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Appropriations Committee
January 22, 2018

[LB944 LB945 LB946]

The Committee on Appropriations met at 1:30 p.m. on Monday, January 22, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB944, LB945, and LB946. Senators present: John Stinner, Chairperson; Kate Bolz, Vice Chairperson; Rob Clements; Robert Hilkemann; Dan Watermeier; and Anna Wishart. Senators absent: John Kuehn, Mike McDonnell, and Tony Vargas.

SENATOR STINNER: Welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and I represent the 48th Legislative District. I serve as Chairman of the committee. I like to start off by having members do self-introductions, starting with Senator Watermeier.

SENATOR WATERMEIER: Dan Watermeier from Syracuse.

SENATOR WISHART: Senator Anna Wishart from District 27, west Lincoln.

SENATOR BOLZ: Senator Kate Bolz, District 29, south-central Lincoln.

SENATOR STINNER: John Stinner, District 48, all of Scotts Bluff County.

SENATOR HILKEMANN: Robert Hilkemann, District 4, west Omaha.

SENATOR CLEMENTS: Robert Clements, Cass County, parts of Otoe and Sarpy County.

SENATOR STINNER: I believe we have two senators that did not make it to work today so they will not be present, but I believe Senator Vargas will be joining us later. Assisting the committee today is Jenni Svehla, our committee clerk. At each entrance you will find green testifier sheets. If you are planning on testifying today, please fill out a green sign-in sheet and hand it to the committee clerk when you come up to testify. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearings. To better facilitate today's proceedings I ask that you abide by the following procedures. Please silence or turn off your cell phones. Move to the reserved chairs when you are ready to testify. Order of testimony will be introducer, proponents, opponents, neutral, and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency and we will then hear testimony from anybody who wishes to speak on the agency's budget request.

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Spell your first name and last name for the record before you testify. Be concise. It is my request that you limit your testimony to five minutes. Written materials may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand so the page can make copies for you. With that, we will begin today's hearing with Gerry Oligmueller. I'll get that right before I resign or leave.

GERRY OLIGMUELLER: (Exhibits 1 and 2) That's okay. Chairman Stinner and members of the Appropriations Committee, for the record my name is Gerry Oligmueller. My name is spelled G-e-r-r-y O-l-i-g-m-u-e-l-l-e-r. I'm the State Budget Administrator and administrator of the Department of Administrative Services, Budget Division. I'm appearing here today on behalf of Governor Ricketts in support of LB944, LB945, LB946, which contain the Governor's mid-biennium budget adjustments. The contents of this legislation have been summarized and presented to you in a printed publication entitled "Mid-Biennium Budget Adjustments 2017-19 Biennium" and dated January 10, 2018. I have provided a copy of that printed publication, along with my prepared remarks, to the committee clerk for your record. In addition, we have posted this publication on the State Budget Division Web site at Budget.Nebraska.gov. The state of Nebraska ended the most recent fiscal year, 2016-17, with tax receipts \$34.2 million less than the certified forecast for that fiscal year. This past October, the Nebraska Economic Forecasting Advisory Board decreased its estimate of net General Fund tax receipts for the current biennium by about \$224 million. As a consequence, the Tax Rate Review Committee report in November noted a budget gap of approximately \$173 million for the current budget biennium. The Governor's recommendations contained in LB944 include \$103.2 million in General Fund appropriation reductions and also include \$55.2 million to address mid-biennium budget requests. This results in an overall reduction in General Fund appropriations of \$48 million in the 2017-19 biennium. In addition, the recommendations contained in LB944 also eliminate \$1.1 million in FY '17 General Fund reappropriations in FY 2017-18. LB944 and LB945 together propose additional transfers or changes to existing transfers to the General Fund that will decrease revenue...or increase revenue by \$16.7 million. LB946 proposes a transfer from the Cash Reserve Fund to the General Fund of \$108 million. The Governor's recommendations provide for a 2017-2019 biennium ending General Fund balance of \$226.8 million. In addition, the 2017-2019 biennium ending Cash Reserve balance is \$273.9 million. My understanding is that you've been briefed on the mid-biennium requests and recommendations and are completing your preliminary decisions. Also, you've scheduled hearings for January 30 through February 14 with individual state agency, boards, and commissions for your further consideration. In addition to LB944, LB945, and LB946, the Governor has proposed a tax relief and work force development measure which has been referred to the Revenue Committee. There are no other legislative bills introduced at the request of the Governor or his cabinet agencies that affect the enacted 2017-19 General Fund biennium budget. I do have one technical amendment regarding

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LB945, which I have shared with the committee clerk. As always, we look forward to working with you as you consider mid-biennium budget adjustments during this 2018 Session of the Legislature. Thank you. Are there any questions? [LB944 LB945 LB946]

SENATOR STINNER: Any questions? Senator Wishart. [LB944 LB945 LB946]

SENATOR WISHART: Well, thank you so much for being here today. We were both in a briefing about the dynamics between what is going on, on the federal level, in terms of tax changes and how that will affect us at the state level. And I believe, and this is just an approximate number, we will see an additional \$200 million because of the changes that were going on at the federal level in terms of revenue. Is there any discussion with the Governor about using that additional revenue to...instead of making some of the cuts that we're making here? [LB944 LB945 LB946]

GERRY OLIGMUELLER: The Governor is working with the Department of Revenue... [LB944 LB945 LB946]

SENATOR WISHART: Uh-huh. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...and Revenue with Senator Smith I believe to identify changes in Nebraska's tax code that would have the effect of neutralizing any otherwise increase in taxes in Nebraska as a consequence of the federal tax law changes. [LB944 LB945 LB946]

SENATOR WISHART: Were there any discussions about whether in some of those cases maybe we didn't move forward with that, so that we didn't have to cut some of the agencies that we're cutting? [LB944 LB945 LB946]

GERRY OLIGMUELLER: I think the Governor's position is to not increase taxes on Nebraskans and so the focus on the changes that will be brought forward in that regard are to neutralize what otherwise would be a tax increase. [LB944 LB945 LB946]

SENATOR WISHART: Okay. [LB944 LB945 LB946]

SENATOR STINNER: Senator Bolz. [LB944 LB945 LB946]

SENATOR BOLZ: Hi, Gerry. [LB944 LB945 LB946]

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GERRY OLIGMUELLER: Hi. [LB944 LB945 LB946]

SENATOR BOLZ: A few questions: The first, quickly, I've looked and I don't have a copy of the amendment you referenced. Is it truly technical in nature? [LB944 LB945 LB946]

