotourism type thing. But this just gives you an idea of the industry and how big the industry is, so I just wanted to let you have that as well. [LR321]

SENATOR MELLO: Thank you, Senator Hilkemann. Are there any other questions from the committee? Senator Cook. [LR321]

SENATOR COOK: Thank you, Senator Mello. And thank you, Mr. Commissioner, for coming. This handout that we're receiving right now makes reference to hunting and fishing. And my question is this. Every time I hear about somebody going hunting, they're asking permission to go on somebody's private land. How much access does a person, a public person who doesn't

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happen to know somebody who owns great swaths of land with hunting and fishing opportunities, are there public hunting lands in the state of Nebraska? [LR321]

ROGER KUHN: Yes, there are. We have what we call Wildlife Management Areas. I should have brought that information. But we have, you know, hundreds of thousands of acres of public access for hunting or fishing on wildlife management. We also have a program with private landowners. We pay, depending on the type of land it is, the type of habitat it is, we'll pay anywhere from about 4 bucks an acre to \$12 an acre that then opens that private land up to hunting and fishing opportunities. It's called the Open Fields and Waters Program that we administer. And so that opens up a lot of private lands throughout the state, which then also pays the landowner money for that privilege or that right. There are also some federal lands, you know, some national forests that are open to public hunting, especially in western Nebraska. In eastern Nebraska it's a little more limited. There are some Corps of Engineer lands along the Missouri River that are open to hunting and fishing opportunities. But that's something that we understand is a challenge or hurdle for hunters and fishermen that we are always trying to do better enhancing that. That's what led to the Open Fields and Waters Program that we have as well, so. [LR321]

SENATOR COOK: Thank you. [LR321]

ROGER KUHN: Yep. [LR321]

SENATOR MELLO: Any other questions from the committee? Senator Hilkemann. [LR321]

SENATOR HILKEMANN: Yeah, I have another question. I have a constituent, does a lot of parks, goes to a number of parks, says they end up going to South Dakota more because of the repair, overall repair, of the Nebraska parks. And I've had some discussion that some that we have a couple of parks that seem to get most of the money as far as...for example, I've been...I happen to...I'm an avid cyclist so I go out to Two Rivers a lot. That park seems to...there doesn't seem to be a whole lot ever being done around that park as far as maintenance. The rest room has been broken for about the last 12 years I think that I've been riding out there. Is there some fact

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to the matter that we don't...that we pick our parks instead of taking care of the whole group?  
[LR321]

ROGER KUHN: Well, that issue has been discussed and met by this legislative body, and Senator Mello is very aware of this. The Legislature the session before last, which would have been the '14 Session, that was the last budget session, approved a funding bill for that very purpose--for deferred maintenance we refer to it as--to give a facelift, basically, to those infrastructure needs, primarily infrastructure needs,... [LR321]

SENATOR HILKEMANN: Right. [LR321]

ROGER KUHN: ...that have got needs. You know, the park system is aging and 2021 will be the 100th anniversary of the Nebraska state parks. Chadron State Park was the first park established in 1921. And so over the years, as the park systems age, some of these infrastructure needs have become a challenge. You know, we're there operating them and so forth. We clean them. We keep them supplied with the supplies and all this sort of thing. But infrastructure needs, we currently partner, as an example, with the city of Louisville on a new sanitary system for Platte River State Park. That sanitary system dates back to when it was Camp Harriet Harding, Camp Kitaki. It needs replacement. Those are big-dollar costs. A lot of them are big-dollar costs. At Two Rivers we're currently in the planning stages of putting in a new lagoon sanitation system and also rest rooms that you refer to, new shower/latrine restrooms. We've, since the bill passed in 2014, we have done a lot of replacement of rest room facilities, latrine facilities, shower facilities, infrastructure needs--water, sewer systems, in other words--throughout the park system. We're still currently doing that. We're still working on that program of the money the Legislature has provided us. So that's being addressed, you know, currently. And so that was a great thing to get, because as these park systems age, it becomes more of a challenge on the infrastructure needs we have. And so that's where we're at. The park permit generates money and the revenue we get from lodging or camping generates revenues to operate the park system and do a lot of minimal maintenance to the park system. But when you have a water system replacement or sewer system, recently, a few years ago at Fort Robinson, we had a 1930 sanitation system. We had to replace it. We were able to put together the money with some legislative help and then, of course, our own cash funds and so forth to address that problem as well. But we continue to address

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these problems but we've probably gotten behind the eightball on some of these. And that's why we approached the Legislature in 2014. Part of the package on the bill that you asked about on the park permit was part of that effort as well. You know, there was a bill introduced about putting \$6 on a vehicle registration, eliminating the park permit, which would have not only funded that but the 6 bucks would, in all, provided about \$5 million a year annually to maintenance needs, infrastructure needs of the park system. That was an effort in '13 Session. It followed up in '14 Session with the Legislature providing funds to attack the deferred maintenance problem. [LR321]

SENATOR HILKEMANN: Yeah. Thank you. [LR321]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Roger. [LR321]

ROGER KUHN: Okay. Thank you. [LR321]

SENATOR MELLO: Are there any other testifiers wishing to testify on LR321? Seeing none, the committee received letters of support from the League of Municipalities, the Omaha Convention and Visitors Bureau, and the Western Nebraska Tourism Coalition. That will be entered into the public record. Senator Morfeld, would you like to close? [LR321]

SENATOR MORFELD: I'll make my comments very brief. Thank you, members of the committee. I appreciate all the questions and I also appreciate Senator Bolz's question earlier. I think in my opening I focused a little bit more on why I think tourism is important, why developing some of these other opportunities is important. I didn't really talk necessarily about what the resolution is calling for the committee to do, and I think Senator Stinner kind of brought that back a little bit. But the resolution asked that the committee develop a scoring model, matrix, or other criteria relative to comparing the economic impact of each proposed project. So what we're really looking for after the hearing in Government Committee was we were realizing that this is an idea that has momentum, it has interest. But we need to create criteria for these projects before we invest valuable state resources and funding in those projects. And so one of the ideas that the mayor brought up in particular, maybe it's that the Tourism

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Commission evaluate several different projects and then come to the Appropriations Committee with a rank or scoring list of priority of projects that they think that the state should make an investment in. I think that that would be an interesting way of approaching that and a prudent way of approaching that. But in any case, we have to create some kind of criteria and some type of matrix before we move forward and invest valuable resources. With that, I'd be more than happy to answer any questions. [LR321]

SENATOR MELLO: Thank you, Senator Morfeld. Are there any other questions from the committee? Seeing none, thank you, Senator Morfeld. [LR321]

SENATOR MORFELD: Thank you. [LR321]

SENATOR MELLO: That will close today's public hearing on LR321, take us to our next legislative resolution, LR257 from Senator Kuehn. Just as a point of order for everyone, we will be continuing throughout the morning. There will not be a break or a lunch break. We will go straight from LR257 to LR333 and continue until it's done. [LR321 LR257]

SENATOR KUEHN: (Exhibit 8) Good morning, colleagues, and thank you. For the record, I am Senator John Kuehn, K-u-e-h-n, representing District 38 in south-central Nebraska. We're kind of shifting gears a little bit here in terms of both the content and the nature of our discussion in the hearing on LR257, which was introduced by myself and our colleague, Senator Haar. You'll recall during the appropriations process this spring that we spent a significant amount of time in deliberation of an appropriations request for local public health districts and additional funding requests for them to meet their statutorily required content areas and areas of responsibility. So this legislative resolution truly built out of the discussion that took place within that hearing and our deliberations this spring. And as we organized the hearing for LR257, it became apparent that what we really needed for the committee is a lot of increased knowledge about the public health system in Nebraska, what is happening out there in our public health districts, and help the committee to better understand the funding streams that are available to meet their core statutory requirements. So right out of the gate, I'm going to give you a heads-up. This is going to be fairly technical today and fairly heavy on the information. I do ask for your patience with the testifiers that we have today. I have asked specific individuals to come and testify to give you

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a cross-section of the history of the public health system in Nebraska, the statutes that define them, how they developed, and what their core responsibilities and functions are; how that has evolved over time. And also will ask your patience as we actually have one testifier who, due to travel conditions, was unable to make it but represents Northeast Nebraska Public Health District, which had a unique situation, that I think the committee needs to gain some firsthand understanding with, dealing with both a natural disaster and a major disease outbreak in a small, rural public health district in the same year and the challenges that they faced from a funding perspective, as well as the cooperative nature of all of the public health districts when dealing with regional outstate public health concerns. For me personally, this has a lot of personal and professional importance. Certainly as a veterinarian, protection of public health is actually a key component of the Veterinary Oath and is a key component of what we do professionally. Some of the early days professionally in my career dealing with West Nile virus, we were hand-in-hand with the newly emerging public health districts in the state of Nebraska as the disease, which most of you know as a human disease, first appeared in the state of Nebraska as an equine disease, all the way through the recent avian influenza outbreak in Nebraska, which if you consume eggs are well aware of the economic impact that had. But we euthanized millions of birds in this state in an avian influenza outbreak that protected not only livestock health and our number one industry in the state--agriculture, but also had serious public health implications as well and engaged our local public health systems. Furthermore, part of my passion for the public health districts here in the state of Nebraska is part of a philosophy, which you and the committee are well aware of as I've stated many times, and that is the emphasis on providing adequate funding for our local government and those who are actually the boots on the ground and the eyes and ears for what our programs are. You talk to any of your local physicians, your local nurses, your dentists, your veterinarians, and they are in contact with their local health districts. Their local health districts know what is going on locally in terms of mental health, they know what's happening in terms of the recent influenza outbreak or what's happening at the local day care, as well as what's happening in public health, zoonotic disease, and livestock disease. So providing emphasis on those who are out actually doing the work and ensuring that they have adequate funding to do the jobs that we have statutorily required of them is of key importance to me. A couple things, just to give you some heads-up: We have distributed a notebook or a binder which has a lot of technical information to give you background. The testifiers that will follow me will be providing some of the highlights of that background. These districts were started

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statutorily with LB692 and later with funding streams through LB1060 and have emerged over a 15-year period. The discussion about the development of those districts from the tobacco settlement dollars predated all of us on the committee, so I think it's important that we have some background as to why the districts were established, how their original funding streams were established, as well as the exact statutes that were addressed in putting the districts in place. Also included in that is a number of materials with regard to their current funding streams and the real core that I think our discussion, as we move forward in Appropriations, needs to take place. And I do want to read to you directly from the statute in terms of the legislative intent. State statute, as passed in LB692, states, "The Legislature declares that each local public health department should be able to carry out core public health functions." What we're going to spend some time this morning addressing is exactly what those core public health functions, as outlined in statute, are. This is not a regulatory framework which has been determined bureaucratically. This is not political advocacy at work. This is what the Nebraska statutes and our predecessors passed into law and identified and stated in their intent in statute that all of our public health districts should be able to accomplish. I think you'll find this morning, by the completion of our testimony, that statutorily they have a very big task in front of them. And the ability to carry out that task in an environment which not only deals with diseases and with natural disasters but also faces issues of potential bio and agroterrorism and has an even greater surveillance role with an evermore mobile population certainly is one that we need to address a decade and a half later from those original statutes. So with that, I'm happy to answer any questions and then turn over to our slate of testifiers: Michele Bever from South Heartland Health Department in Hastings; Kim Engel came in from Hemingford with Panhandle Public Health District; and we'll be joined via teleconference with Deb Scholten from Wayne with Northeast Public. With that, I'm happy to answer any questions that you may have. [LR257]

SENATOR MELLO: Thank you for your introduction, Senator Kuehn. Are there any questions from the committee? Senator Stinner. [LR257]

SENATOR STINNER: We were at a conference this summer and we talked about public health. Help me to remember, how did we rate on the public health side? I thought there were several states that they rated and... [LR257]

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SENATOR KUEHN: I'm not sure what specific conference or what specific ranking you're probably... [LR257]

SENATOR STINNER: This would have been the South Dakota conference. [LR257]

SENATOR KUEHN: Oh, oh, in North Dakota. Yeah, when we talked to... [LR257]

SENATOR STINNER: Or North Dakota. [LR257]

SENATOR KUEHN: Yeah, and so your CSG Midwest... [LR257]

SENATOR STINNER: I was in the wrong state. [LR257]

SENATOR KUEHN: ...in Bismarck. Yeah, we were both at the same session that looked at surveillance. And Nebraska ranked well in terms of our infrastructure in that, but I think one of the takeaways certainly that we both saw in that presentation at the CSG Midwest meeting was the manner in which surveillance has come an ever-increasing part of maintaining a healthy population as well as the role of that surveillance in reducing healthcare costs. And certainly the new tools, that they were developed in North Dakota and in conjunction with the federal government, had certainly demonstrated that surveillance is not just where are influenza outbreaks, where are our, you know, outbreaks of infectious disease, but also surveillance in terms of procedures being done and performed, the interplay between what we think of as traditional health and mental health issues in terms of public health. And so that surveillance piece that we were looking at and we talked about in that particular session is something that is in play in Nebraska but is just another part of that core function that we have to figure out how we implement and how we fund both at the local level and at the state level. [LR257]

SENATOR STINNER: Thank you. [LR257]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Seeing none, thank you, Senator Kuehn. [LR257]

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SENATOR KUEHN: Thank you. [LR257]

SENATOR MELLO: First up, Michele Bever from the South Heartland District Health Department. [LR257]

MICHELE BEVER: (Exhibit 10) Good morning, Senator Mello... [LR257]

SENATOR MELLO: Morning. [LR257]

