

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 19, 2021

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our COVID-19 response protocol

STINNER: Welcome to the Appropriations hearing and welcome to "Casual Fridays" here in the Legislature, or at least that's what I was told today by several members. My name is John Stinner. I'm from Gering. I-- I represent the 48th Legislative District. I serve as Chair of this committee. I'd like to start off by having members do self-introductions, starting with Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Steve Erdman. I represent District 47, which is 10 counties in the Panhandle.

CLEMENTS: Rob Clements of Elmwood. I represent District 2: Cass County and parts of Sarpy and Otoe.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

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

WISHART: Anna Wishart, District 27, west Lincoln.

KOLTERMAN: Mark Kolterman, District 24: Seward, York and Polk Counties.

DORN: Myron Dorn, District 30: all of Gage County and the southeast part of Lancaster.

STINNER: Assisting the committee today is Brittany Sturek, our committee clerk, and to my left is the highly esteemed head of Fiscal, Tom Bergquist. For the safety of our committee members, staff, pages, and public, we ask that those attending our hearing to abide by the following submission of written testimony will only be accepted between 8:30 and 9:30 in the respective hearing room where the bill will be heard later that day. Individuals must present a written testimony in person during this time frame and sign the submitted written testimony record at the time of submission on the day of the hearing on the bill. Individuals with a disability as defined by the American Disabilities Act can nominate somebody to sign in. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it's necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to

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allow time for the public to move in and out of the hearing room. Request that everyone utilize the identified entrance and exit doors to the hearing-- hearing room. We request that you wear a face covering while in the hearing room. Testifiers must remove-- may remove their face covering during testimony to assist committee members and Transcribers in clearly hearing and understanding the testimony. Pages will be-- will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance-- entrance door will be monitored by the Sergeant at Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting to hear-- to enter the hearing room are asked to observe social distancing, wear a face covering while waiting in the hallway or outside the building. To better facilitate today's proceedings, I ask that you abide by the following. Please silence your cell phone. Move to the front row when you are ready to testify. Actually, if you could move to a seat on either-- on either side, if it's available, that would be acceptable as well. Order of testimony is introducer, proponents, opponents, neutral, closing. Testifier sign in, hand your green sign-in sheet to the committee clerk when you come up to testify. We ask that you please spell your name for the record before-- before you testify. Be concise. It is my request that you limit your testimony to five minutes. If you will not be testifying at the microphone but would want to go on record as having a position on a bill being heard today, there are white sheets at the 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 hearing. We ask that you please limit or eliminate handouts. 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 for-- to testify. We need 12 copies. If you have written testimony but did not have 12 copies, please raise your hand now so the page can make copies for you. With that, we will begin today's hearing with Agency 3, Legislative Council. Welcome, Senator Hughes.

[AGENCY HEARINGS]

STINNER: We'll now open with LB103, appropriate funds to aid counties to pay certain federal judgments. Senator Dorn. Good morning.

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DORN: Good morning. Thank you, Chairman Stinner and members of the Appropriations Committee. My name is Myron Dorn, M-y-r-o-n D-o-r-n. I am currently the State Senator from the 30th District, which includes Gage County and part of Lancaster County. Today, I'm before you to introduce LB103. LB103 is asking for the appropriation of \$2 million in fiscal year '21-22 and \$2 million in fiscal year '22-23 from the General Fund to pay any county that has a federal judgment against it in excess of \$25 million and equal to or greater than 20 percent of its annual budget. Gage County, as you know, has a federal judgment against it in the amount of \$28.2 million plus lawyer fees and interest that will bring the total to over \$31 million that is known as the Beatrice Six. Property taxes, sales tax authority of one-half percent and an insurance settlement of approximately \$5.9 million are being used to pay off the judgment. As of January 1, 2021, Gage County has paid a total of \$14,178,000 of the over \$31 million total judgment. This still leaves \$16,800,000 left to pay. Through the process of the litigation of the Beatrice Six and also through the settlement of that judgment in meetings and conversation with state personnel, as well as meetings with the Governor, the most common thing that Gage County heard when asking about state help in paying the judgment was not until all legal avenues had been exhausted. With the finalization of the insurance settlement, all legal avenues have been exhausted. In the mid-biennium budget adjustments that Governor Ricketts presented on January 15, 2020, on page 24 was a request for assistance with state disaster relief county cost share proposal that funded approximately \$9.2 million to 12 counties. This proposal was passed by the Legislature in the mid-biennium budget adjustments. The reason listed for this funding was that this will provide additional relief support for certain counties where the total cost share of the project would equal 20 percent or more of county's total 2018 taxes levied. Gage County will have not one year, but more than a five-year period of a federal judgment project that will require a levy of over 20 percent of its total property taxes collected. I thank you for listening to my presentation on LB103 and the discussion of the bill today. I do know there are several here in support of the bill. I ask for your support in funding the bill would-- would answer any questions if there's questions.

STINNER: Thank you. Any questions? Seeing none, thank you. Any proponents? Morning.