GERRY OLIGMUELLER: It's an amendment to LB945. It's a section dealing with a potential transfer from the Medicaid Intergovernmental Trust Fund and inserts a phrase that says, after that fund, the Nebraska Tobacco Settlement Trust Fund, if that were necessary to satisfy that full \$15 million transfer. [LB944 LB945 LB946]

SENATOR BOLZ: Okay. Well, I would refer to that as substantive so I'm sure we'll talk about that when the agency hearing comes up. But since we're on that subject, it was...it's something that's on my mind anyway. I'm concerned about paying for what I understand to be encumbered or carryover funds that are occurring as a result of challenges in the child welfare system, using funds from the Health Care Cash Fund for that. I don't know that that's the original intent and purpose of the Health Care Cash Fund. I find it concerning that we would take it from sort of an endowment fund rather from...than from the General Fund. And I'm just curious what the logic behind pulling from that fund was. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, the Health Care Cash Fund is used for a number of appropriations, particularly in the Health and Human Services area, with the exception that in the current enacted budget there are two transfers that the Legislature included to the General Fund for just general purposes of financing state government. So the Department of Health and Human Services indicated that they were short on the amount of appropriations necessary to satisfy prior year obligations in the area of child welfare. And so as we constructed our recommendation for FY '18 and '19 and tried to reestablish that child welfare base, if you will, to finance child welfare services, we looked for a mechanism that would prevent prior year obligations drawing on the subsequent (inaudible) base appropriation for child welfare without needing additional General Funds. And so this is what we identified as a source, source related to Health and Human Services, to finance programs that whose transfer would only be made if they could certify that at the end of the fiscal year '18 the appropriations we provide are not sufficient to satisfy prior year obligations or obligations occurring in FY '18 so that by the end of the biennium they are not short on financing child welfare services. So it's conditioned on demonstrating that in fact that at the end of FY '18 they're not in a position to satisfy their obligations. Otherwise, it doesn't occur. And other...and that approach was taken simply because it didn't require committing, not knowing, \$15 million of additional General Funds in FY '18. [LB944 LB945 LB946]

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SENATOR BOLZ: Uh-huh. I appreciate you walking me through that and we'll have further conversations on that. I think it's worth discussion about options and alternatives there. But one point of clarification, I don't want to put words in your mouth and I don't mean to make you say anything that I'm...I'm just trying to clarify. Is one of the reasons that you chose Health Care Cash Fund a concern that that might be an ongoing need versus a one-time need? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, this, the issue we're attempting to address with Health and Human Services, is clearly a one-time issue... [LB944 LB945 LB946]

SENATOR BOLZ: Okay. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...from my perspective as I worked on that budget. [LB944 LB945 LB946]

SENATOR BOLZ: Okay. Okay. That's helpful that the thought is that that, that \$15 million cleanup, is a one-time... [LB944 LB945 LB946]

GERRY OLIGMUELLER: Right. [LB944 LB945 LB946]

SENATOR BOLZ: ...or hopefully, we can hope that. One more question, if I may, Mr. Chairman. I would like to hear you talk a little bit about the philosophy behind the across-the-board cuts because there were some agencies and entities that were held harmless and others were not. And I would be curious to hear you talk about how you made those choices and discernment. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. So we're mid-biennium as it relates to the currently enacted biennial budget, and both the Governor and the Legislature clearly went through a process in the 2017 Session of identifying and establishing priorities as it relates to the biennium 2017-19. Took a very similar approach to that taken during the 2017 Session in that we identified those areas that for a practical reason maybe can't be cut, like a constitutional salary, for example, and others that were priority, clearly a priority as the budget was enacted by the Legislature for 2017-19 biennium. And those priorities are represented principally by the exclusion of about 70 percent of the state budget, General Fund budget, from the 2 and 4 percent reductions. So the approach taken this year was very similar and consistent with the approach taken in the 2017 Session and the approach taken by the Appropriations Committee and consequently the Legislature. So that was our thinking and general approach there as far as 2 and 4 percent adjustments. [LB944 LB945 LB946]

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SENATOR BOLZ: Uh-huh. Right. I appreciate that and appreciated the choices on some of the discrete issues. You and I both know Developmental Disabilities are close to my heart. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Correct. [LB944 LB945 LB946]

SENATOR BOLZ: You holding them harmless because they don't have other funding, pay sources, that was a...I appreciate the recognition of that choice. But there were some others that I think are worth dialoguing with...between this committee and the administration and as a group and on the record, because there were some agencies, like Transportation, which were not cut last year nor addressed this year. They were held harmless while entities like higher education that not only took the 2 and the 4 (percent) this year but took the 2 and the 4 (percent) on top of a deeper cut than other entities and agencies, because we took those cuts without putting back in their salary and healthcare benefits. So that's more of a comment than a question and you're welcome to reply, but I found some of those choices hard to understand. I think we'll have to keep talking about them. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, there's just...there's an abundance of a little bit of nuance as you work your way through a budget this complex certainly as you go agency by agency. And so there's just, you know, a little bit of difference that occurs here and there. And since you brought up the university, for example, I'd simply say that when you look at a 2 and 4 percent across the board, for example, for the university that has a little bit different meaning than it does, let's say, for an agency that's 100 percent state funded and has no other source to go to either to deal with its reductions. When you look at the university on an overall basis, depending upon what you're comparing to, for example, you can see a growth in their overall budget and it's a consequence of them reaching to other resources to manage their budget. So there are some state agencies in state government that are taking 2 and 4 percent cuts that translate into something significantly more meaningful than an agency that has multiple sources of funding, whether it be cash or federal grant awards or maybe revolving funds as well. So that's just an example of a bit of a nuance that occurs, too, as you work your way through the budget. [LB944 LB945 LB946]

SENATOR BOLZ: Sure. I don't want to belabor your testimony but I'll mention that Transportation does have multiple funding sources. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

SENATOR STINNER: Thank you, Senator Bolz. Senator Hilkemann. [LB944 LB945 LB946]

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SENATOR HILKEMANN: Thank you for being here today. At the Governor's press conference that we had before his State of the State and he presented this budget, he was...he kind of outlined a plan going forward that we get through this. And that did he not say that within two years that we would have the cash fund...the Cash Reserve back up to where we are, at least in the projections, that we would be back to where we are prior to this budget? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, based on the current projections for FY '20 and '21 used by the Legislative Fiscal Office in the November Tax Rate Review Committee report and restraining your spending growth to approximately 3 percent on an average annual basis, the financial statement that we included with our budget recommendation would allow you to grow the Cash Reserve Fund in the out biennium. So that, of course, is dependent upon where forecasts go in '20 and '21. [LB944 LB945 LB946]

SENATOR HILKEMANN: And do you remember what that number was he thought it would grow by? [LB944 LB945 LB946]