MICHELE BEVER: ...and members of the Appropriations Committee. My name is Michele Bever, B-e-v-e-r. I'm the executive director for South Heartland District Health Department, serving about 46,000 residents in Adams, Clay, Nuckolls, and Webster Counties, with main office in Hastings. Along with my 17 local health department colleagues, director colleagues, I'd like to thank you for allowing us to provide information to you today regarding your local public health departments in our system. Our public health system emerged in 2001-2002 and has grown and built capacity for and strive to meet our statutory responsibilities. And we've risen on numerous occasions to meet and mitigate the challenges of a host of public health threats. We appreciate the opportunity to work with Senators Kuehn and Haar and with all of you on this interim study to explore sustainable, stable funding for local public health departments and to assure our ability to meet our statutory responsibilities. We appreciate the invitation to speak with you. So this morning two of my colleagues and I will be providing testimony, as Senator Kuehn mentioned. I will begin by describing the formation of the local public health system in Nebraska and our current funding streams. And then Kim Engel, director for Panhandle, will discuss the core public health responsibilities and funding needed to carry those out. And then Deb Scholten will discuss some of the challenges that Nebraska rural public health departments face in meeting our statutory responsibilities, specifically focusing on disease outbreaks and emergency preparedness and response. So let's begin. I'm going to start with a brief overview of the history of the formation of the public health system. Our current system in Nebraska was established by the Legislature in 2000 and 2001 through the passage of LB1070 and LB692. So the purpose of LB1070 in 2000, it was to designate the Master Tobacco Settlement dollars that came to Nebraska for public health activity and health activity. So I'd like to draw your attention to the map that's on the first page of the materials you have from me, and this shows the health

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departments in 2000 and 2001 prior to implementation of LB692. And it shows areas where residents had a local public health department providing services, those that are in the colors there. And you can see that there are 15 health departments that provided services to 22 of the state's 93 counties. There's a lot of gaps there. The Health Care Funding Act, LB692 that was sponsored by Senator Dennis Byars, passed in 2001. This legislation provided that 100 percent of those tobacco settlement funds would be directed to health-related purposes. So it also established that the Nebraska Health Care Cash Fund would be formed and that would be for local health department services, public health planning, and also for public health infrastructure development. This public health aid included \$5.7 million a year and that was directed to develop a statewide public health system; \$5.6 million of that was for public health planning and aid to local public health departments, and that was a total of just about 10 percent of the total Health Care Cash Fund. So for the planning purposes, \$5.6 million to the local health department planning. A hundred thousand of that \$5.7 million was for DHHS, was directed to DHHS to be able to provide administrative and technical assistance for the development of the health system. Senator Kuehn provided you with those source laws, I believe, so we'll be referring to those throughout. The process for establishing then the new district health departments and the system included, first, filling in those public health infrastructure gaps that were in the map, the gaps in the map. And in order to make a local health department in counties that did not already have a health department, which was most of them, if they had 50,000 or fewer...sorry, 50,000 or more residents then the county boards for those counties could apply to DHHS for \$5,000 to develop a plan so that they could have a health department. And for those counties that had fewer than 50,000 residents, the county boards could apply to DHHS for \$5,000 so that they could develop an interlocal agreement with maybe neighboring...the contiguous counties neighboring them, for a total of at least 30,000 residents. And then they could form a district health department. So, the requirement to have at least 30,000 residents. So the next step as the district health departments were forming was to form boards of health, so that's the local governing authority, and to hire health directors. So according to statute, this was carried out. And it's important to note that the governance and authority is local and that our system is decentralized. So those boards of health, as designated in statute, are required to include, at minimum, one county commissioner or supervisor from each of the counties represented in the health district, and those are appointed by the county boards; one public-spirited individual--rah! (laugh)--from each county in the jurisdiction, also appointed by the county board; and then one each, a physician and a dentist,

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and those are usually appointed by the boards of health. Many of us have additional folks on our boards of health. A veterinarian is frequently also included now. But these are...this is what's required by statute. So the new boards of health, their first job was to hire a full-time health director and those individuals were approved by the Chief Medical Office of the state of Nebraska. And the third step was, according to statute and standard public health practice, was for the health departments to conduct their first community needs assessment to find out what's going on in their communities, what public health pieces are in place, what gaps are there. And we continue to do this on a regular minimum of five-year cycle and there are a couple of reasons that we do this. One is to understand the health status of our populations, what's going on with our populations; and second, to identify gaps in our public health system. And then with our communities we prioritized how we were going to address those health issues and what health issues we were going to address so that we can best use the funding, the limited funding, that we have. So with this step, we set up an assessment cycle and we established that. So I'd like to reiterate then that local public health departments are decentralized from DHHS; we have local governance and authority; and that we're responsible for carrying out those three core functions and ten essential services of public health in all of our counties. Although we are decentralized from DHHS, we do work with DHHS. And most of the health departments receive contracts from DHHS for some specific activities. We compete for federal pass-through funding that's administered by DHHS and we are required by state statute to make a report annually to the Legislature, and we do this via DHHS. These annual reports, and they come out usually in December--this is the one from last year--are on the Web site and I've listed it there and I'd encourage you to take a look at those annually to see what your public health departments are doing. That's sort of an aggregate report that's on the Web site. Most health departments also produce our own sort of customized reports that are distributed in our communities. So LB692 passed in the 2001 Session of the Legislature, and by November that year the first new public health department was formed, and that happened to be South Heartland District Health Department. And by the end of 2002 then, all of the residents in each of our 93 counties in Nebraska had access to a local public health department. And you can see the map that we have below there on page 3 and it shows the local health departments as of the end of 2002. [LR257]

SENATOR MELLO: Dr. Bever, I'm going to have to ask you if you could try to short up a little bit of the testimony here... [LR257]

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MICHELE BEVER: Certainly. [LR257]

SENATOR MELLO: ...and give the committee members a little time to be able to ask you some questions to continue. [LR257]

MICHELE BEVER: Absolutely. [LR257]

SENATOR MELLO: Would that be all right? [LR257]

MICHELE BEVER: That's absolutely okay. So there's another map there that's also showing some changes in...with the current system in 2015. So the second part of my testimony is related to our funding sources and I'll be referring to the figures that are at the end on page 6 through 8, and I'd just like to say that these are examples of...we're going to talk about funding sources and this is important because it shows a bigger picture of what we are receiving. And they are meant to be illustrative only. We are depicting a variety of sources and approximate amounts of funding that are received by the local health departments annually, and so we're going to be looking at some examples here. I'm just going to give some highlights then. So current funding sources to LB692 health departments, LB692 is one of those. The Nebraska Health Care Funding Act put out the Health Care Cash Fund and that's the public health aid money. And with that, there was a formula for that, depending on the size of the population in the district and also per capita. So using that, if you look at the first Attachment 1, Figure 1, you can see in blue the Health Care Cash Fund public health aid, which is the infrastructure money plus the per capita funds for each local health department. LB1060 was passed in 2006 and this provided funding for ongoing disease surveillance, communicable disease investigation and control, and development of statewide standards for data collection and measurement. And currently each local health department, regardless of size, receives \$105,458, and that's shown in red on that Figure 1. We receive a lot of other sources of funding and I won't go over every source but there's numerous federal funds that assist that we access through the state. They're passed through the state and administered by DHHS. So some of those contracts include the emergency preparedness contract. And I'd like to draw your attention then to the next Figure 2, and it's listed under public health emergency preparedness funding, federal-state pass through. So this contract in 2014-15, the local health departments received about 48 percent of the total Nebraska public health

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preparedness funds, which was \$2.6 million, and range, depending on the size of the department, from about \$84,000 to over \$400,000 per health department. Other contracts that we receive through DHHS are for specific public health activities, such as West Nile virus surveillance or directly observed therapy for TB patients, those kinds of things. We also have competitive subawards that are federal pass-through dollars for minority health initiatives, for maternal and child health projects, for radon risk reduction, for preventative health and health services block grant funding, immunization program, so federal funds that are coming through the state that we are able to apply for. They're competitive and we utilize these based on the support from community health interventions based on our community needs assessments. Federal grants direct funding, we have some of that as well. About half the health departments are currently administering federal grants that we receive from the EPA or from CDC or from the health resources and services administration, Office of Rural Health. These are categorical so they can only be spent for narrowly defined purposes. And again, we base our action to get these on our community needs assessment and our plans in our community and our priorities in our community. And I've given some examples of some of the ways we've used those. The amounts vary considerably across local health departments based on our capacities and each has built responding to their needs. Not all local health departments have the capacity to apply for and manage federal grants. We also have fee for service that many of us do, and you can see that also on page 7 of the graph. Many of us receive those for immunizations or dental care, inspections, radon testing, those kinds of things. Some local health departments don't have the capacity to provide those additional services and so don't take in fee for service. And then there's other sources of funding and you can see that the city or county funding donations, local and national foundations, etcetera. So just to summarize what I've shown you there, I think you can see...I hope you can see that by how rapidly the health districts were formed that there was at the time and there continues to be a pressing need for local public health. We are fortunate to form when we did because as a nation as we're moving into preparedness mode to respond to bioterrorism, emerging diseases, and other threats. The early public health emergency preparedness funds that we did receive proved to be important additional drivers of our initial capacity building and partnership development in our communities that was key as we got started. The local health departments have worked to build capacity from scratch that we needed to carry out for our statutory responsibilities and address ongoing and emergent public health needs. We're also working to leverage our limited public health state funds to bring additional funds from a variety

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of sources, I think you can see that, to our communities. And we've built a lot in the last 15, 14-15 years, but we still are lacking the ability to meet all of our statutory responsibilities and I don't believe our stability has been established. So Kim will talk more about the statutory responsibilities, but I'd be happy to try to answer any of your questions at this time. 0 [LR257]

SENATOR MELLO: Thank you, Dr. Bever. Are there any questions from the committee? Senator Stinner. [LR257]

SENATOR STINNER: If I'd look at our state from a public health aspect, have you identified and prioritized gaps, needs for funding in certain areas? [LR257]

MICHELE BEVER: All of the local health departments, through our community needs assessments, set their own priorities based on their local communities. Some of those are similar across the state but we base our individual funding decisions and priorities on those community needs assessments. So we do that every five years or more frequently and update those priorities. [LR257]

SENATOR STINNER: Would you give me an example for an example in your area what would be priorities? [LR257]

MICHELE BEVER: Sure. Our top five priorities that are set in our area are obesity, mental health, substance abuse, and access to healthcare, and cancer prevention. So we set those priorities based on our data and based on community perceptions and based on our gaps, and then we utilize that to focus our access and application for resources, so that we're not spread all over the board. We're focused specifically on those wherever we can. And most of those fundings...funds that we apply for are categorical to address those issues, so we are not going after funds to help address system gaps or infrastructure gaps typically. This is to help us carry out our priority issues. [LR257]

SENATOR MELLO: Thank you, Senator Stinner. Any other questions from the committee? Senator Bolz. [LR257]

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SENATOR BOLZ: Good morning. [LR257]

MICHELE BEVER: Good morning. [LR257]

SENATOR BOLZ: I admire your work, that you have a lot on your plate and I guess the question that I'm...that keeps...I keep coming back to is how will you ever know that your work is done? It seems to me that when we're talking about matching up sufficient resources to meet the needs and demands, I'm not sure how to put my arms around that. And I just wondered if you could speak to that a little bit. [LR257]

MICHELE BEVER: Thank you for the question. That's a great question. I think we may never be done but be set priorities, we set goals. We work towards those. We measure our performance and we measure our success and we share that. And then we do quality improvement to see where we're not doing as well as we'd like to and make adjustments to that, look for new funding to match those areas where we still need to work. So it's a process. It's a performance process in everything that we do. And there's always emerging threats. There's always new public health issues. We're moving, as you know, far away really from infectious disease, in terms of vaccine preventable--that used to be the key parts of public health and water safety and those kind of things--to chronic diseases. So we're working on cancer and diabetes and heart disease. So I don't...hopefully, we'll be done when we are healthy, but it's going to be a long process. And we're working with humans who have human behavior that we're helping to change and also with environmental and other threats. So we're constantly monitoring, looking at what those priorities need to be. We can't do everything, but we prioritize and try to work on those priorities. [LR257]

SENATOR BOLZ: I can appreciate that and I appreciate the data-driven approach. I think what I'm struggling with, and maybe it's a continued conversation, is if we don't know when we're done, how do I know how to provide resources to fill your gaps, right, and what is...how do we articulate where and how we're falling short? And maybe there's a way to do that in a manner that matches up with the Appropriations Committee's needs, but that's my struggle. [LR257]

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MICHELE BEVER: Absolutely. I have a very good appreciation for your question now. One of the...there's a national conversation about public health foundational capabilities: What do we need to have to be able to carry out our responsibilities? It's a national conversation and we're having it locally here as well. And what does it cost to support those foundational capabilities? So we don't really know the answer to that yet but it's a conversation that we're working on. One of the things that we need to think about is, what are the key things that each local health department needs to have in place so that their residents have access to a public health...to public health services? And is it a public health nurse? Is it an environmental specialist? What kind of IT and data management skills do we need to have? What kind of policymaking skills do we need to have in that local package? So it's a...yes, it's an additional conversation I think, but I think those are things that we're very interested in pursuing and making decisions about.