GERRY OLIGMUELLER: It would grow back to about \$515 million by the end of the '21 biennium. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. That's kind of what I...it's kind of what I had remembered that we were. So when we...if I am reading this and the Governor is recommending at the present time that we take, is it, \$108 million from the...transfer from the Cash Reserve? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Correct. [LB944 LB945 LB946]

SENATOR HILKEMANN: And that's going to get us down to about \$274 million. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. But within two years, if we go by what the Forecast Board anticipated is, we may have that back up to \$500 million. [LB944 LB945 LB946]

GERRY OLIGMUELLER: All dependent upon what you do this legislative session with regards to both spending and where future forecasts are with regards to General Fund tax receipts, yes. [LB944 LB945 LB946]

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SENATOR HILKEMANN: Uh-huh. So... [LB944 LB945 LB946]

GERRY OLIGMUELLER: But based on what we know today and what we've brought forward as recommendations, that would be correct. [LB944 LB945 LB946]

SENATOR HILKEMANN: So we're taking \$42 million out of secondary...but from the state colleges, the university, and from community college from this budget over the two years, close to that. That's rough numbers. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

SENATOR HILKEMANN: So is there a way that we can reduce that reduction to higher education if we're going to...if we had the projection we may be back to \$500 million in our Cash Reserve within another two years anyway? If we did...if we were not to take that deep of a cut to our secondary education or our postsecondary education, what might that number look like from what your projections are? [LB944 LB945 LB946]

GERRY OLIGMUELLER: I'm not sure how I would do it. I'm not sure how to borrow from the future to try and be responsive to the short-term need you're identifying in the 2017-19 biennium. You certainly are in a position to draw further on the Cash Reserve Fund than the Governor recommended. [LB944 LB945 LB946]

SENATOR HILKEMANN: Yeah. So is there a reason that the Governor recommends only going down to \$275 million? [LB944 LB945 LB946]

GERRY OLIGMUELLER: We were...in order to present a balanced budget for the 2017-19 biennium based on the Governor's recommendations, we needed to borrow \$108 million from the Cash Reserve Fund. That was part of balancing, rebalancing the 2017-19 biennial budget. [LB944 LB945 LB946]

SENATOR HILKEMANN: So if we were to borrow \$148 million from the Cash Reserve Fund, what would that do to the overall budget process? [LB944 LB945 LB946]

GERRY OLIGMUELLER: It would more than likely have us needing to address, as we construct it, the next biennial budget, the sustaining cost of that decision. So at some point in time you have to build a budget for the next biennium that will provide for a 3 percent minimum reserve in the General Fund and that hopefully moves us in a direction of a structural balance. So

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it just puts additional pressure on what we face going into construction of the next biennial budget. [LB944 LB945 LB946]

SENATOR HILKEMANN: From your experience, would it put our state at risk if we did that, if we drew more down from the General...from the Cash Reserve Fund for...? [LB944 LB945 LB946]

GERRY OLIGMUELLER: It would put us at greater risk. [LB944 LB945 LB946]

SENATOR HILKEMANN: Greater risk of what? [LB944 LB945 LB946]

GERRY OLIGMUELLER: You will have a lower Cash Reserve balance, at least,... [LB944 LB945 LB946]

SENATOR HILKEMANN: Uh-huh. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...from which to address any future decisions you make regarding the state budget. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. Thank you. [LB944 LB945 LB946]

SENATOR STINNER: Additional questions? I have a couple. One of them is a point of clarification on Senator Bolz's \$15 million from the Intergovernmental Fund. So what you did was to work through the budget with HHS. There is the chance that you're going to be \$15 million short. Rather than taking it out of General Funds you took it...you chose to take it out of...but normally we would take it out of General Funds. Is that...is that right? [LB944 LB945 LB946]

GERRY OLIGMUELLER: If at some point in time there were a shortfall or a deficit in the... [LB944 LB945 LB946]

SENATOR STINNER: Yes. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...child welfare budget, there would be a need for additional appropriations, General Fund... [LB944 LB945 LB946]

SENATOR STINNER: Okay. [LB944 LB945 LB946]

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GERRY OLIGMUELLER: ...or some other fund. [LB944 LB945 LB946]

SENATOR STINNER: Okay. [LB944 LB945 LB946]

GERRY OLIGMUELLER: There's always that opportunity, building a future budget, to look for alternative source, but... [LB944 LB945 LB946]

SENATOR STINNER: We're not 100 percent certain, though, that that \$15 million is going to show up, at least for today's purposes. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Right. And that's why we chose a mechanism as opposed to a hard decision to appropriate \$15 million of... [LB944 LB945 LB946]

SENATOR STINNER: Okay. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...additional General Funds. [LB944 LB945 LB946]

SENATOR STINNER: Normally, this would be a deficit request under normal situations, would it not? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, I think, you know, in their initial expression of their deficit, this last October they had identified this, and when they submitted their revised request they noted this continual challenge. I had advised them that we were looking for a mechanism to address that other than by committing \$15 million of additional General Funds,... [LB944 LB945 LB946]

SENATOR STINNER: Okay. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...not knowing if it would bear itself out by the end of the fiscal year. [LB944 LB945 LB946]

SENATOR STINNER: I noticed that reappropriations was \$1.1 million. We went back to the well a little bit. Do you want to talk, just for the record, talk about your methodology for reappropriations, who you selected, how you selected it, what percentage you used? [LB944 LB945 LB946]

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GERRY OLIGMUELLER: Okay. So during the 2017 Session, the committee revisited reappropriations and, as did the Legislature consequently, and effectively ended a policy that it started during the Heineman administration of continuing to reappropriate all General Fund ending balances at the end of a biennium. And the agencies and programs identified for reappropriation in the currently enacted budget for 2017 and '19 were those that traditionally had been appropriated longstanding prior to that policy change during the Heineman administration. So it was going back to that limited number of situations where reappropriations occurred principally because they were like new appropriations when arriving at the funding level for the involved individual agencies and programs. So when we worked on recommendations for the Legislature this year, we treated them that way, like new appropriations, and subjected them to the across-the-board percentage that was used for FY '19 to again show some restraint in the use of those appropriations, not unlike the new appropriations that had been made by the Legislature for FY '19. [LB944 LB945 LB946]

SENATOR STINNER: Okay. Let's talk about the \$273.9 million, \$274 (million) in the Cash Reserve or rainy day fund. Tell me how comfortable you are at that number, what you think is adequate for the state to carry in a rainy day fund. And obviously, we're not at that comfort level yet, but... [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

SENATOR STINNER: ...give us some commentary on the \$274 (million) and then where you think it needs to be. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Well, Senator Stinner, you explored this question with me, I know, or somebody did last time I was here, and the Governor's view continues to be that \$500 million would be an adequate balance in the Cash Reserve Fund. So his objective I think on a long-term basis is to get back to at least \$500 million in the Cash Reserve Fund. And...but today's recommendation is simply a reflection of the fact of...the facts that we're dealing with and a recognition that that fund needs to be used to rebalance the 2017-19 biennial budget. On a percentage basis, you know, I'd have to calculate it, but it looks to me like it's running right around 5 percent. I would note that, you know, the National Association of State Budget Officers recently released its report and I think the median rainy day fund across the country in the 50 states, they tend to measure it against...I think they tend to measure it against spending, expenditures as opposed to receipts. But the median was running about 5.1 percent. So we're not necessarily an outlier... [LB944 LB945 LB946]

SENATOR STINNER: Right. [LB944 LB945 LB946]

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GERRY OLIGMUELLER: ...when you look across the country, in terms of what they're currently confronting and how they're managing their rainy day funds. Some are bigger and some are smaller. But the reason I mentioned the median is there's some big states in that equation that influence the numbers pretty significantly. So, would always feel comfortable with it being higher. You know, it's where it's at in terms of the issues we're dealing with today and the objective is to, from the Governor's perspective, to make an effort to rebuild that. [LB944 LB945 LB946]

SENATOR STINNER: Okay. Now based on what I saw in the projections, as we roll forward, similar to what Senator Hilkemann was talking about, we'd have \$550 (million) in the rainy day fund if we're able to hold to 3 percent spending growth. And I believe that the tax...that his proposed tax was also built into these projections. So you've got rainy day funds going up, taxes going...being...tax relief being administered, 3 percent increase in spending growth, and the rainy day fund being the outcome of all of that discipline would be \$550 (million). So we would have an actual...and tell me if I'm wrong on those numbers. [LB944 LB945 LB946]

GERRY OLIGMUELLER: \$515 (million). [LB944 LB945 LB946]

SENATOR STINNER: \$515 (million)? So we'd have \$15 (million) extra. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Yeah. [LB944 LB945 LB946]

SENATOR STINNER: Okay. But if we would get a revenue change or forecast change upward, that would help that rainy day fund, would it not? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Yes, it would. And, I mean, long ways from the end of the legislative session. All of that is influenced by your tax policy conversation and your... [LB944 LB945 LB946]

SENATOR STINNER: Yes. [LB944 LB945 LB946]

GERRY OLIGMUELLER: ...spending conversation and a Forecast Board meeting, more than likely, on February 28, so. But you have characterized the framework that's laid there exactly right. [LB944 LB945 LB946]

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SENATOR STINNER: So we can use that as a template in terms of anything that we would look at in a new forecast and trying to project forward what might be the ending balance for rainy day, funds available for tax relief, those types of things. [LB944 LB945 LB946]

GERRY OLIGMUELLER: All...yeah. [LB944 LB945 LB946]

SENATOR STINNER: I'm just using it as a template. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Yeah. Yeah, all sort of dependent upon a lot of decisions, including the effects of federal tax law changes. (Laugh) [LB944 LB945 LB946]

SENATOR STINNER: Understood. Any additional questions? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Isn't it...it's a fun job. [LB944 LB945 LB946]

SENATOR STINNER: Senator Bolz. [LB944 LB945 LB946]

SENATOR BOLZ: Thank you. Gerry, how many years have you been doing this work? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Since 1995. [LB944 LB945 LB946]

SENATOR BOLZ: Ninety-five, okay, well,... [LB944 LB945 LB946]

GERRY OLIGMUELLER: So I think that's going on about 23. [LB944 LB945 LB946]

SENATOR BOLZ: Well, thanks for your years of service. So you remember ups and downs in the economic and budget cycle. What I'm thinking about is my first year in the body which was an up year and it was a year coming out of some budget austerity. And my recollection is that our growth rate coming out of some tough years, which would have been 2013, was a bit higher than 3 percent. Is that your recollection as well? [LB944 LB945 LB946]

GERRY OLIGMUELLER: I can remember a year or two where that was the case. [LB944 LB945 LB946]

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SENATOR BOLZ: Yeah. So I guess I bring it up only because when I think about the...my personal experience coming out of a difficult set of years and I think if we look back historically as well we see a need for a higher growth rate coming out of tough years. And so meeting that 3 percent austerity coming out of tough times might be difficult, which impacts our ability to build up the rainy day fund. And so that's just a comment for the record that, while I think we all aspire to managing our growth rates, we also have to respond to the needs that come in to this committee and it's a tough nut to crack. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Yeah. Am I permitted to offer a little comment? [LB944 LB945 LB946]

SENATOR BOLZ: Sure. [LB944 LB945 LB946]

GERRY OLIGMUELLER: I think, as Tom so eloquently sort of charted out in one of your recent publications, the sort of long-term trend path on appropriations I think was 3.5 percent for probably a 20-year period of time or more. Maybe it's longer than that. Tom could correct me if I'm wrong, but...and I think that now runs around about 2.7 percent. So, yeah, the recent history is that the state has been exercising quite a bit discipline with regards to its appropriations and been able to provide services within that framework that we're suggesting on a go-forward basis. And a little more restrictive of late, but that's sort of the...looking back, sort of the long view with regards to appropriations in any event. [LB944 LB945 LB946]

SENATOR BOLZ: But more, I would reflect, more or less depending on the given year and the circumstances leading up to it. So in...after we come out of a difficult period, there's need to have higher growth rates just to make up for lost time. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

SENATOR BOLZ: Thank you. [LB944 LB945 LB946]

SENATOR STINNER: She's talking about a...excuse me, Senator Bolz is talking about a catch-up period. There may be something in there for that. Additional questions? Senator Hilkemann. [LB944 LB945 LB946]

SENATOR HILKEMANN: I want to go back to our previous conversation. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Okay. [LB944 LB945 LB946]

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SENATOR HILKEMANN: And I wondered if now you're saying that the Governor says we could get back to this if we held the spending to a 3 percent increase... [LB944 LB945 LB946]

GERRY OLIGMUELLER: Right. [LB944 LB945 LB946]

SENATOR HILKEMANN: ...in future years. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Correct. [LB944 LB945 LB946]

SENATOR HILKEMANN: So what are we going to do to higher education? Are we going to give them a 3 percent? Again, all this is hypothetical, but would that include a 3 percent increase to higher education going forward then too? [LB944 LB945 LB946]

GERRY OLIGMUELLER: It's the state budget growing at 3 percent, so I'm not picking any particular area of the budget. [LB944 LB945 LB946]

SENATOR HILKEMANN: Right. [LB944 LB945 LB946]