[LR257]

SENATOR BOLZ: That's helpful. And maybe there is a conversation we can have about what the core package or the basic package is and looks like and how we match that up with both the statutory definition and our funding expectations. [LR257]

MICHELE BEVER: Uh-huh. Uh-huh. [LR257]

SENATOR BOLZ: Thank you. [LR257]

MICHELE BEVER: Thank you. [LR257]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Dr. Bever. And I will, unfortunately, just have to remind everyone, both for the remaining testifiers on LR257 and the number of testifiers for LR333, when the red light does come on we politely ask that you wrap up with your thoughts, allow the committee then to be able to digest, be able to ask questions of you, to be able to give all the other testifiers ample time to testify in front of the committee. [LR257]

KIM ENGEL: Good morning. [LR257]

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SENATOR MELLO: Morning. [LR257]

KIM ENGEL: (Exhibit 11) I am Kim Engel and I'm the director for Panhandle Public Health District. Our jurisdiction covers Banner, Box Butte, Cheyenne, Dawes, Deuel, Garden, Grant, Kimball, Morrill, Sheridan, and Sioux County. That's a population of nearly 51,000 people in approximately 14,000 square miles. (Laugh) We border South Dakota, Wyoming, and Colorado. Our main office is in Hemingford, but we also have offices in Bridgeport and we have one in Scottsbluff also. Even though Scottsbluff isn't in our jurisdiction, we provide many services there. All health departments formed by LB692 are held to core statutory responsibilities as spelled out in state statute 71-1628.04, core public health functions. "(1) Each local public health department shall carry out the core public health functions within its geographically defined community. (2) Each local public health department shall include the essential elements in carrying out the core public health functions to the extent applicable within its geographically defined community and to the extent funds are available." The essential elements include, but are not limited to, (a) monitoring health status to identify community health problems. Monitor for communicable disease: Communicable disease surveillance involves early detection, prompt investigation, and monitoring the occurrence and distribution of disease. Timely recognition of a disease within a community, coupled with rapid investigation, enables the proper implementation of prevention and control activities. These activities can contain the spread the disease within the population, reducing the risk of disease transmission before an illness becomes a major public health crisis. Communicable disease surveillance includes, but is not limited to, food-borne illness, vaccine-preventable disease, influenza, and vector-borne, animal-related diseases such as rabies and West Nile virus. Effective surveillance systems also play a role in identifying emerging infectious diseases, acts of bioterrorism, and potential influenza pandemics, as well as providing a basis for evaluating the outcome of public health prevention programs. Local public health departments monitor influenza-like illness through weekly reports from schools, hospitals, and providers in our jurisdiction. Another form is the community health assessment, and I personally think this is the most important thing that we do. A community health assessment is completed at a minimum of every five years to identify and prioritize community health needs. We coordinated the community health assessment process in 2014 with all eight of our hospitals in the Panhandle. And in our state, 87 percent of the hospitals do that with their local public health departments. In Nebraska a standard process that is used nationally is most commonly

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used to complete the assessment and planning. Local public health departments bring a wide variety of the stakeholders from nearly all sectors of the community together to complete the process. The results are analyzed and the needs are prioritized. After that, evidence-based strategies are chosen to address the needs. In the Panhandle, the result is that each hospital has completed a needs assessment and improvement plan, and there is also a regional plan completed so that the resources can be aligned and collective impact achieved in working towards the same goals. This contributes to the local public health department becoming the chief health strategist for our area. The second core function is diagnosing and investigating health problems and health hazards in the community. We, at local public health departments, receive daily reports on the Nebraska Electronic Disease Surveillance System for all reportable diseases requiring investigation and follow-up. The departments across the state deal with a wide range of food-borne and communicable diseases. They are recognized in their communication (sic) as responders for education, investigation, and containment of the spread of the disease. We're pretty small, not in geography but in numbers, and we investigate about a hundred of those each year. I'm sure some of our larger health departments investigate more. But our three most-frequent were rabies, hepatitis C, and pertussis in the last year. We also provide daily observed therapy for any person diagnosed with TB. We're also charged with overseeing meth lab cleanup, as stated in state statute 71-2432, which requires that local health departments monitor the cleanup of clandestine meth labs. We have been involved with three incidences over the past few years. Another core function is informing, educating, and empowering people about health issues. I'm going to try to sum some of these up since I'm on the yellow light. These are just some examples that we do in our health department, but it's much more than just brochures. It goes beyond that. It...we work with providers to help them meet best practices. Right now we're working with our area clinics to reach meaningful use and to adopt team-based care. We have a national diabetic program that actually received a national award that we coordinate and we work with all of our area hospitals on that. If you can reduce your body weight by 5 to 7 percent, you reduce the incidence of...the risk of Type II diabetes by 58 percent. We've had great success with that in our area. We do many things in the schools and we inform the public through news releases and so forth. The next is mobilizing community partnerships. We're experts at that. We bring many coalitions and groups together. Examples of that, again, is working with our hospitals, coming up with that common plan and strategies. We also have something unique in the Panhandle...well, not unique in the Panhandle. It's happening across the state. But we have a

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Panhandle Worksite Wellness Council that we coordinate and we have about 50 worksites involved that represent about 20 percent of the employed people in the Panhandle. And by providing technical assistance to them, they are able to make their environments the healthiest place for their employers to be, making the healthy choice the easy choice. We are also charged with developing policies and rules that support individual and community efforts. Using the information that we gather through the assessment process, we are able to create data-driven policies to meet health needs and address emerging issues. We craft messages and we work with our local, state, and federal decision makers. We also inform individuals and organizations about public health laws, while monitoring and enforcing compliance. Examples of that is tobacco-free outdoor spaces, such as fairgrounds and city parks, radon-resistant new construction, resolutions relating to open burning, food regulation, and so forth. I have the red light. I don't know how far I should push this. (Laugh) [LR257]

SENATOR MELLO: If you could wrap up within 30 seconds... [LR257]

KIM ENGEL: Okay. [LR257]

SENATOR MELLO: ...and allow us to ask some questions, that would be great. [LR257]

KIM ENGEL: Okay. It's bad when you can't even explain all your core functions in a limited amount of time, let alone try to get them all done. (Laugh) But you have this in front of you. I'll just read the other core functions: enforcing laws, rules, and regulations that protect public health and the environment and ensure safety; linking people to needed medical and mental health services and assuring provision of healthcare when not otherwise available. There have been several new federally qualified health centers started with the help of local public health. Assuring a competent work force within the healthcare industry and public health departments; evaluating effectiveness, accessibility, and quality of services within the healthcare industry and public health departments; and researching to gain new insights and innovative solutions to health problems. I'd just like to wrap up with those last couple sentence...paragraphs. Spending on public health represents only a small fraction of all healthcare spending, less than 2 percent, yet its impact can be substantial. Increased spending on public health programs is associated with a decrease in mortality from preventable causes of death. Recent research has shown that an

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investment of \$10 per person per year in proven community-based programs to increase physical activity, improve nutrition, and prevent smoking or other tobacco use could save the country more than \$16 billion annually within five years. This is a return of \$5.60 for every \$1 invested. Together, the local public health directors and the district health departments around the state have identified the funding that will be needed to fulfill our statutory responsibilities in addressing health priorities. We have created a plan and developed a transparent equitable funding formula for statewide distribution of dollars, and we have that for you. That will be passed out here in just a little bit. I'm sorry to have gone over my time. (Exhibit 13) [LR257]

SENATOR MELLO: Thank you. Thank you, Ms. Engel, for your testimony. Are there any questions from the committee? Senator Cook. [LR257]

SENATOR COOK: Thank you, Senator Mello. And thank you for your testimony. On the final point with your testimony you mentioned the...oh, no, third to the final point regarding work force development. [LR257]

KIM ENGEL: Yes. [LR257]

SENATOR COOK: I'm so glad you brought up the concept of making data-driven decisions. [LR257]

KIM ENGEL: Yes. [LR257]

SENATOR COOK: One third of the population of Nebraska will be Hispanic in 35 years and even in all of the testimony that Dr. Bever offered and none of your testimony has made reference at all to prioritizing cultural competency or prioritizing the development of public health providers or healthcare providers in general that will be able to meet this emergent population, the needs of this population. As you know, they have disproportionately less access to healthcare and live disproportionately in poverty. Do you have anything to offer from this? Or maybe somebody else is going to speak to that. [LR257]

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KIM ENGEL: Well, actually, I know in our community health needs assessment, the focus...one of the focus areas is on chronic illness and that is where we find many of the disparities in our minority populations. Several of us have developed community health workers. In our home visitation program, we match the home visitors to the families that we're visiting. So it is front and center on our mind. Health literacy is a huge initiative among all of our health departments and that also not only health literacy and speaking the same language but in just being able to communicate in a way about culture and daily living. So it is important to us. I'm glad that you brought that out. [LR257]

SENATOR COOK: Okay. And you look at that in terms of board leadership and executive leadership among the health centers? I'm not certain among the health centers how many have. [LR257]

KIM ENGEL: Among the federally qualified health centers, I know it is a requirement for the boards. Among the... [LR257]

SENATOR COOK: Okay, but it's not for the county, any of these health departments. [LR257]

KIM ENGEL: ...for the public health departments, it's the community-spirited person is assigned by the county commissioners or county board. [LR257]

SENATOR COOK: Uh-huh. [LR257]

KIM ENGEL: So it's a little bit out of our control on who is chosen for that. [LR257]

SENATOR COOK: Uh-huh. [LR257]

KIM ENGEL: But I know on our board,... [LR257]

SENATOR COOK: So a community-spirited... [LR257]

KIM ENGEL: ...we have representation of many races. [LR257]

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SENATOR COOK: So in terms of the person who is the executive director of those boards, is there anyone or is there any succession planning that might put...not just having the slot, the community-spirited person, which is called the diversity slot, the one seat you get for... [LR257]

KIM ENGEL: To actually have that. [LR257]

SENATOR COOK: ...(laugh) being a person of color or a woman? [LR257]

KIM ENGEL: Uh-huh. [LR257]

SENATOR COOK: Is there anybody, any succession planning that you're aware of where the leader of the board would be a person of color or Spanish? [LR257]

KIM ENGEL: We do not have that in our health department. [LR257]

SENATOR COOK: Okay. [LR257]

KIM ENGEL: But I would...and I would not know that about all the others,... [LR257]

SENATOR COOK: All right. Thank you. [LR257]

KIM ENGEL: ...but good questions. [LR257]

SENATOR MELLO: Thank you, Senator Cook. Senator Haar. [LR257]

SENATOR HAAR: Yes. One of the issues I've been working on is climate change and in the future, as the scientists at the university tell us, it's a growing threat and certainly a health threat in many ways. Dr. Kahn at UNMC of course is an expert on that, talking about all the implications of climate change for the future. What do you see as your education responsibility as health departments to look at this true health risk for our future generations? [LR257]

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KIM ENGEL: Climate change is a priority for us too. It wasn't identified in our community health improvement plan, I'll have to admit, but among our staff, we're becoming more educated about it and trying to craft a message that would be palatable by our communities in a way that is science-based. [LR257]

SENATOR HAAR: Uh-huh. [LR257]

KIM ENGEL: And I think there's plenty of science there to show that we have problems heading in that direction. It's not something that we have...I wouldn't say that we're anywhere near done in communicating about that or developing a way to address it. Somewhat on the same topic but a little bit different, environmentally we did react last year to the proposed fracking well that was proposed for Sioux County, and I know that you also... [LR257]

SENATOR HAAR: Uh-huh. [LR257]

KIM ENGEL: ...were concerned about that. So even though we have our community health improvement plans, we always stand ready to address something that might pop up that's beyond our reasoning at the time, and do the research and address it from a science-based approach. [LR257]

SENATOR HAAR: Thank you. [LR257]

SENATOR MELLO: Senator Kintner. [LR257]

SENATOR KINTNER: Thank you for coming. By the way, I can understand how you got to get a lot of information into a short period of time. [LR257]

KIM ENGEL: Yeah, that was tough. [LR257]

SENATOR KINTNER: I hear you. I want to follow up on what he said about climate change. I don't quite share his enthusiasm for the doom of our great world through climate change. What is the...what is your duty in terms of climate change? What do you see, as public health officials,

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that you should be doing about climate change? And do you see climate change as a threat?  
[LR257]

KIM ENGEL: Well, I think that the topic of climate change would fit under one of our core purposes as far as informing the public and monitoring the health status. I think that there are several implications that would, because of climate change, cause concern for the public's health. And so like any other threat, that's how we would approach it. We would look at the science, the evidence behind it, and as strategies become proven and if we can play a role in that, that's what we would do. [LR257]

SENATOR KINTNER: Well, what is the threat to people from what you see as climate change?  
[LR257]

KIM ENGEL: Well, I don't know if anybody completely knows what the threat to the Panhandle would be, but what I think might be a threat is we might be overwhelmed with people coming for...because it might be safer in the middle of the United States than on the edges of the United States. But I think that there...when you live in an agricultural society and the climate is incredibly...it could have incredible adverse effects on that. We've had very range...a various range of weather in our area I think more frequently now than we have in the past. So I think that there, as more evidence is shown, it will become more real. [LR257]

SENATOR KINTNER: Are we talking man-made climate change or natural climate change that your departments are being able to put their finger on? [LR257]

KIM ENGEL: I don't know if it matters to us as far as our response. I think we need to base it on the scientific fact of what's happening now. [LR257]

SENATOR KINTNER: Where do you... [LR257]

KIM ENGEL: And actually, this is part of that developing a message that is palatable to our communities. We live in a very rural, conservative area and I think it's best if public health doesn't really take a political approach to it but that we just present the facts and we present what

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we know to be the best strategy to mitigate or to alleviate the effects of what's happening.  
[LR257]

SENATOR KINTNER: Thank you. Appreciate it. [LR257]

KIM ENGEL: Thank you. [LR257]

SENATOR MELLO: Senator Haar. [LR257]

SENATOR HAAR: Well, we need to talk, Senator Kintner. But (laughter) but basically the health departments are...you're after science-based material, right? [LR257]

KIM ENGEL: We are. [LR257]

SENATOR HAAR: I mean we can expect this as you do your research and so on. I mean it's...it is a science-based activity, right? [LR257]

KIM ENGEL: It is. And in fact, there are sources that we go to when we talk about strategies. We look at the community guide, which is well researched and shows strategies that have shown to be proven to work or show promising practice. Those show up also on Healthy People 2020. You can go to the CDC's Web site. But we have a precious few dollars and we can't use them on just a good idea that we think we might have. It's important that we use those on strategies that have been proven to work. [LR257]

SENATOR HAAR: I appreciate that. Thank you. [LR257]

SENATOR MELLO: Thank you, Senator Haar. Any other questions from the committee? Seeing none, thank you, Ms. Engel. [LR257]

KIM ENGEL: Thank you. [LR257]

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SENATOR MELLO: Our next testifier will be Deb Scholten from Northeast Nebraska Public Health District, who is currently teleconferencing in. Can I get a quick show of hands, is there anyone else here wishing to testify on LR257? Okay. I know we got testimony from...we got testimony passed out from another organization, but I wanted to check and see if there was anyone who was going to testify. In the meantime, we'll take real quick testimony if we can wait till Deb Scholten calls in. So if there's anyone else here who is wishing to testify. Go ahead.

[LR257]

VICKI DUEY: (Exhibit 12) Senators, my name is not Deb Scholten. My name is Vicki Duey, that's V-i-c-k-i D-u-e-y. I have not filled out a form because I am presenting into evidence the written testimony of Deb Scholten. [LR257]

SENATOR MELLO: Okay. [LR257]

VICKI DUEY: And would be happy to answer questions or respond but would just like to present that. [LR257]

SENATOR MELLO: Thank you so much. Are there any questions from the committee?  
[LR257]

SENATOR KINTNER: Yeah, I do have one of course. [LR257]

SENATOR MELLO: Senator Kintner. [LR257]

SENATOR KINTNER: Well, thank you for coming and thanks for stepping up to pinch-hit here.  
[LR257]

VICKI DUEY: Thank you. [LR257]

SENATOR KINTNER: I'm reading a document I got a while back from Friends of Public Health, and it talks about some of the things you were doing. You were doing an immunization

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program, implementing an immunization program. How did that go in your health district?  
[LR257]

VICKI DUEY: In my district, the immunization is not done directly by the Four Corners Health Department. [LR257]

SENATOR KINTNER: Okay. [LR257]

VICKI DUEY: We work with their...because it was already being provided within each county by a different source. So my job is to assure that it does get done and that it is done correctly.  
[LR257]

SENATOR KINTNER: Okay. So that's not a core function of your health... [LR257]

VICKI DUEY: The core function is that I see that it gets done,... [LR257]

SENATOR KINTNER: Just gets done, okay. [LR257]

VICKI DUEY: ...not that I necessary see that my department does it. And because it was being done adequately, I didn't go in and duplicate those services. [LR257]

SENATOR KINTNER: Okay. Very good. Thank you. [LR257]

SENATOR MELLO: Thank you, Senator Kintner. Any other questions from the committee?  
Seeing none, thank you. [LR257]

VICKI DUEY: Thank you. [LR257]

SENATOR MELLO: Senator Kuehn, you want to close? And if Ms. Scholten calls in prior to, we can take her testimony. If not, we have it for the public record in a physical copy. [LR257]

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SENATOR KUEHN: Colleagues, thank you very much for your attention. I think the nature of just the quantity of just getting through the statutory core requirements emphasizes the need for a greater and a broader discussion among our committee and our colleagues as far as what those core requirements are as outlined in statute, as well as how we match that funding. Some highlights I think that stick out for me that I hope were brought out in today's testimony and some of the questions were the local public health departments do an excellent job of removing the politics from their delivery of service. And I think that we have to keep in mind that these are locally driven, local boards that are assessing the local needs, prioritized on the ground by their local needs. They match the funding specific to those local needs and are judicious with their resources. And it was a little bit shocking to me when I got to Lincoln, having known the individuals in my local health departments that are represented in my district, to know just how much work they are doing day in, day out, with (sic) a lot of fanfare, without a lot of people even realizing and recognizing what they do. The second thing I think is important to emphasize is the role of the data-driven approach. Sitting behind me are some of the greatest level, in terms of talent and in terms of educational talent, epidemiology that we have in the state, and they are boots on the ground in our local health departments. (Phone rings) [LR257]

SENATOR MELLO: Is this Ms. Deb Scholten? [LR257]

DEB SCHOLTEN: Yes. [LR257]

SENATOR MELLO: Deb, welcome to the Nebraska Legislature's Appropriations Committee. Right now we were just hearing some closing comments from our colleague, Senator Kuehn. We did receive your written testimony and we apologize for the technology communication challenges we've had with you this morning. If you would still like to testify, we would be willing to give you the five minutes that we had originally allotted for you to go through your testimony if you're still interested in doing so. [LR257]

DEB SCHOLTEN: Oh, I'm very interested in doing so. I've been looking forward to this. Greetings from winter wonderland up here, by the way. (Laugh) There's a lot of snow up here. I...should I go ahead right now then? [LR257]

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SENATOR MELLO: Yes. [LR257]

DEB SCHOLTEN: Okay. Well, good morning. I thank you for this opportunity, and my name is Debra Scholten and I'm supposed to spell my name for you so I'll just give you the acronym: Daniel, Ezekiel, Boy, Oreo, Robert, Apple, Hospital, which would be Deborah; and Scholten is Sam, Charlie, Hospital, Oreo, Louisiana, Tom, Ezekiel, Nebraska--Scholten. I've been the health director since 2002, the first and only health director. We serve, at the Northeast Nebraska Public Health District, we served Cedar, Dixon, Thurston, and Wayne Counties. And as most of you know, Wayne State College is located here and two federally recognized tribal nations. I want to focus on the brochure that you should have gotten with this, the flier. It's colorful in aqua, green, and blue. Do you have those handouts, I hope? [LR257]

SENATOR HILKEMANN: I don't believe we have those. This is Senator Hilkemann filling in for Senator Mello. We don't have those but we do have your written testimony. [LR257]

DEB SCHOLTEN: Oh. Okay. In the past two years, Northeast Nebraska has experienced more public health emergencies than most local health departments have in a lifetime. And these unpredictable events exposed fragility in our health district in the staffing capacity to respond to emergencies. Emergency readiness requires sustainably funded local health department staff, and that's what I wanted to talk about. We had three tornadoes in eight months, but the tuberculosis and the avian flu are what I want to focus upon. We are one of the smallest health districts with the small...one of the smallest budgets, as I said in the...some of the material you've received. And our TB case has been going on, most of it was over within about six months, but we still have follow-up issues that pop up every once in a while. And one of the unique things that occurred is that our...this outbreak was caused by Mycobacterium bovis, which is usually found in cattle. And Dr. Bryan Buss, who is a veterinarian and an epidemiologist field officer from the Centers for Disease Control and a native Nebraskan--he's from Laurel, Nebraska, in our health district--worked with us on that and as did the TB Control Program with DHHS. But we intensively case-managed a TB patient and then found out that there was an outbreak of it. And that required about 100 percent of our nurse's--we only had one nurse--time over about seven months. And during that seven months, we had two tornadoes. We ended up having 165 contacts with 35...in testing, and 35 of them tested positive and were referred for medical treatment. And

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that required a couple of clinics that we had to set up. And the investigation...any kind of an investigation is very labor-intensive. I know that our costs for that were quite expensive for our small budget, and just as the cost...they're in my testimony there, but like Douglas County had the Ebola outbreak and monitoring, which costs them over \$190,000. Elkhorn Logan Valley costs were over \$54,000. Our tornadoes were extensive. They...there's an error in my testimony there. They were really over \$40,000 total of our three tornadoes. And our TB outbreak was almost \$17,000. Those are all conservative estimates because they don't bring in the overhead costs and all those types of in-kind things. The other challenge that we've had just recently this year was the Dixon County avian flu outbreak where the poultry barns had contracted...not the barns but the birds in it had contracted avian flu in May. And what the Governor now knows, that we had played a part in this because I told him. But in the declaration, public health was not included. We worked seven days a week for seven weeks monitoring the work force there. We were, you know, made sure that they were wearing the right kind of personal protective equipment as well as having Tamiflu prescriptions. We set up a clinic so that they were able to get Tamiflu if they needed to. And then every day we would contact...and ended up, we started out with 104, ended up a little over 40 workers to make sure they were wearing their personal protective equipment as well as taking their Tamiflu and then checking them for any kind of influenza-like illnesses so that if that avian flu virus, which was deemed to be low-risk to humans, if that was going to mutate we wanted to be on top of that issue. So I don't know when my five minutes are up. I've been... [LR257]

SENATOR MELLO: Your...perfect timing, Ms. Scholten. [LR257]

DEB SCHOLTEN: Okay. Okay. [LR257]

SENATOR MELLO: That was your...we just saw the five-minute light come on. But we appreciate and thank you for your testimony. Are there any questions from the committee? [LR257]

SENATOR HILKEMANN: Ms. Scholten, we did get your handout. We did have it here. It came... [LR257]

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DEB SCHOLTEN: Oh, good. [LR257]

SENATOR HILKEMANN: ...almost as soon as you had gotten done mentioning it. [LR257]

DEB SCHOLTEN: Very good. Very good, because it shows the breakdown of our staffing and some of the challenges. If you look at the staffing, everything in aqua is all other grants that we write for competitively. So time is...and I want to be cautious here because we still make up that time to spend on those grants, but it takes our entire office, every single person who works in our office, to respond to these events. [LR257]

SENATOR MELLO: Thank you for that handout. Are there any other questions from the committee? Senator Cook. [LR257]

SENATOR COOK: Thank you, Senator Mello. And thank you for your testimony. I'm looking at the "infographic" and reviewing, for my own edification, the ten core functions... [LR257]

DEB SCHOLTEN: Sure. [LR257]

SENATOR COOK: ...of public health. Emergency response, three tornadoes in eight months, is that under...which one of the ten core public health... [LR257]

DEB SCHOLTEN: That would be under number 2. [LR257]

SENATOR COOK: Okay: Diagnose and investigate health problems and health hazards. [LR257]

DEB SCHOLTEN: Right. That's right. And fortunately, number 4 is something that we have done in all of our preplanning and that's working with our partners, too, in collaboration for all these responses. So having done that ahead of time really...it made a successful outcome for all our responses. I can't say enough positive things about our staff, too, they're just tremendous, and the way the other health departments stepped up to help us when possible too. [LR257]

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SENATOR MELLO: Thank you, Senator Cook. Any other questions from the committee? Seeing none, thank you for your testimony this morning, Ms. Scholten. We appreciate you calling in. [LR257]

DEB SCHOLTEN: Yes. So thank you for giving me this opportunity. [LR257]

SENATOR MELLO: Thank you. Senator Kuehn, would you like to finish any closing? [LR257]

SENATOR KUEHN: With that, any questions that my colleagues on the committee may have about what you've heard today or where we may proceed forward with our interim study report? [LR257]

SENATOR MELLO: Thank you, Senator Kuehn. Any questions from the committee? Senator Bolz. [LR257]

SENATOR BOLZ: Great information. I'm glad to learn more about public health. The thing that I learned that surprised me was looking at the funding source chart that you've provided is that not every...and not every public health department gets funding from city, county, or local sources, and many don't get funding from any of those sources. And I understand that it's tricky territory and there's no pot of gold at the end of any rainbow. But what is your perspective about the potential role that city, county, and local entities could play in providing sustainable funding for public health? [LR257]

SENATOR KUEHN: I think it's an excellent question and that's really what the interim study is designed to identify, is where are those additional streams that may be available, whether they be state or local, and what are those investments. And I know certainly in some of the health districts, which may not have a direct appropriation via city or county funding, they may have county- or city-owned healthcare facilities which are cooperating, and there are in-kind types of cooperation. So each of the districts has their own unique system based upon the nature of the healthcare delivery system in that area. And so I think one of the challenges we have when trying to wrap our minds around what the state appropriation should be is identifying all of those individual funding streams, whether they be direct appropriations or whether they're in-kind by a

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local hospital that's providing office space and staff support for vaccination issues or education issues. So I think part of our collaborative challenge going forward is identifying where all those are and how to maybe maximize or leverage those, or also where we may need to ask cities and counties to step up more. And that is the crux of the study. You know, we certainly grappled, I think as a committee, with an understanding that there was this huge need but how do we meet it in a sustainable fashion and one that isn't subject to the variances of revenue forecasts of the others. And I think the core element here is that this entire system and infrastructure was put into place responsibly using those tobacco settlement funds, unlike many states which used those for one-time spending and "gee-whiz projects." Our predecessors did a very responsible thing in establishing an ongoing infrastructure of public health with dollars that were designated to address public health problems. I think it is incumbent upon us 15 years later to step up to that tradition and also ensure that we're using those funds as intended and that we are meeting our public health obligations, as set in statute, in a sustainable fashion and one that's not just subject to short-term variances and sometimes the politics of taxes, if you will. And that truly is my objective. [LR257]

SENATOR BOLZ: And maybe just a final comment is I think I was, in part, surprised that there weren't any resources from those levels, because I would have...I would have expected maybe there to have been previous conversations about matching requirements, which could fit into your comments about in-kind. [LR257]

SENATOR KUEHN: Uh-huh. [LR257]

SENATOR BOLZ: But I don't see any of that specifically here and I wonder if that might be part of the solution. [LR257]

SENATOR KUEHN: I think it's an excellent idea and concept. [LR257]

SENATOR MELLO: Thank you, Senator Bolz. Senator Haar. [LR257]

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SENATOR HAAR: I wanted to thank you for taking the lead on this and it's...we...I think it's an important pillar of our healthcare system, along with doctors and hospitals and so on. And it's...you'll be at this for a number of years, but thanks for taking it on. (Laugh) [LR257]

SENATOR KUEHN: (Laugh) Thank you. [LR257]