GERRY OLIGMUELLER: K-12 education, higher education, Medicaid, general government operations, just looking at the state budget on an overall basis with no specific commitment to any one agency or program. [LB944 LB945 LB946]

SENATOR HILKEMANN: But you would use...you would use any kind of an increase, again, of the overall budget, again, deciding which, yeah, we'd pick and choose which ones would get some of it when we get...but, in general, are we...we're not going to...you're not locking in the university to the levels that we have...we're seeing in this year's... [LB944 LB945 LB946]

GERRY OLIGMUELLER: No, absolutely not. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. Thank you. [LB944 LB945 LB946]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [LB944 LB945 LB946]

GERRY OLIGMUELLER: Appreciate it very much. [LB944 LB945 LB946]

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SENATOR STINNER: Absolutely. Any additional proponents? Any additional proponents? Is there any opponents? [LB944 LB945 LB946]

SENATOR BOLZ: Welcome. And since this is the first hearing of the Appropriations Committee this year, I'll remind testifiers to say and spell their name for the record. Begin when you're ready. [LB944 LB945 LB946]

JANE POLSON: (Exhibits 3 and 4) Thank you, Senator. My name is Jane, J-a-n-e, Polson, P-o-l-s-o-n. I am testifying opposed to both bills. I'm assuming you're taking testimony for both bills at the same time. Is that correct? [LB944 LB945 LB946]

SENATOR BOLZ: Is that okay, committee clerk? [LB944 LB945 LB946]

JENNIFER SVEHLA: Sure. [LB944 LB945 LB946]

JANE POLSON: Okay. [LB944 LB945 LB946]

SENATOR BOLZ: Go right ahead. [LB944 LB945 LB946]

JANE POLSON: Because I have some testimony for each one. I'm here as president of Keep Nebraska Beautiful. So on LB944, I just thought I would go over a few of the programs that we have that are statewide that receive funding from the Waste Reduction and Recycling Incentive grant program. So Keep Nebraska Beautiful has implemented numerous statewide programs as a result of the grant funding from the Waste Reduction and Recycling Incentive Fund. Our Nebraska materials exchange program has diverted 10.2 million pounds of good, reusable or recyclable materials from landfill during the past 12 months. We match businesses and manufacturers who have unneeded materials with other businesses, local governments, nonprofit organizations, and schools who can reuse or recycle those materials. The savings in landfill costs and purchase costs, if they were to purchase used items of that means, was over \$657,000 in the last 12 months. Another one of our programs is the Nebraska used oil collection program, and during 2017 we collected more than 75,000 gallons of used oil and more than 10,000 Nebraskans participated. It's a way for those who do their own oil changes, farmers and others, to bring their oil to a used oil collection site--we have 67 sites across the state--so that that used oil gets reused and properly disposed of. Our Nebraska school chemical cleanout campaign has resulted in removing more than 29,000 chemicals from 237 schools across the state. More than 20,600 pounds of highly hazardous chemicals were removed and 35 schools had radioactive substances removed. We have a new initiative. It's the...an initiative to educate people about food waste. Food waste is the number one item going to landfills in the U.S.: \$162 billion is lost annually on

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wasted food, which also includes the water and energy and fertilizer and other things needed to grow the food. Forty percent of food in America is wasted so it's an initiative of ours to get Nebraskans educated about food waste and how they can reduce their food waste by donating to others or buying less, using what they have before it spoils, that sort of thing. So these vital programs and many others have been possible because of the funding of the Waste Reduction and Recycling Fund and the transfer of an additional \$900,000 from that fund during the next year would jeopardize the continuation of these and many, many other programs across the state. So I would just urge you to really consider that. There's a lot of programs that will be lost. That's my testimony for LB944 and I would be happy to take any questions. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Questions? Seeing none, thank you. [LB944 LB945 LB946]

JANE POLSON: As far as LB945, that has to do with the Litter Reduction and Recycling grant program. Keep Nebraska Beautiful is a 54-year-old nonprofit corporation, organized for the purpose of reducing litter, reducing waste, increasing recycling, beautifying and improving local communities throughout the state. Since 1978, 22 Keep America Beautiful local county and regional affiliates have been trained and certified to implement a vast variety of community improvement programs. Litter has been reduced by more than 70 percent in those KAB affiliate communities since the Litter Reduction and Recycling Act was passed in 1979. And research has shown that reducing litter and waste increases economic development, decreases crime and graffiti, and instills a sense of hope and pride that results in the building of strong communities with sustainable features. The 22 Keep America Beautiful affiliates serve more than 70 percent of the state's population. All but one of the affiliate organizations are nonprofit corporations and are in existence because of the grant funding from the Litter Reduction and Recycling Fund. Ten of the twenty-two affiliates have a full-time executive director, the others have a part-time director. With the \$700,000 that was transferred out of the Litter Reduction and Recycling Fund in July of 2017, all affiliates have had a severe cut to their 2018 budgets, ranging from 40 to 50 percent of their entire budgets. It has had a drastic effect, resulting in the directors having to reduce their hours and to reduce the programs they offer their communities. One director has already left for another job to maintain a 40-hour per week salary. Others are looking at that option. And if this bill is passed, they will have no other option but to seek other employment with a more permanent promise of sustainable salaries. My fear would then be that these longstanding organizations will simply close their doors as it's difficult for their boards to recruit new directors with unreliable salaries and the willingness to work with no guarantee of future funding. Once closed, the cost to reorganize as a Keep America Beautiful affiliate has an initial cost of \$1,000 to \$4,000, depending on the population, and the chance of that happening would probably be pretty slim knowing the Legislature now has the ability to transfer funds from the Litter Reduction and Recycling Fund at will. It is very doubtful that the communities, counties, and regions served by the KAB affiliates will be in a financial position to take on the programs, personnel, volunteer recruitment now being done by these organizations. The ultimate

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consequences would be communities with increased litter, blight, reduced recycling options, increased landfill loads, etcetera. And as research has shown, those reductions are likely to lead to decreased economic development and increased crime and Nebraska being less beautiful. I would strongly, strongly urge you at the very least to leave the transfer of the \$200,000 of the Litter Reduction and Recycling Grant Fund that was approved in 2017 and reject the transfer of an additional \$500,000 as proposed in LB945. The long-term effects of the additional \$500,000 are just too important to the economic health and well-being of our beautiful state. Thank you for your consideration. I would entertain any questions. I also gave you kind of a summary of most of the affiliates'...I wouldn't say most but many of the affiliates' work in the past 12 months. [LB944 LB945 LB946]

SENATOR STINNER: Senator Wishart. [LB944 LB945 LB946]

SENATOR WISHART: Can you walk me through how these cash funds are funded? [LB944 LB945 LB946]

JANE POLSON: Yes. The Litter Reduction and Recycling Program was started in...well, the Litter Reduction and Recycling Act was passed in 1979. And it was businesses, principally soft drink industry and beer industry and retail operations, voluntarily contributing to a Litter Fund that would help organize affiliates such as ours, because it was passed at the same time the affiliate network started in Nebraska, to make sure that those products weren't littered or that we had volunteers to help go pick them up and increase recycling options. So it was never tax dollars. It was always businesses who willingly contributed to that fund. And the Litter Act was passed with specific guidelines on how it was to be used, and last year was the first year it's ever been...those...any funds in that fund has ever been transferred out. So it was a dramatic impact to all the affiliates who had been around, since most of them have been around since the 1980s, to cut their budgets that drastically in one year. And then the waste reduction has two components, actually three. One is they get \$1.25 per ton from the tipping fee in landfills. And that portion of the Waste Reduction and Recycling Fund is only eligible to government entities to access. Businesses pay in a fee, which is a smaller side, which is...we're nonprofits such as our Keep Nebraska Beautiful and the affiliates receive the funding from. It's a much smaller pot. And then there's a scrap tire fee so that every scrap tire that's purchased they pay in to this fund as well. I also want to say that the Litter Fund is less than half of the Waste Reduction and Recycling Fund. So typically, they would give out like \$1.5, \$1.6 million out of grants out of the Litter Fund. So taking that much money out, it's taking half of the funds out. But it's more like \$2.6 to \$2.8 million of the waste grants that they give out. So taking the same amount out of that is not as dramatic as taking it out of the Litter Fund. [LB944 LB945 LB946]

SENATOR WISHART: Okay. Thank you. [LB944 LB945 LB946]

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SENATOR STINNER: Additional questions? Senator Clements. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you. I'd like for you to repeat that, the Litter Reduction and Recycling Cash Fund, what have been the normal grant... [LB944 LB945 LB946]

JANE POLSON: Amount? The total amount given out? [LB944 LB945 LB946]

SENATOR CLEMENT: ...amounts? Yes. [LB944 LB945 LB946]

JANE POLSON: It generally ranged from \$1.5 to \$1.6 million. The waste reduction would range more like \$2.5 to \$2.6 million. So not quite half but close. So taking as much out of the Litter Fund as is being proposed is much more detrimental to that fund and especially the Keep America Beautiful affiliates who get the bulk of the education portion of that fund for their operating. [LB944 LB945 LB946]

SENATOR CLEMENTS: So it's roughly 50 percent almost. [LB944 LB945 LB946]

JANE POLSON: Uh-huh. Uh-huh. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you. [LB944 LB945 LB946]

JANE POLSON: Uh-huh. [LB944 LB945 LB946]

SENATOR STINNER: Additional questions? Senator Hilkemann. [LB944 LB945 LB946]

SENATOR HILKEMANN: Do you have a...how much charitable donations do you get as an organization? [LB944 LB945 LB946]

JANE POLSON: Well, I'm not sure what all you want entailed in that but we have a membership program, so we get \$10,000 to \$12,000 maybe a year, and communities join or individuals join or businesses join. We have a couple of annual fund-raisers that we raise a lot of money for. We have a contract with the Department of Environmental Quality to do a lot of work that they would otherwise maybe do or not do. I don't know. But that, those funds come out of the Litter Reduction and Recycling Grant Fund. So I mean our budget is \$200,000 to \$230,000 a year. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. Thank you. [LB944 LB945 LB946]

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JANE POLSON: Uh-huh. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Any additional questions? Seeing none, thank you very much. [LB944 LB945 LB946]

JANE POLSON: Thank you so much. [LB944 LB945 LB946]

LINDA BEHRNS: Good afternoon. [LB944 LB945 LB946]

SENATOR STINNER: Good afternoon. [LB944 LB945 LB946]

LINDA BEHRNS: (Exhibit 5) My name is Linda Behrns, Linda, L-i-n-d-a, Behrns, B-e-h-r-n-s, and I'm here this afternoon just to visit with you a little bit about the effects of this proposed budget transfer. And just to give you a little bit of background about myself, I am the executive director of Keep Cass County Beautiful. We are a nonprofit organization and also an affiliate of Keep America Beautiful. Our mission is to educate, enable, and encourage all of our Cass County residents to take greater responsibility for the environment. Our goals are to end littering, improve recycling, and beautify communities. The NDEQ Litter Reduction and Recycling Grant Fund is the primary source of our operating budget, so I am opposed to LB945 that will allow an additional transfer of \$500,000 from the Litter Reduction and Recycling Grant Fund to the General Fund. The additional request will move \$700,000 from the litter grant, the same as was transferred in July of 2017. So I'm here just to explain a little bit about how this transfer has affected our organization. This year, with the transfer of the \$700,000, KCCB lost 40 percent of its budget from the previous year, so we will have to cut back on our programs and the time that is offered to our Cass County community that we serve. Another year with back-to-back 40 percent budget losses will force us to make additional cuts next year. Our organization educates youth and adults through research-based environmental education that is provided with training we receive from Keep America Beautiful. We host litter-free and recycling events by loaning our recycling bins for community events and during events such as our Cass County Fair. In September, KCCB hosted an environmental fair for nearly 300 fifth graders in our area. We've also helped Louisville Public Schools start a composting program by collecting food waste in the cafeteria. That food waste is then taken to a local composter who turns the food waste into rich organic compost. Cass County has also...we've also helped Cass County host three household hazardous waste events yearly where in this past year we have collected 7,000 pounds of materials that would have otherwise gone to the landfill. Our volunteers have recycled nearly 18,000 pounds of aluminum, plastics, and paper in 2017. Through our programs, we educate our community to save resources and to adopt pro-environmental behaviors that will protect the environment for our future generations. So lastly, I thank you for this opportunity to speak with you today and I appreciate your time, effort, and understanding to preserve these funds, that

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along with that preservation will help sustain all of the affiliates and the other nonprofit organizations that are trying to help keep our country, our state, and our counties beautiful so that we can promote clean, green, and beautiful communities. And also I wanted to add, too, that along with the programs that we do, we're also looking at increasing. We want to make sure that we keep our young people here in our community and also in the state of Nebraska and continue to build upon businesses. And we find that a lot of the millennials are looking to our communities to find the availability of recycling and they're concerned about sustainability. So more than ever, I think it's important that we maintain those services. Thank you. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Additional questions? [LB944 LB945 LB946]

SENATOR CLEMENTS: Oh, yes. [LB944 LB945 LB946]

SENATOR STINNER: Yes, Senator Clements. [LB944 LB945 LB946]