SENATOR MELLO: (Exhibit 9) Thank you, Senator Haar. Any other questions from the committee? Seeing none, thank you, Senator Kuehn. Just for the public record, the committee did receive a letter of support for LR257 from the Public Health Association of Nebraska. That will end today's public hearing on LR257 and take us to our last hearing of the day, LR333 from Senator Watermeier. [LR257]

SENATOR WATERMEIER: (Exhibits 14 and 15) Good morning, Senator Mello and members of Appropriations Committee. I am Senator Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r, representing District 1 in the southeast corner of the state and here to introduce LR333. The purpose of LR333 is to examine methods to improve government efficiency. Just a month ago the Economic Forecasting Advisory Board reduced revenue projections by \$150 million. I listened to the testifiers at the public hearing on property taxes and school state aid and consistently heard that we need to restrain spending. However, in order to control growth in government spending while still providing quality services, it will require governmental entities to develop new strategies and methods of delivering services in a more efficient and effective way. For years, private-sector employees have utilized a wide variety of quality improvement techniques to improve the development and delivery of their products and services while lowering their overall cost structure. The focus of this interim study is to discuss quality improvement strategies, which ones to use, how to use them, who should use them, will they be successful, and will they ultimately result in cost savings. In his State of the State Address, Governor Ricketts mentioned that he promised the people of Nebraska that he would bring his business experience to state government in an effort to deliver state services more efficiently and effectively at a lower cost. I'd like to share some good examples of efforts to attain more efficient and effective government that are already taking place in Nebraska. When Governor Ricketts created the new position of chief operating officer, he announced Mr. Davidson would work to help optimize state government through the implementation of best business practices and the use of new

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technology. He will assist agency directors in setting goals and creating strategic plans so that agencies and department heads create better outcomes. Governor Ricketts hired Ed Toner as the state's new Chief Information Officer. Mr. Toner recently announced the savings of \$5.3 million over the next ten years under a plan to centralize information technology services for a variety of state and local government agencies. Governor Ricketts has also initiated another business model when he formed what is known as the Grow Nebraska working group, consisting of ten department directors, the Governor, the COO, and a representative of the state Budget Division. The overall goal for the group is to develop and execute a strategy to grow Nebraska through the creation of more high-quality jobs. One area of focus is to improve the ease of doing business in Nebraska, looking at new on-line opportunities for filing permit and license applications, and corporate tax information, while stressing the need for prompt response to inquiries and claims. The new director of the Department of Roads, Kyle Schneweis, recently held the first-ever departmentwide webinar. He initiated an Innovation Task for Transportation made up of state, business, and community leaders to find ways to improve the Department of Roads. He outlined the department's goals, which include modernization of business practices, increasing transparency, and empowering employees to make decisions in an effort to increase efficiency. Jim Macy, the new director of the Department of Environmental Quality, recently announced that builders will be able to apply for construction storm water permits and general air construction permits on-line. The intent is to reduce the permitting process time frame and to free up staff members so they can review more complicated applications. These are recent examples of progress, but we still have a long ways to go. As reflected in a letter that I received from a constituent, Mr. Rieschick's letter tells of the inefficiencies that he has witnessed in government, from the work ethic of some state employees to the needless buying of new equipment. He specifically tells of his frustration when applying to the Department of Natural Resources for permits for water storage projects, particularly when they could not even give him an estimated time line for approval. He hopes that our state can lead the way to cutting waste and reducing spending while increasing work output which will allow for increased work done by contractors and anyone else requiring permits, thereby significantly benefiting our economy. I think many times we know what needs to be done to create a more efficient government; it's just difficult to make the changes. However, improvements and efficiencies in government will benefit every Nebraskan. We need to forge ahead and build on examples that have initiated by Governor Ricketts' administration. If you have questions, I'd be glad to answer them. There's quite a bit of

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testimony behind me. It's ironic, Senator Mello said, oh, don't worry, you got plenty of time, and then I was moved from first to third. So I have to apologize for my testifiers. See if we can get it inside of 30 minutes or better here. But I'll close a little bit after I listen to some of the testimony, but I just appreciate the effort given from the people behind us and I hope to be able to provide a report at some point in time on what we could do for specific suggestions. But the one thing I don't want to do, and I'll say this again in closing, I don't want to create something as a mandate that we mandate to all the agencies to do just because one agency is doing it. I'm not here to do that. I'm not here to tout what's being done right or wrong, necessarily, but just bring highlight about what we can do inside of government. So thank you, Chairman. [LR333]

SENATOR MELLO: Thank you, Senator Watermeier. Any questions from the committee? I've got one, Senator Watermeier, for you, and it's just more of a clarification. Reading your resolution, the first two sentences relays in regards to state spending increasing faster than the cost of living, as well as a sentence two sentences down that spending levels have also led to Nebraska maintaining its position as one of the highest tax states in the United States. I'm going to assume, and give you the opportunity to put on the public record, that's your opinion in regards to introducing the resolution. There's no verification in regards to citing both of those issues, regards to a data source, whether it's the Census Bureau, a private... [LR333]

SENATOR WATERMEIER: That's my opinion. [LR333]

SENATOR MELLO: ...private philosophical foundation. And I just wanted to give you the opportunity to, as part of your resolution, to clarify that one sentence. [LR333]

SENATOR WATERMEIER: Yes. Certainly, that's my opinion. [LR333]

SENATOR MELLO: Okay. Thank you. Any other questions from the committee? Seeing none, thank you, Senator Watermeier. Up first we have a list of invited testifiers. We have, first, Felix Davidson, Chief Operating Officer, state of Nebraska; then Ed Toner, the Chief Information Officer from the state of Nebraska; Mark Quandahl, director of Nebraska Department of Banking and Finance; Joseph Young, Nebraska Chamber of Commerce and Industry; John Bartle, dean of the College of Public Affairs and Community Service; and Cameron Ludwig

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from Blue Cross Blue Shield of Nebraska. If we have any other invited testifiers after that, please let me know or give a note to the page. But we'll start first with Mr. Davidson. [LR333]

FELIX DAVIDSON: Morning. I'm Felix Davidson, F-e-l-i-x D-a-v-i-d-s-o-n. I'm the Chief Operating Officer. I work in the Governor's Office. Appreciate the opportunity to come talk to you all this morning and answer any questions you may have and provide some testimony. I've been in my current role for about ten months. Prior to that I had 20-plus years of operational leadership experience as an officer in the Marines, as the president of the TD Ameritrade Clearing where we did all the transaction processing for a \$700 billion entity, and served on the board of directors for the Options Clearing Corporation, which was a systemically important financial market utility. So a lot of experience that gave me a strong grounding and appreciation for the importance of operational excellence and continually striving to find ways to do more, better with less, just because that, you know, is the typical operating environment that you find in any large, complex enterprise. Just a little insight into some of the things that I've been working on in the Governor's Office since I've been here: I've been working with all of the agencies to help them develop kind of some foundational things that are really important to any organization that you need before you can continue to build on it with some of the more complex things that you want to take on. And those would just be some, you know, improved operational reporting and some improved standardized financial reporting that makes it easier to understand, you know, what's really going on within the respective area and how it's performing. So, for example, you know, pick your agency but, you know, what are the most important outcomes that they produce? You know, how do they measure it? How do they manage it? And use that as the foundational tool to help understand their current operating performance and use that as a tool to set targets and try and find ways to apply techniques to make it even better. I've been spending a fair bit of time working on...also helping them work together. And you know, the senator talked a little bit about some of the working groups that we have put in place, and the intent behind that really is that we can be more effective working together than we can be working independently. And a good example of that would be a public safety working group that we have where we're really focused on just information sharing. With all due respect of agencies that have some variation of a play in public safety, improving situational awareness and hopefully building on that and ultimately doing some probably tactical problem-solving related issues for public safety. So I think there's a lot of opportunities there to improve our effectiveness by working together

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across multiple agencies to help us achieve the goals and objectives of the state. A lot of foundational work but ultimately we do want to be able to develop a culture of operational excellence. So once we have a better ability to measure what we do and how we're doing it and set targets on that and use that for performance management, we want to be able to start to apply some skills and disciplines that enable better. And one thing that I would really encourage all of you to think about as a part of that process, especially for people at your level, is you really need to invest a lot of time and energy early in the process, really understanding the why. So for example, you know, if the outcome that you really wanted to produce was, well, we want to, you know, government is inefficient; we want to make it more efficient. Say, okay, well, why; why is government inefficient? And really, really, truly invest time, energy, and some skill in going deep into understanding those whys before you begin design around the what and the how. And the what is always difficult because that's where you need to, you know, develop your strategy. And then the how is ultimately the most difficult, because that's where you have to actually operationalize whatever it is you're trying to do. So I would really encourage you to think of it in that context. If the belief is that, you know, government is not as efficient as it could be and we want to make it more efficient, really spend some time, energy, skill, and discipline on going deep into understanding why is that the case. Because, you know, sitting in the chairs that you all sit in, having a deep understanding of that early in the process will be imperative to make sure that whatever, you know, we end up doing has a higher probability of being on the mark. That's it. I'd be happy to answer any questions you have. [LR333]

SENATOR MELLO: Thank you for your testimony today, Mr. Davidson. Are there any questions from the committee? Senator Kintner. [LR333]

SENATOR KINTNER: Well, thank you for coming out today. Harry Truman said when you have an efficient government you have a dictatorship. And I know in the private sector you have two guides that you can tell how well you're doing. You have market share. If it's increasing, you're doing well. And you have profits. If I'm seeing more profit, I'm doing well. You have two good metrics to figure out is this function of our company working. If not, you have those two metrics to tell you that it's not working. In government you don't have that. So walk me through. I know there's a million functions of government. You can't take one metric and apply it different. Walk me through how you set up, I'm calling it, a metric for judging if this is efficient, if this is the

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best we can do, and how we set a goal, how we measure the goal. Can you kind of walk me through that process? [LR333]

FELIX DAVIDSON: Sure. Yeah, there's a lot of variation in that, as you mentioned. Every agency is different so there's no, you know, boilerplate template that you can use and just apply it to every agency, so you really need to understand that every organization is different. But a good example of the approach to that would be, you know, go into agency X and really invest some time and energy on, you know, what do you do; what are the services that you provide; what are the outcomes that you're trying to influence or deliver; you know, how do you measure that; what's the data behind it. But ultimately when it comes to target setting, there's a variety of things that you need to do. Usually it starts with having a lot of good trailing, historical data, so that you can take a look at your performance over a period of at least 12 months, ideally much longer than that, so you can identify patterns and trends. And then look for any data that might be readily available in terms of, you know, federal regulatory standards, industry averages, industry benchmarks, data from industry best practices, anything like that, that might be available that you could use for target setting. But in the absence of anything like that, then, you know, the guidance I would give any agency director or that I use myself would be just to use my or their collective experience and professional judgment on, you know, what is the right and the best target based on whatever it is that we're trying to measure there based on the historical data, the current situation, future plans, where we are and where we ultimately want to be. And also make sure that there's no sandbagging involved in the process, because that's something that you always need to govern. [LR333]

SENATOR KINTNER: Once you set the target, how do you measure the efforts of attaining the target or reaching the goal? [LR333]

FELIX DAVIDSON: Well, if you built good operating metrics, then it's really just a matter of continuing to maintain and update those every day, week, month, or quarter, and you know, measuring your performance relative to the metric and the target that you've set. So the key is having a good metric and updating it frequently so that you can understand your performance on as close to a real-time basis as possible. [LR333]

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SENATOR KINTNER: Ronald Reagan once said that, when looking at welfare, we don't want to measure success by how many people are receiving welfare services; we want to measure success by how many no longer need it. In that spirit, is that what you found when you started to look into some of our agencies, that they're judging by how many we're serving versus how many people no longer need our services? Have you found that at all in our government?

[LR333]

FELIX DAVIDSON: No. I have not found that to be the case. [LR333]

SENATOR KINTNER: Good. Fantastic. Thank you for coming. [LR333]

SENATOR MELLO: Thank you, Senator Kintner. Any other questions from the committee? I've got a couple, Mr. Davidson, and maybe it's a follow-up from Senator Kintner. I know Department of Correctional Services has been working through a process to develop these metrics that can be more public metrics that the public can measure success or failure, we as the legislative branch can measure success or failure. In your working with other agencies, are other agencies along that similar path right now that we should be seeing more public metrics being released, similar to what you've done with ACCESSNebraska in regards to operational aspects of agencies of saying here is where we can judge success or failure, and how that translates, so to speak, into their budget requests come 2017, any deficit requests for this next year? Can you give us a time line at all? Is that a reality that we will be seeing sometime in the near future? [LR333]

FELIX DAVIDSON: Well, to be specific, I've been working with the 20 code agencies that report to the Governor. And I think as you all know, there's hundreds of boards... [LR333]

SENATOR MELLO: Yeah. [LR333]

FELIX DAVIDSON: ...and commissions and the university system and probably a lot of other governmental agencies I'm not aware of that are out of scope. But specific to the 20 code agencies that report to the Governor, each agency is in kind of a different phase of the maturity of their metrics. Some are, you know, pretty good, and some still have a long way to go before I would say they're ready for prime time. But I think ultimately the real measure of success is that

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these metrics have become a good management tool for the leadership of the agencies and anybody else that they want to share with that would be a key constituent that wants to understand how they're performing. [LR333]

SENATOR MELLO: You see that the need to make them public, though. I mean I think the issue from a legislative perspective, prior to your arrival, prior to Governor Ricketts' arrival--so I'll just say it--under the previous administration, the challenge we had as a legislative branch was getting that information and making that public in regards to determining whether or not a program is successful, whether or not an agency is meeting its intended goals or outcomes, not just through the budget process but from an operational or management perspective. Do you see the need, though, in the sense of making sure that these metrics that are being developed with the code agencies become a very public document; that it becomes a very public buy-in, not just from the Governor and yourself on down from a management perspective but from a public perspective, that we as a separate branch of government, the taxpayers in general, see as a public document guiding, so to speak, the state government under the Governor; that these are metrics that we anticipate the agencies will achieve and when they don't achieve them we'll go in and find out what went wrong and what we can do to fix it in the future? Do you see that as critical in regards to being able to move forward with what the agencies you're working with on? [LR333]

FELIX DAVIDSON: Well, I believe transparency in government is always important, but I also know that it's very easy to take complex data out of context. So my belief there would be that when we think the metrics are good and easy to understand and provided with the appropriate context so people can really understand, you know, the so what related to whatever we're measuring there, that it would be important to share those, because ultimately people want to know how their government is performing and, you know, I think it becomes a good tool. For example, a lot of the things we measure is inspection and permitting processes. And why wouldn't we want to share that so we can set expectations on, hey, you know, X percentage of these inspections or permitting requests get reviewed and approved within our targeted service level, and you know, make that information available to all the people that have an interest in that? [LR333]

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SENATOR MELLO: Thank you. Any other questions from the committee? Senator Haar.  
[LR333]

SENATOR HAAR: Yeah. You know, I agree that metrics are really important. But kind of in response too, Senator Kintner brought up the issue of, you know, in for-profit business and so on, it's profit and market share, and neither of those apply to government, really. We're not looking to make a profit or we're not looking at market share. We're, if anything, we direct our goals towards things we want to accomplish. So how do you use metrics in that situation? [LR333]

FELIX DAVIDSON: Well, you know, a good example would be the one that I just provided. You know, a lot of the activities of the different code agencies, you know, revolve around inspection and permitting processes. So how long does it take us to process an inspection or a permitting request? [LR333]

SENATOR HAAR: Right, that's a good example. [LR333]

FELIX DAVIDSON: And having metrics around that ultimately is a really good management tool for the respective agency. But it's also important to set the expectations of the consumers that are on the receiving end of those processes. So you know it's a good example of how I think oftentimes the statement of, you know, we want to run government like a business is really taken out of context. I think a better way to frame it would be, you know, government is not a business. They're obviously very different. But there are a lot of similar aspects within the operations of government that you would find in any large, complex enterprise. You know, for example, there's accounting. You know, there's financial management. You know, there's operational processes, there's human resources. And you would find those in any large, complex enterprise and, you know, that's where we would like to, and I believe should, apply best business practices to the areas of government that, you know, they can be helpful to. [LR333]

SENATOR HAAR: So one of the things probably we as legislators need to learn is if we could frame more of our goals in terms of metrics, I mean so that...and the one that just came up in terms of, for example, sustainable funding of health departments, if up-front we could come up

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with some kind of metrics that may be percentages or whatever, that could help us evaluate things down the road. [LR333]

FELIX DAVIDSON: Without question, I mean you know, if there's no clear understanding of what an organization is trying to achieve and how they're performing relative to achieving it, it obviously makes it incredibly difficult for you to make well-informed decisions around the work that you're doing. [LR333]

SENATOR HAAR: But some of those, almost the way you're talking, the metrics goals ought to be up-front in a way. That would really be helpful. [LR333]

FELIX DAVIDSON: I would think that that should happen. I would make that an expectation. That would be my recommendation,... [LR333]

SENATOR HAAR: Yeah, interesting. [LR333]

FELIX DAVIDSON: ...is that if somebody can't measure or clearly state the outcome that they're trying to achieve, then it makes it almost impossible to make a really well-informed decision relative to the appropriations process. [LR333]

SENATOR HAAR: Thank you. [LR333]

SENATOR MELLO: Senator Bolz. [LR333]

SENATOR HAAR: Interesting. [LR333]

SENATOR BOLZ: Increasingly, we see government functions administered through contracts and through relationships with third parties, whether that's a contract with a pharmaceutical company to manage the medications in Corrections or it's managed care for behavioral health. So I'm just curious to hear your thoughts about how we maintain those principles of oversight, accountability, transparency, efficiency as it relates to administering government programs and services through contractual relationships. [LR333]

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FELIX DAVIDSON: Yeah, that's a great...that question is a great example of how, you know, best business practices can be applied to a government process to help enable better outcomes, because, you know, a good business practice would be, you know, vendor management, you know. So when you have a contract with a vendor and you know they're obligated to provide certain services, what's your process to manage them and ensure that they're delivering all of the services they're supposed to provide. And I think there's a big opportunity for government to do that much better and help ensure and manage our vendors to ensure that they're delivering the services at the level and quality that they're obligated to in the contracts that we have with them. And I think if we do more of that, we'll uncover a lot of opportunities where our vendors can and should be doing a better job and help us deliver better outcomes for everybody. [LR333]

SENATOR BOLZ: How do you do that functionally from your position as Chief Operating Officer? And I guess maybe I'll give a specific example of something I'm working with in my professional life. I work with disability service providers. We moved to on-line billing. And the vendor implementing on-line billing, we've had some challenges. So what does that look like? How do you make that real? [LR333]

FELIX DAVIDSON: Well, you know the key from my seat would be, one, trying to design something that is scalable across as much of the state as an enterprise as possible. So the design for scalability is an imperative in that context. But what it would look like at kind of a tactical level would be just putting in place a process whereby we would ensure that every quarter we're meeting with every vendor to review their delivery relative to the services that they're supposed to be providing and that we have the data behind it to measure their performance. And if they're not meeting their performance, that you have the conversations around the why and what are they going to do to make it better and what...you know, a clear understanding of the implications behind it. So it's not highly complex but it does require an investment of time and energy and discipline and a commitment to do it. [LR333]

SENATOR MELLO: Thank you, Senator Bolz. Senator Stinner. [LR333]

SENATOR STINNER: I have a two-part question and it all centers around this idea of cultural excellence that you used. In order to get to cultural excellence, you have to change the culture.

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And of course, you're trying to do some measuring sticks and you change focus of a department or a function by changing how you measure. I get all of that. But cultural change many times has to do with people and sometimes replacing people. And you have indicated that you looked at 20 code agencies or overseen. How is your assessment of the folks? [LR333]

FELIX DAVIDSON: Well, you know, that's very true is that, you know, it's very easy to say, you know, we want to be...we want to achieve operational excellence and, you know, just do it, but the reality is it needs to happen organically. It needs to become a part of the culture of the organization, really rooted in the belief that regardless of how well you may do something today, that you can always find a better way to do it. And I'm really encouraged by the leadership of the 20 code agencies. You know, as we worked to lay the foundation for better, there is a lot more buy-in than I would have expected and desire to do it, and I think that's really terrific. But I think it's also grounded in some data that helps influence the outcome there. For example, if you look at the personnel almanac, you'll see that about 40-some percent of the state work force is going to be eligible to retire in the next decade and that's a problem. So how do you solve for it? Well, one of the ways that you can start work towards...to work towards solving that is to create capacity. Well, how do you create capacity? Well, you try and find ways to improve your operation so that you can absorb more work but without adding incremental expense or capacity to it, you know, in other words, become more efficient. But the key is you really have to make it a part of your culture. You can mandate it and you'll get some modicum of compliance, but it's not going to really give you the results that you want. If you really want to achieve terrific results in this arena, you need to change the culture. And that starts with the leadership but ultimately is dependent on the people at all levels of the organization, really unleashing the power of all your associates to help drive better outcomes and let them really lead and drive the process. And to achieve that is very difficult. And it's a journey. It doesn't happen overnight. But organizations that are able to get that right realize terrific benefits from it. [LR333]

SENATOR STINNER: The second part of my question is, in looking at Corrections, in looking at--and I sit on--the ACCESSNebraska Task Force, a tremendous turnover. The cost of that turnover, the cost of that churn, are you going to be able to dig into that and really kind of mine that and take a look at our pay scale and how we're doing things at that level? [LR333]

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FELIX DAVIDSON: Yeah. And that's a great example of really understanding the why, you know, so when you look at a problem, you know, superficially you can say, well, you know, we have a lot of turnover. But to really understand it before you start to solve for it, you need to truly understand the whys. And you know that would be a very good example: Well, why do we have so much turnover? But you know it started...the conversation really starts with, you know, what is our true turnover and then get really good data behind it by site, by location, by types of jobs, and really understand the different locations that we have. And you know we have much better data now than we ever have and we're starting to see a lot of those patterns and variations between our sites. You know, for example, between Fremont and Scottsbluff and Lincoln and Omaha and Lexington, you know, there's a lot of variation and each location is a little different. And we have much better data than we've ever had and we're getting a much better sense for some of the why behind it. [LR333]

SENATOR STINNER: I think you've done an outstanding job so far on that side of things.  
[LR333]

FELIX DAVIDSON: Well, I appreciate you saying that but, you know, the folks in HHS have really done a great job stepping up and, you know, I'm very encouraged by the work that they're doing there to help drive better outcomes. [LR333]

SENATOR MELLO: Thank you, Senator Stinner. Any other questions from the committee? I've got two brief ones, Felix, for you. One is the state suggestion system, the state statute that creates a process for state employees to go and provide their own ideas to agency directors to save money in an agency or change a process. The most recent report that was released a couple months ago showed again it was just indicative of the last ten years that very few employees utilize the system, very few ideas are actually acted upon when they are put forward. Is that something at all that you or your team has been looking at of maybe revising that state statute to make it more advantageous for front-line state employees to come to leadership within agencies to bring their ideas, particularly when it saves a considerable amount of money? Has that been an idea that at all you've explored? [LR333]

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FELIX DAVIDSON: Well, I'm not familiar with the state program on that or any statutes around it, although I am very familiar with types of programs like that in my prior experience. They can be very effective and powerful, but they also can lose their effectiveness over time. I think really the best way to solve for things like that is to create an operating environment where, you know, your associates can freely bring up any idea. But the leadership needs to be committed to acting on it and that kind of goes back to the cultural change. It's very difficult to mandate that type of cultural environment. But if you put the right people in the right roles and you give them the right guidance and expectations and leadership and empowerment, that's the sort of environment you just create. [LR333]

SENATOR MELLO: And the last question I've got is I think, to some extent, I can appreciate your perspective that government is not a business. It operates functionally different with different purposes and different outcomes. One of those outcomes, though, from a government entity is customer satisfaction. And I know other state governments have been exploring the idea of using a Yelp. Yelp, for the public record, is a customer service, essentially, app, a smartphone app that businesses, restaurants, retailers utilize every day across the world in regards to giving their immediate feedback when they have an interaction with an entity. Has that at all been something that you guys have explored in the previous year of maybe looking to expand the state's customer satisfaction or customer surveying with taxpayers or in the cases that we see with the Department of Environmental Quality, people applying for permits to get more immediate customer feedback? Has that at all been an idea that's been explored? [LR333]

FELIX DAVIDSON: It absolutely has. You know, one of the priorities for the Governor is, you know, to have a more customer-focused government, which is really important obviously in any successful enterprise. You know, it really starts with focusing on your customer. And we have had a lot of dialogue around how we could, you know, get more direct input and feedback from Nebraskans to help us influence better outcomes. And the key to that is really design, because if you get the design wrong it could be hard. And government is complex because you...the design challenge there I think would be, you know, city and county issues relative to state issues and how would we account for that in the design for how we collect it. But ultimately, we care very much about, you know, the customer, you know, how we're doing for our customers, for

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Nebraskans as a whole. And we want to find ways to give them more of a voice in influencing outcomes. [LR333]

SENATOR MELLO: Great. Great. Maybe we can ask Ed about that when he comes up. (Laugh) Any other questions from the committee? Seeing none, thank you, Mr. Davidson. [LR333]

FELIX DAVIDSON: Thank you very much. [LR333]

SENATOR MELLO: Next we'll have Ed Toner, CIO for the state of Nebraska. [LR333]

ED TONER: Good morning. My name is Ed Toner, E-d T-o-n-e-r. I am Chief Information Officer for the state of Nebraska and head of the office of the CIO. I was appointed to my position by Governor Ricketts on June 9 of this year. My background: I have close to 20 years of IT management experience in private industry, which includes transaction processing, both payment card industry and securities area. During this time frame I also spent one year full-time on Lean process improvement, limiting waste, while earning a certification as a Six Sigma Black Belt. During that year I was credited with approximately \$3.2 million in yearly recurring savings. I began my career working as an industrial engineer in manufacturing, which exposed me to quality and efficiency programs such as Zero Defects and just-in-time manufacturing. I've used that experience throughout my career. When I joined the state, I took an appraisal of our current environment. And the current environment in the state of Nebraska, as far as in regards to the IT infrastructure and organization structure, is that the majority of the state agencies manage their IT functions as an independent department within the agency. This invites inefficiency by design. Current structure blocks basic efficiencies, blocks risk mitigation by inhibiting automated server management, maintenance, alerting, and security monitoring. This decentralized approach to technology comes at a higher expense as it fails to optimize resources across the enterprise and fosters the duplication of applications and disparate infrastructure technologies with no central operational control. Where are we going? As Governor Ricketts announced on October 21 of this year, we are currently engaged with several agencies, which include State Patrol, HHS, Department of Roads, Department of Corrections, to centralize infrastructure and domains. Our goal is to centralize all agencies within the OCIO within the next 18 months, and I feel it can be accomplished if all agencies fully participate in this