LINDA BEHRNS: Yes, Senator. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you, Linda, for coming,... [LB944 LB945 LB946]

LINDA BEHRNS: Sure. Sure. Certainly. [LB944 LB945 LB946]

SENATOR CLEMENTS: ...especially with the weather we have today. I was wondering if you could address how many communities in your county have participated with recycling projects. [LB944 LB945 LB946]

LINDA BEHRNS: Well, we service all of the communities in Cass County, which amounts to 15 different little, anywhere from villages of 99 to Plattsmouth, which is our largest. So about 15 different communities and then also we have two SIDs, Beaver Lake and Buccaneer Bay, that participate. I also write a quarterly newsletter and that goes out to all the communities. Anyone has the opportunity to participate in our programs. I go to all of the schools in the county and I do environmental programs on recycling and litter prevention. I do a fall program on recycling and a spring program on litter prevention. And then during the summer we offer supplies to any organizations, such as Girl Scouts, Boy Scouts. I have a school summer youth group that works with us on doing litter cleanups. So in this past year we did...I think we had 16 different litter cleanups in the county. So through the funding from the DEQ funding, we're able to provide supplies. We provide litter pickup tools, gloves, bags, all those kinds of things to help with their cleanup. And if I'm available, I'm there too helping. So I have a really good handle on what kind

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of litter we have in the county. We also do an annual litter community index where we do a drive of the county through all five of our county commissioners' districts, looking to do a windshield survey of what is our litter or like our litter count, and then we try to identify those key areas and then base our litter cleanups on those areas that are needing the most help with education and also providing litter cleanups. [LB944 LB945 LB946]

SENATOR CLEMENTS: Well, thank you. [LB944 LB945 LB946]

LINDA BEHRNS: You're welcome. [LB944 LB945 LB946]

SENATOR CLEMENTS: I didn't realize it was that broadly spread around the county. That's good to hear. Are there any fees for recycling that different areas of the county have? [LB944 LB945 LB946]

LINDA BEHRNS: As far as fees, we do...this past year we did hold four different electronic recycling collections and those were available to any of the residents in Cass County. We held one in Union, one in Weeping Water, Manley, and Louisville. We worked with Cross Electronic Recycling and there were some fees that were charged for some things, like big screen TVs, microwaves have a fee, and batteries. But the other things were all accepted for free. But then we also supplemented that cost to our consumers because we wanted to encourage recycling so Cass...our organization, Keep Cass County Beautiful, offered half of the cost of one item per household to encourage people to recycle. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you. Thank you, Mr. Chairman. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Additional questions? Seeing none, thank you. [LB944 LB945 LB946]

LINDA BEHRNS: All right. Thank you very much. [LB944 LB945 LB946]

SENATOR STINNER: Good afternoon. [LB944 LB945 LB946]

ROGER BEHRNS: (Exhibit 6) Good afternoon, Senators. Thank you for this opportunity. My name is Roger Behrns, R-o-g-e-r, last name B-e-h-r-n-s, and I'm the mayor of Louisville. And I just wanted to add a little bit to the previous two speakers from a perspective of a city in the county that receives assistance from organizations that are funded by the Litter Reduction and Recycling Grants. One of the things that we've done in Louisville is we've upgraded our recycling. We have curbside recycling and we have for a number of years. In our last waste

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contract, which the recycling is part of that, we upgraded. Instead of the little bins by the curbside that get rained on and material blown out of, we were able to switch to carts as well as multiple sizes of waste carts at different prices. The people who recycle don't generate as much waste. The little lady on the corner doesn't generate as much waste. They can benefit by several dollars a month by having a smaller waste cart. That whole process wouldn't have happened if I hadn't learned of the rightsizing of waste and the ability to do that through two different organizations that receive grants: Keep Cass County Beautiful and also the Nebraska Recycling Council. We received information and a little assistance from both those organizations in order to get that. In the process, we also saved our residents \$2 to \$3 a month on their recycling and waste in the new contract. Other things that we've gotten have been litter pickups in town. We're very proud of our town and that it is clean, but we've had a lot of cleanups done that way. And the school has recycling. They have their own trailer. They haul it in and it's in conjunction with the county. The county actually owns the trailers. And they have started food composting. That wouldn't have happened without both those organizations. So those things are important. And most recently we've just been advised that we have won a grant for ten recycling bins, permanently mounted recycling bins, for our new ball field, our park, and main street through a Keep America Beautiful and Coca-Cola grant. That wouldn't have happened without having an affiliate in the county that was doing that. There have been other grants in other towns as well, but those are just a few of the things that I wanted to bring up from the standpoint of a city. I thank you. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Any questions? [LB944 LB945 LB946]

SENATOR CLEMENTS: I have one. [LB944 LB945 LB946]

SENATOR STINNER: Senator Clements. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you, Mayor Behrns. And thank you also for coming out today. I had a question about the rightsize container program you mentioned. Does the city contract with your waste company for everybody in town? [LB944 LB945 LB946]

ROGER BEHRNS: Yes. I think that's an excellent way of doing it. You're seeing that in some other towns around as well. But by doing that, we're able to get waste handling at a much lower cost than everybody doing it. Not every town in the county does that. I know of one that has six different haulers traveling the streets, basically every day of the week. So you've got your trash bin sitting out at somebody's house five days a week. So we can do that and we're doing it several dollars less than what...if they have to contract by themselves, and we've been very pleased with the service. [LB944 LB945 LB946]

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SENATOR CLEMENTS: And so your contract is for a different fee for each size of container... [LB944 LB945 LB946]

ROGER BEHRNS: Yes. [LB944 LB945 LB946]

SENATOR CLEMENTS: ...per household? [LB944 LB945 LB946]

ROGER BEHRNS: Yes. It works out about 75 cents is all. It's not as big as I'd hoped so we don't have as many people with the smaller trash bins. But I can tell you it's a lot easier to wheel a 35-gallon cart out than a 95-gallon. [LB944 LB945 LB946]

SENATOR CLEMENTS: And is recycling included in that contract? [LB944 LB945 LB946]

ROGER BEHRNS: Yes. Everybody gets a 95-gallon recycling cart. It's...that's picked up every other week instead of every week. And they also get a second cart free if they do. My next-door neighbor was always filling their recycling cart. They have a fairly large family. And I mentioned to her that she could get that second one just by a phone call and she was ecstatic. So that's at no additional cost. It's not much cheaper for the trash company to haul to the recycling center than it is to the landfill--now it's a transfer station in Sarpy County--but it's a lot better and they are very happy to do it. Matter of fact, it was the company's addition to the...didn't even have it in the RFP for the proposal to offer that second cart free. They did that. So they're very willing and willing to work with us. I've been pleased. [LB944 LB945 LB946]

SENATOR CLEMENTS: Thank you, Mayor. Thank you, Mr. Chairman. [LB944 LB945 LB946]

SENATOR STINNER: Thank you. Any additional questions? Seeing none, thank you very much. [LB944 LB945 LB946]

ROGER BEHRNS: Thank you, Senators. [LB944 LB945 LB946]

SENATOR STINNER: Uh-huh. Good afternoon. [LB944 LB945 LB946]

MEG MIKOLAJCZYK: (Exhibit 7) Good afternoon, Chairperson Stinner, members of the committee. My name is Meg Mikolajczyk, M-e-g M-i-k-o-l-a-j-c-z-y-k. I'm the associate general counsel and senior public affairs manager at Planned Parenthood of the Heartland. Planned Parenthood of the Heartland provides sexual and reproductive healthcare across two states: Nebraska and Iowa. Planned Parenthood sees nearly 8,000 Title X patients annually in our two

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health centers in Lincoln and Omaha, although our patients live all across the state of Nebraska. I'm testifying in opposition to the inclusion of the provision found on pages 45 and 46 of LB944. It seeks to completely restructure and likely dismantle Nebraska's Title X Program. I'm not here today to testify on the merits of this proposed policy change. Rather, my testimony is focused on process. I encourage this committee to find another way, absent the budget bills, to determine whether or not this Title X proposal is an appropriate policy endeavor and worthy of becoming law. The budget process has a few important and distinct purposes. First, passing the budget is imperative to ensuring services continue and agencies receive the financial assistance required to operate and serve Nebraskans. Second, the budget process allows time for a keen eye and precise scalpel to review and restrict unnecessary appropriation growth. Finally, the budget process invites thoughtful, efficient, and effective analysis to spur growth in state revenue to sustain those important services and programs Nebraskans rely on. The Nebraska Title X Program is part of a federal grant that exists and operates completely independent and outside of the state budget. Title X is not impacted by changes to appropriations at the state level and, conversely, the state budget is not impacted to changes in Title X. It is not vulnerable to appropriation inflation nor does it generate revenue. Perhaps most importantly, Health and Human Services made no request for changes to Title X within its 2017-2019 biennial budget request submitted in September of 2016. In fact, HHS is clear that the subprograms of Program 515, Health Aid, which is where we're tucking Title X into, fall within the Lifespan Services Unit, and those are all federally funded programs related to health, not state funded. There are no line items for Title X in the HHS request and Title X is absent from all of their balance sheets. Furthermore, when asked to list priorities and significant issues relating to Program 514, HHS responded, quote: The program anticipates no significant issues at this time. It's clear that the agency did not ask for this policy change and certainly did not request it to be considered within the budget process. HHS did not mention Title X, or more generally Program 50, in its October 2017 mid-biennium report. HHS was silent on the need to change anything about the Title X Program in its revised request in December of 2017. So my argument is not that the Legislature shouldn't consider how Title X, the Title X Program, should be structured or administered. Rather, this is clearly a substantive policy issue that operates completely independent of the state budget. It deserves to be considered within a committee with proper subject matter jurisdiction. And since the proposal deals with compliance of federal regulations and abortion, that committee with proper subject matter jurisdiction is likely Judiciary Committee. Thank you. [LB944 LB945 LB946]

SENATOR STINNER: Thank you very much for coming. I appreciate your comments. This is the Governor's proposed budget, by the way, and obviously we're going to have to deal with it in some fashion. We have set aside a specific time and day,... [LB944 LB945 LB946]

MEG MIKOLAJCZYK: Uh-huh. [LB944 LB945 LB946]

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SENATOR STINNER: ...I think it's February 5, to have...to break this out and to have a discussion relative to this. But I do appreciate your comments relative to the germaneness, is what I get--is it germane to this committee. That's an interesting discussion. Anyhow, I will entertain questions. Senator Wishart. [LB944 LB945 LB946]

SENATOR WISHART: Well, just speaking specifically to germaneness, have you looked at the ways in which other states have addressed this issue and are there any states that have addressed it within their budget? Are you seeing other states are addressing this within the committees that it typically goes to? [LB944 LB945 LB946]

MEG MIKOLAJCZYK: So I think there's a couple parts to your question. First, the way Title X is administered in different states varies greatly because you don't have to be a state to obtain the federal grant. Some states are a grantee. Some states have multiple grantees, so the state may be a grantee and some other organizations coalesce and become a grantee. So in that respect, it varies significantly. We have seen this be used as a tactic across the country to try to take away Title X funds from certain types of providers. That certainly is a trend. But in terms of actually trying to administer this grant in a meaningful, proactive way that benefits patients across the state, it just depends on how the state applies for the funds. Did that answer your question? [LB944 LB945 LB946]

SENATOR WISHART: Yeah. [LB944 LB945 LB946]

MEG MIKOLAJCZYK: Okay. Good. [LB944 LB945 LB946]

SENATOR STINNER: Additional questions? Senator Hilkemann. [LB944 LB945 LB946]

SENATOR HILKEMANN: It's my understanding that your agency is going to come back down on February 5. Is that correct? [LB944 LB945 LB946]

MEG MIKOLAJCZYK: Planned Parenthood, yes. [LB944 LB945 LB946]

SENATOR STINNER: Planned Parenthood is, yeah. [LB944 LB945 LB946]

SENATOR HILKEMANN: Okay. [LB944 LB945 LB946]

MEG MIKOLAJCZYK: Uh-huh. [LB944 LB945 LB946]

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SENATOR HILKEMANN: Okay. So we'll have opportunity to ask some questions. Okay. Thank you very much. [LB944 LB945 LB946]

SENATOR STINNER: Additional questions? [LB944 LB945 LB946]

MEG MIKOLAJCZYK: All right. [LB944 LB945 LB946]

SENATOR STINNER: Seeing none, thank you very much. [LB944 LB945 LB946]

MEG MIKOLAJCZYK: Thank you. [LB944 LB945 LB946]

SENATOR STINNER: Any additional proponents? Seeing none, anybody in the neutral? Seeing none, would you like to close? [LB944 LB945 LB946]

GERRY OLIGMUELLER: Nope. [LB944 LB945 LB946]

SENATOR STINNER: (Exhibits 8 and 9) Okay. We do have two or, excuse me, one person in opposition or one letter in opposition, excuse me, on LB944, which is Nonprofit Association of the Midlands, Anne Hindery I believe is how you say it. And then we have another one, Middle Niobrara Natural Resources District, Mike Murphy, in the neutral capacity on LB945. Okay, that concludes our hearings on LB944, LB945, and LB946. Thank you. [LB944 LB945 LB946]