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transaction. I agree it is an aggressive time frame. In order for this hybrid structure, and I'll define hybrid, in order for this to work there has to be a strong cooperation and collaborative management between the OCIO and agency IT management. As was mentioned earlier, full control, full dictatorship is probably not a good structure. What I propose is something in between pure centralization with total control and decentralization, which is what we have now. The one advantage of decentralization through all my studies is that a decentralized environment, the customers feel like their needs are better addressed. So my proposal is to centralize those functions that aren't unique to an agency. In other words, all servers should be moved and maintained within the datacenters of the OCIO. That's the infrastructure piece. Along with that, the domains, we should all be on one domain so I can manage and secure those domains across agencies. Those are not unique to their services. All enterprise applications should be managed by the OCIO. Example would be your e-mail, financial systems, HR systems. Those are not unique. So anything that is being used by more than one agency should be under the control of the OCIO. That, therefore, then gives that anonymity and that support for those agency-specific applications to be maintained within the agencies. They would have their own help desk for their clients. I believe that is a true middle ground that will both save the state money and, at the same time, meet the needs of the agencies and the citizens that those agencies serve. In closing, decentralization efforts underway have already resulted in cost savings, was mentioned earlier. And also, I expect enhanced quality of the service to be measured by the metrics that Felix talks about--those are provided monthly--with much less duplication and, therefore, lower costs. This will allow the IT staff to concentrate on common tools, common processes, and common procedures. [LR333]

SENATOR MELLO: Thank you for your testimony today, Director Toner. Are there any questions from the committee? Senator Stinner. [LR333]

ED TONER: Yes, sir. [LR333]

SENATOR STINNER: One of the things that business and industry is all about right now is cybercrime. And I know that you're working on efficiencies. Where are you? This has to be a high priority with you. Where is your committee or your body of folks that you work with as far as... [LR333]

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ED TONER: Absolutely. [LR333]

SENATOR STINNER: ...addressing those concerns? [LR333]

ED TONER: I have a full-time information security officer on my staff. The agencies also have information security officers. My officer actually heads an organization that meets regularly to discuss cybersecurity and other security issues. One of the initiatives I talked here, which is the consolidation of domains, will help us to more effectively address that exact concern. It will allow my operations center to actually see all the activities going on across the state, not just within the OCIO boundaries. So this would be an end-to-end view. And to that end, I recently hired someone to run that group, that operations center group, which is a combination of security and really service. His focus is on service and servicing those customers, which would be our agencies and our citizens of Nebraska, with another view on making sure that we are meeting those security needs. We're also in discussions, very early discussions, with the university to partner with them so that we can share our knowledge and share all of our experiences. [LR333]

SENATOR STINNER: Have you hired anybody from the outside to take a look at your security system, your firewalls, test your firewalls, those types of things? [LR333]

ED TONER: We actually get a lot of help from Department of Homeland Security. [LR333]

SENATOR STINNER: Okay. [LR333]

ED TONER: We just received penetration testing from them. [LR333]

SENATOR STINNER: Okay. [LR333]

ED TONER: We also...MS-ISAC is a group that we get daily updates from. We share that information within the agencies and ensure that we are protected. So we partner as much as we can. I recently went with the...with NEMA, other state agencies, Nebraska State Patrol to a fusion center, which is a cybersecurity center, in Kansas to actually learn what they're doing to help model something very much like what they have there. So cybersecurity is definitely high

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on my priorities. It just so happened that the person I hired for the operations role also has a security background. That was a...he was a vice president of security at one of the local banks. And so I felt like that was the right move to make because, I agree with you, Senator, that is a very high priority for the state and for the citizens. [LR333]

SENATOR STINNER: Yeah. [LR333]

SENATOR MELLO: Thank you, Senator Stinner. Senator Watermeier. [LR333]

SENATOR WATERMEIER: Thank you, Chairman Mello. Director Toner, I appreciate you coming here today. Right away in your testimony I was glad to hear you were talking about the decentralization. And I had served on the Information Technology Commission for two years as well as on that committee. And it was just shocking to me, when I started investigating and digging into that, that there was agencies doing their own IT work. And is that going to be a monster, a real issue to get the culture changed to really...it always looked to me like you're going to have to educate that agency to, look, the other agencies can use your data and it will be helpful to them as well. [LR333]

ED TONER: Right. [LR333]

SENATOR WATERMEIER: And is that going to be monumental to change that culture change? [LR333]

ED TONER: You know, that's an excellent question and, actually, mentioning the NITC is a good lead-in. I really feel the NITC is a fantastic tool that has not been fully used and utilized. I believe we have been using it more since I came aboard. It's one of those things that I see the thought behind the NITC. I applaud whoever put that together. I think that was a tool that I'm actually using in every single aspect. And when I say "a tool," there's a lot of statutes there. To give you some examples of some of the things that I do, we introduced, when I came aboard, a review of all IT spend within the state. That was an authority given to me by the NITC. There was a lot of forethought put into that. And as I read through there, there's a lot of things that I can do through that. As far as the actual culture and getting acceptance, through the NITC I've

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published my 18-month plan and I'll continue to publish that 18 months out. So I think that transparency of everyone knowing where I'm going, I'm not hiding my intentions. I'm publishing those. I'm publishing more detailed, obviously to the internal, of exactly our time lines and our intentions. I'm meeting with every director that's involved to explain to them what is...you know, what are these advantages, the things that I've talked about here. That one-on-one relationship I think has paid off greatly. I think we are slowly changing the culture and I credit that to folks like Felix Davidson, who spoke before me, and the fact that we have a plan and that plan is I think based on common sense. I believe everyone, once they see where I'm going, why I'm going there, they can read it, they hear me talking about it at every meeting the Governor has given me, you know, exposure to talk about this, that the culture I'm actually seeing, the culture at least at the director level, to be extremely supportive. I get that feedback from my own team saying that things have changed. And I think the only thing that's really changed is that we are publishing what we're doing, we're explaining why we're doing it, and we're giving a detailed list of benefits that will come from it. [LR333]

SENATOR WATERMEIER: Thank you. [LR333]

SENATOR MELLO: Thank you, Senator Watermeier. Senator Cook. [LR333]

SENATOR COOK: Thank you, Senator Mello. And thank you, Director, for coming today. I'm encouraged to learn that you've identified ways to centralize routine operations among the agencies. I've introduced measures, and my colleagues have as well, about...related particularly to eligibility for services within Health and Human Services and maybe changing the rates at which people must reapply in an effort to be more efficient within that agency. Does your 18-month plan address that in any way, the possibilities for efficiencies within agencies, particularly Health and Human Services, with such a measure in place? [LR333]

ED TONER: We're mainly focused at those things that are being used by all the agencies. Now we certainly do get involved with any agency. I actually...the project that you're talking about I have some involvement with,... [LR333]

SENATOR COOK: Okay. [LR333]

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ED TONER: ...the EES project. But that, again, is that demarcation that I'm trying to make between that balance of decentralization and centralization, how much do I actually get involved in that agency's specific line of business, right? So we certainly would help and we do. In fact, they use our services for much of their Web content. We have multiple folks involved in their group. That specific initiative isn't in my plan because it's more...my plan is more looking at the overall structure... [LR333]

SENATOR COOK: Uh-huh. [LR333]

ED TONER: ...of the agencies and our plans on consolidation. Once that's done, isolating and actually going into those agencies and helping them would certainly not be out of scope, but I think that's later down the plan. However, anytime that we get a request from any agency, not just HHS, for any type of IT-related work, we ask, we walk them through options, we explain to them maybe some cost-effective ways of achieving what they want. Often in the past it was they were asking us for a specific technology. We're now turning that to, what are you trying to accomplish, which I think is a much better way to approach it. [LR333]

SENATOR COOK: Uh-huh. [LR333]

ED TONER: And that's helping, I think, reduce those type of time lines and things of that sort, because often...a specific case was one agency asked us for some equipment we had. We asked, well, what are you actually going to use this for? We actually had already in place the equipment they used to meet that purpose. And so they were obviously happy with that result as it was a low-cost alternative for them, plus we actually did a return. We got the return on the time line was extremely shortened because we already had it in place. [LR333]

SENATOR COOK: Uh-huh. [LR333]

ED TONER: So I think I didn't directly answer your question, but indirectly we're asking every agency why are they making that IT spend, not so much to keep them from doing what they need to do but to make sure that we maybe might have that solution or we could provide the solution at a cheaper rate. [LR333]

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SENATOR COOK: All right. Thank you. [LR333]

SENATOR MELLO: Senator Bolz. [LR333]

SENATOR BOLZ: A follow-up to Senator Cook's question, when I speak to folks in Health and Human Services, I hear frustration with the N-FOCUS system. I hear that that's a challenging system. Maybe it's outdated. So I understand what you're saying in terms of trying to unify the system and that being your top priority. But it seems to me that N-FOCUS might be a little bit of a sore spot in the broad Health and Human Services System. So I'm curious to hear your take on N-FOCUS and where that does or doesn't fit in your 18-month plan. [LR333]

ED TONER: Senator, that...a good question and, in fact, I am involved in N-FOCUS. Because of where I sit on the, again, the NITC, I review those projects. So N-FOCUS has two projects that are ongoing right now that are affecting N-FOCUS itself. I am working with the head of the IS&T, which is the IT arm of HHS, Chris Hill, working closely with him to help advise and give some direction on the N-FOCUS tool. I know that it has been around for quite a while. I do, I have taken a look at the architecture. I believe N-FOCUS is a good architecture. The one thing that N-FOCUS takes advantage of that many states don't is a centralized database. Many of the states have modules that provide all those HHS services, and what that means is multiple interfaces. I know one state has 19 modules, 19 separate applications. That makes doing any type of data analysis or interfaces between those very, very difficult. So the one thing that I have advised HHS on is the fact that it works. The N-FOCUS is an old technology but it doesn't mean it's out of date. It is a clunky interface, meaning there aren't the GUI interfaces, the graphical user interfaces, the things that need to be put in, but I don't...my advice has been that we don't abandon N-FOCUS, that we modernize N-FOCUS in place. There are the projects that are ongoing. We need to keep that in mind, that the new projects...I know the EES project, the eligibility project, eligibility and enrollment project, is still going to be dependent on N-FOCUS. If N-FOCUS isn't structurally sound, isn't working, nothing attached to it will work either. And so we can't keep our eye off the main focus, which is that N-FOCUS works. It's on a very stable...it's going to be moved to an even newer platform in the near future. We're taking it from one mainframe platform to a more modern mainframe platform, and it's the core of their system.

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The fact that it is difficult to make changes to, it is an outdated interface, I think we need to address. [LR333]

SENATOR BOLZ: And is that in your 18-month plan? [LR333]

ED TONER: That's not because that's actually...I'm working with a matrix to Chris Hill and I'm giving him advice on how to do that. And I know he is working it into his plan and I meet with him regularly and give him advice on the direction I feel he should be going with that. [LR333]

SENATOR BOLZ: Okay. I hope it's in his 18-month plan. [LR333]

SENATOR COOK: Uh-huh. [LR333]

SENATOR MELLO: Thank you, Senator Bolz. Any other questions from the committee? Seeing none, thank you, Director. [LR333]

ED TONER: Thank you. [LR333]

SENATOR MELLO: Up next we'll have Director Mark Quandahl, Nebraska Department of Banking and Finance. [LR333]

MARK QUANDAHL: Chairman Mello, members of the Appropriations Committee, I'm Mark Quandahl, director of the Nebraska Department of Banking and Finance, spelled Q-u-a-n-d-a-h-l. And I can kind of fill in a little bit or provide some color for some of the questions that you had before. Our mission at the department is to maintain the public confidence in the financial industries of the state of Nebraska, so that's what our mission is. As a very small part of our mission we do something that's called issuing executive officer licenses. The statutory mandate is found at Section 8-139. "No loan or investment shall be made by a bank, directly or indirectly, without the approval of an active executive officer." It goes on to say: No person shall act as an executive officer of any bank until such bank shall apply for and obtain from the department a license for such person to act. And so that's a part of our mission is to do that. Because of some industry concerns since January of this year, 2015, the department undertook a review of the

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processes, forms, and timing of the issuance of these executive officer licenses by the department. Our goal was to improve customer service by staying true to our statutory mandate and the department's mission. Part of the prompting of it was is that there was a bill out there, LB145 that Senator Watermeier put in, too, that actually, because of some of the frustrations of the industry, proposed to do away with the executive officer licensing process in the state of Nebraska. And so I will tell you, too, that Senator Kintner asked a question and also Senator Haar made the statement, that state government isn't a business. It isn't a business. We're not looking to profit. But one thing that we can do is we can look to deliver our services faster, more efficiently, and more effectively. And so that's what we did to provide better customer service to the people that we serve, which is ultimately the citizens of the state of Nebraska. And so just to give you a little background, currently in the state of Nebraska there are 2,280 executive officer licenses that are active in the state. Now previously, actually up until this point, the department used an application that consisted of seven pages, and we treated everybody the same. And so going through that seven-page process, obviously, was fairly onerous, and so we went through and looked at that process. And we now have two different applications, one we call the short form which is just three pages, and one is a revised comprehensive form which is five pages, because instead of treating everybody alike we now look at the individual. And, quite frankly, you know, the banking community in Nebraska is fairly small. We know most of the people that are in there. A lot of the people have already been licensed as executive officers and so they don't need the seven-page application. We don't need it anymore. Actually, they need the three-page application, the smaller one. And so also new is that we're experiencing a wave of bank mergers that involve existing executive officer licenses when they're moving from...basically, it's the same bank but they're merging down into one. Well, previously, those folks had to go through the entire licensing process. That's no longer the case. The new vision at the department is the license follows the person, where formerly the license was attached to a specific institution or bank. It's more reflective of the reality that we have in 2015. And so there are people that we call that are known to the department, and I'll give you some examples of where that happens. When a state bank merges with another state bank, which happens quite frequently and, as a matter of fact, will happen for the near future, all we're requiring now is just a letter declaring that the executive officers will transfer from one to the other. There's no fee. There's no criminal background check. And then also, too, when an executive officer sometimes moves from one bank to another, we're not requiring the full application process. We are just requiring the short

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form. So, make a long story short, the former standard was that we'd issue an executive officer license in three weeks or about 21 days. Now with the new standard we've gotten that down to seven days. And so where the rubber meets the road, we've cut seven days out of the elapsed time that the customer sees in that licensing process, and so that is a part of our process of continual improvement. We're going to continually refine this process with an eye towards improving the efficiency of the department. So that's just one small example that I'd give you. But thank you for the chance to explain that. [LR333]

SENATOR MELLO: Thank you for your testimony today, Director Quandahl. Are there any questions from the committee? Seeing none, thank you, Mark. [LR333]

MARK QUANDAHL: Yep. Thanks. [LR333]

SENATOR MELLO: Next up, Joseph Young, Nebraska Chamber of Commerce. Then we have John Bartle from the College of Public Affairs and Community Service from the University of Nebraska-Omaha, and Cameron Ludwig from Blue Cross Blue Shield of Nebraska. [LR333]

JOSEPH YOUNG: (Exhibits 16 and 17) Well, good morning, Chairman Mello, members of the committee. For the record, my name is Joseph Young, spelled J-o-s-e-p-h Y-o-u-n-g, and I'm the executive vice president for Vision Nebraska at the Nebraska Chamber of Commerce and Industry. I'd like to thank Senator Watermeier for introducing LR333 to keep government efficiency front of mind, especially in front of this committee. Vision Nebraska was started in late 2011 and is the Nebraska Chamber's long-range planning effort. It was created to find and implement programs for Nebraska, as a state, to be more prosperous in the future. And let me also start by saying the Nebraska Chamber does not advocate that this committee or Governor Ricketts run the state like a business. The purposes and functions of business and government are fundamentally different. After all, the officers of government can't take turn a profit and benefit personally from it, and a business can't mandate that John Q. Public pay 6.84 percent of its income every year. But to be sure, there are similarities, as we heard earlier, in size and scope and what should be perceived as a focus on the customer or, in government's case, on its constituents. Among other things, government efficiency was identified as an important step to ensure that the cost of government and, therefore, the tax burden that is placed on Nebraska

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taxpayers wasn't an impediment to overall growth of the economy. During our research, programs like Lean Government, Kaizen, and Six Sigma all offered promising and proven methods for process improvements that have saved companies and government agencies significant dollars and customers or constituents significant time. And as you heard earlier, our government currently is doing a lot of good work as far as process improvements, and that's great. Iowa is another state that has implemented Lean Government programs in their government as well. In fact, since 2003 they have improved 245 different functions of state government. Those range from reducing delays of health facilities' complaint intakes by 80 percent to improving their department of revenue protests by way of reducing steps in that process by 35 percent and reducing delays by 39 percent. And I would encourage you to get on the Iowa department of management's Web site. That's...they have a lot of the...actually, all of the results listed on there. It's pretty impressive by any measure. I should also add that we are not advocating for process improvements as a means to reduce staffing levels of state government. That would almost certainly be counterproductive. If the director of Department of Revenue told his staffers that they are going to implement a process improvement program to reduce the number of employees by 20 percent, something tells me that that program wouldn't be very effective. Rather, any staffing reductions that would come through process improvements would have to be done through attrition over a long period of time. The administration and leaders in the different departments would need to have a great partnership, like most of the departments have today, and I was really glad to hear that as well, to make something like this work. Matt Blitch, who is the Rolling Mill manager at Nucor Steel in Norfolk, couldn't be here today because of travel concerns at the time, but he did give me some written testimony to hand in on his behalf, which I'll do after mine. And I do want to highlight one paragraph from his testimony. Nucor, by the way, uses a process called 4DX. It's the four disciplines of execution, which is also a process that I participated in when I worked at Cox Communications. Matt writes: Nucor Nebraska had Rick Spencer from the Franklin Covey Group come in to facilitate the 4DX process that we now run on our own. Our first WIG, which stands for wildly important goal, was to be the safest division in all of Nucor by 2016. Although we have not yet achieved that, we have drastically improved our performance in respects to injuries and identifying hazards in the work place. We have cut our injuries in half and in some areas we have gone all year without a single injury. We have focused on injuries as opposed to recordable injuries as most manufacturing companies do. An injury could be as small as a minor abrasion. This is no

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means...or this by no means would be a recordable injury but it is an injury nonetheless and could and should be avoided, end quote. As you can see, there are many reasons why a company would improve their processes. It's not just for cost savings. In a business like Nucor, there's nothing more important than safety and they have managed to cut their injuries in half or more because they focused on improving those processes. We'd also like to applaud the Governor for his efforts on process improvements, as I said earlier. It's a clear signal...the COO hire is a clear signal internally and externally that he is highly invested in process improvements, and we appreciate that. So while we don't necessarily believe that legislation is needed at this time, we do urge the executive branch to continue to look for opportunities to improve their agencies and encourage this committee to hold them accountable in that regard. In the end, it will make everyone's life easier and save taxpayers significant time and taxes. So thank you. And I'd be willing to answer any questions you have. [LR333]

SENATOR MELLO: Thank you for your testimony today, Mr. Young. Are there any questions from the committee? Seeing none, thank you, Joseph. [LR333]

JOSEPH YOUNG: Appreciate it. I'm also going to submit Matt Blitch's testimony. [LR333]

SENATOR MELLO: Okay. Thank you. Next we'll hear from Dr. John Bartle. [LR333]

JOHN BARTLE: (Exhibit 18) Mr. Chairman and members of the committee, my name is John Bartle, J-o-h-n B-a-r-t-l-e, and I am the dean of the College of Public Affairs and Community Service at the University of Nebraska at Omaha. Thank you for the opportunity to present my views today on LR333. Please note that my remarks do not necessarily represent those of the University of Nebraska or its Board of Regents. Rather, these remarks reflect my insights as a scholar who researches government budgeting and efficiency. It is my belief that governments should always strive for greater efficiency. Quality improvement processes, such as Lean, are promising. While not a panacea, it does make good sense to rethink the process for providing public services. To do so, it is essential to attain employee buy-in and to focus on customers...focus on concerns relevant to customers. If employees are indifferent or hostile, almost any quality improvement is doomed to failure. If the state did decide to move forward with changes such as those outlined in LR333, I believe that it would be best to start out with a

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pilot project in a receptive agency that sees a need to redesign a production process. Low hanging fruit is the easiest to pick, and a productive harvest can encourage other agencies to attempt similar reforms. Certain types of production processes are better candidates than others. Frequent, standardized, high-volume processes offer significant savings for even relatively small efficiency improvements. Some examples include procurement transactions, billing, and registration processing, as you've heard before. In contrast, efficiency improvements in processes that are infrequent, unique, and low-volume are not likely to generate significant savings. For certain services such as back office processes, most citizens are not affected by the process of delivering the service, only by the outcome. In these cases, cost-efficiency is the most important value and there should be an intensive focus on making this process more efficient. Often, these interventions can be combined with improved information technology, as you've heard, to make a second improvement in the process. In other cases, quality improvement is more challenging, because efficiency is not the sole goal. Some examples include highway planning and construction, corrections programming, child protective services, or teaching college classes. In these cases, how the service is delivered is important, not just the cost-efficiency of service delivery. It is possible to improve these processes, but the approach is less obvious and requires significant knowledge of the details of the service. I applaud the objective of this resolution and encourage the committee to look deeper into the potentials to improve the efficiency of Nebraska state government. And as dean of a nationally ranked College of Public Affairs, I am willing to provide consultants and researchers to help in this effort. Thank you. [LR333]

SENATOR MELLO: Thank you for your testimony today, Dr. Bartle. Are there any questions from the committee? Seeing none, thank you, John, and thank you for your offer. [LR333]

JOHN BARTLE: Thank you very much. [LR333]

SENATOR MELLO: I believe our last testifier of the day, Cameron Ludwig, with Blue Cross Blue Shield of Nebraska. [LR333]

CAMERON LUDWIG: Good morning. My name is Cameron Ludwig, C-a-m-e-r-o-n L-u-d-w-i-g. I am the vice president of Analytics and Agile Services at Blue Cross Blue Shield of Nebraska. I'm here today to just talk a little bit about some of the work we've been doing at Blue

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Cross Blue Shield of Nebraska as an example or a reference for you as you're considering this motion. Blue Cross Blue Shield of Nebraska is a Nebraska-only business. And as we are operating only within the state, we are mutually held, owned by our members, and we operate on very narrow margins. As we are increasingly facing federal regulation and taxation, that creates an environment where we have to fundamentally rethink how we operate if we were continue to...able to continue to offer the coverage that our members need. So about five years ago we began a cultural and operational transformation, based on the practices of Agile and Lean, to really think very differently about how we operate. When you think about Agile and Lean practices, and really many of the other disciplines that are similar, when you boil them down to their essence, there's really a few basic concepts that are involved here that run throughout all of these disciplines, things like eliminating waste, doing work in smaller phases or batches. And really, most importantly, what we're doing is we're rapidly adapting to our environment. Instead of committing to courses of action that take multiple years, really breaking things down into much smaller phases, learning from those phases, and adapting so that we can respond more quickly to environmental factors. As we consider these different approaches, what they do is they allow us to sense and respond to things, learn lessons, change our approach, and rapidly iterate through whatever it is that we're facing. So a quick example, we use a specific methodology called Scrum. The names don't really matter. What matters are the concepts. But in the way that we approach things, we would take a typical technology project and in the past what we call a waterfall approach. The approach that you would take is you would spend sometimes months talking to people, understanding what the needs were. Then you would spend additional months designing that work and documenting it and getting it all down. Then you would begin to design work and that could take months. You would begin to develop that work, and then you would test it, and then you would deploy it. So you're in sometimes a year or more before you're able to learn any lessons, to find out are you actually developing things that people need. So in an Agile mind-set, you take that same amount of work and you slice it very, very thinly across the top. So you take a very specific feature and you say, let's say you're building a Web site and part of that Web site is being able to select a product. So instead of building the entire Web site, you take simply offering products on the Web site and you take a very...maybe you're only showing one product, and you take that very small and you do all those same steps but you iterate through that and you do all of that in a one- or two-week or even a one-month period. You get that all the way to a production environment where you can see that work, and then you try it. Then you learn.

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And what you frequently find is you're taking the same amount of work and you're just slicing it differently, but as you iterate through you never arrive at the same destination that you thought when you began, because you learn along the way. And many times you find that when you get part of the way there, you realize you don't need to go all the way. And projects shrink very drastically because you're finding that you're getting the value that you needed much more quickly. So that's just one very smaller example of how we're taking very large projects and managing them down much smaller. That's a technology example, but we've really taken those principles. We've extended them into our business operations and all the way even to how we make all of our decisions about the projects that we do, the way that we spend our discretionary budget, as well as all of our IT capacity and resources. So using some of those same concepts is how we've operated and, over the course of the last five years, transformed our culture. Any questions? [LR333]

SENATOR HILKEMANN: Thank you, Mr. Scrum (sic). Anyone have any questions? Or...Mr. Scrum. (Laughter) [LR333]

CAMERON LUDWIG: I've been called worse. [LR333]

SENATOR HILKEMANN: Mr. Ludwig, yes, yes, yes. Any questions for Mr. Ludwig? [LR333]

CAMERON LUDWIG: All right. Thank you. [LR333]

SENATOR HILKEMANN: Seeing none, thank you very much, Mr. Ludwig. Are there others who wish to testify on LR333? Seeing none, we'll have Senator Watermeier close. [LR333]

SENATOR WATERMEIER: (Exhibit 14) I really didn't have a planned idea on how to close. I appreciate it, Chairman Hilkemann. But I wanted to kind of...I just got this letter from Richard Baier this morning and I read through it real quickly, and I just kind of wanted to read a couple of sentences into record, because I think Richard hit a couple points here. One of the paragraphs he says: Based upon my personal experience--this is Richard Baier saying...speaking, not in regard to the Bankers Association but in his personal aspect--I think it is impossible to run government just like a business. The target audience, long-term goals, and fundamental

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expectations are uniquely different. However, I strongly believe that taking time-tested quality and productivity improvement strategies from the private sector and applying them to the public sector can be profound results. And a couple other sentences here: There exists a wide body of knowledge and experience across our country that indicates improvement strategies like Lean, Kaizen, Six Sigma, and change management can be successfully implemented in a nonprofit and public sectors. Today at least 13 states with leadership from both sides of the political spectrum has aggressively implemented Lean government programs. And the last one: Several Nebraska public-sector organizations have used Lean concepts, including Kaizen, to make significant process improvements. And in closing, I guess I would just say I couldn't help but think about Senator Haar's question when you were talking about things that government wants to do or we want government to be doing. And I think I know where you were heading with that, I guess what I assume was maybe new issues that we need to be in front of that can't really be considered in a business aspect. And I would agree with Richard Baier, what he says here, is that government is never going to run like a business because we do have different revenues and tax results and we have different expenditures. So that idea that we're going to run like a business is out the window, but there's certainly things we can do little by little to do it better. But coming back to Senator Haar's point is the whole idea behind government efficiencies is that the way I look at the budget, and I've looked at it so much, is that 86 percent of our budget is nondiscretionary. And that's the only chance we have to work on things that are more efficiency. And inside that 86 percent is a huge possibility and a huge improvement to gain efficiencies, that we can hopefully not, you know, not increase government. But we can do better in that regard but be available to do the things that we need to build infrastructure and to do the things that I think you were getting to with your question. So I would just leave it, in closing, with that regard. That's where I'm heading with this idea. I dropped it in the bucket right at the last minute on the last day. I really hadn't thought about it too awful much, but conversations I'd had with some other people kind of inspired me to do it. So I appreciate you sticking around for an hour past noon. I know I'm in the way of lunch, so thank you, Mr. Chairman. [LR333]

SENATOR HILKEMANN: You're welcome. That will end the hearing then on LR333. Thank you very much. (See also Exhibit 19) [LR333]