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ERICH TIEMANN: Good morning, Chairman Stinner, Appropriations Committee. My name is Erich Tiemann, E-r-i-c-h T-i-e-m-a-n-n. I'm the chairman of the Gage County Board of Supervisors. I'm here officially to support LB103 in support of, in behalf of the supervisors. As you all know, we've been going over the details in court the last several years, trying to iron everything out in the case better known as the Beatrice Six. I myself was six years old when the original events occurred that led to this in 1985. A member of our board wasn't even born yet, as weren't many other members of our community. In 2018, we received a final ruling and a judgment against the Gage County in the amount of 28-- over \$28 million. As Senator Dorn said, that will equate to more than \$31 million after it's all said and done. We began making payments on that. We looked at every possible scenario, including county bankruptcy. This was kind of uncharted water to have this type of-- this type of judgment against a county. We gathered information on how we could potentially deal with this judgment that was over three times our annual tax collection. Although we continue to keep our annual county increases to a bare minimum, our levy is at the maximum allowed by state law. Last year, the county board voted to implement the half cent countywide sales tax. Those proceeds go completely to the judgment. In addition, in 2020 we came to an agreement with our insurance carriers and those monies paid were also expelled to the judgment. We're using every tool we have access to right now in an attempt to retire this debt that looms over the county every day. All this being said, the insurance was a one-time payout. The half cent sales tax that is implemented across the entire county all goes to the judgment. The additional property tax over our county budget goes to that judgment fund as well. So we're operating and doing our best to take care of the infrastructure and keep day-to-day business of the county as normal as possible. This keeps becoming increasingly difficult as our valuations countywide have decreased substantially over the last several years. Keep in mind, LB103 will not pay for this federal judgment. We know that. You know that. It won't pay for half or even a quarter, but it will help. It'll help shorten that time period to pay down the largest debt I've ever seen placed on a Nebraska county. For the residents and businesses of Gage County, as soon as this judgment is paid off, our property taxes drop back down. The half cent sales tax, which is encumbered on everything sold in the county, goes away. The county goes back to trying to keep our budget down and our services high. We'll try to catch up on infrastructure projects that we've put off because of lack of funding.

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The county will basically start to look more normal again. This will help our residents, our current businesses, as well as trying to attract new businesses and new talent to our area, which we all know we need in Nebraska. When any of our areas in rural Nebraska do well, the areas around them do well as well. It's part of small town Nebraska life I guess. When any area suffers, that suffering goes to the areas around it as well. LB103 may not pay for this judgment, but it will help our communities get back to normal more quickly. We're asking each of you to support this legislation so that Gage County and any other county that finds itself in this situation can just simply move forward. Thank you all for your time and consideration of this legislation. And I'd be really happy to answer any questions on behalf of Gage County.

STINNER: Thank you, Senator Hilkemann.

HILKEMANN: Has the imposition of the additional half cent sales tax, has that affected your local businesses as far as losing some business to the-- to the neighboring counties?

ERICH TIEMANN: You would always assume it would to some point. We've really encouraged our businesses to-- to be strong and all of us, you know, have bound together. I know there's a representative of the Chamber of Commerce that will speak later and she may be able to touch on that a little better than I can. But I would assume there's always more than-- more than the actual half cent, it's the mentality that there's an extra tax applied to purchases. So perception becomes reality more than anything else, I believe.

HILKEMANN: But you have not noticed any decrease in your sales tax revenue to your-- to your--

ERICH TIEMANN: It's really hard. I would say we really have not. It's-- we are going through COVID this year, so we don't have a good basis. So I apologize, Senator, I don't have a really straightforward answer for you.

HILKEMANN: OK.

STINNER: Additional questions? Senator Clements.

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CLEMENTS: Thank you, Mr. Chairman. And thank you for coming. I have a question also about the half cent sales tax. How much was it expected to bring in and how much has it brought in?

ERICH TIEMANN: Projections on that were somewhere around \$1.3 million. We don't have final numbers yet, but it looks like we're going to exceed that. It looks like we'll be in excess of \$1.5 million.

CLEMENTS: When did that go into effect?

ERICH TIEMANN: That went into effect January of 2020.

CLEMENTS: All right. Thank you.

STINNER: Additional questions? I have two questions. Are you at the maximum mill levy for-- on property tax?

ERICH TIEMANN: We are. We're at 50 mills.

STINNER: OK. The other thing, and I followed this case relatively closely, was there not offers to settle for much less money than what ended up being the judgment during that time?

ERICH TIEMANN: Prior to me being on the board, we tried to fill ourselves in with as much as we can on the information. There was talk that there were offers back and forth years ago, I think seven or eight years ago. Forgive me, I don't know the time frame exactly to settle for X number of million dollars. And looking back, as we've talked about that, everyone said, boy, we would have jumped at that if we have that option now. To put it in perspective, Nebraska counties carry \$5 million liability insurance, and to ever actually get to that type of settlement was unheard of. I mean, it's still unheard of today to see a \$28 million or \$28-plus million judgment other than in this case. So I believe the board's decision at that time between advice of counsel and such a large dollar amount, it was decided at that time that it didn't make sense to settle.

STINNER: Thank you for that. Any additional questions? Seeing none, thank you.

ERICH TIEMANN: Thank you all.

STINNER: Any additional proponents? We do have somebody. Thank you.

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ANGIE BRUNA: Good morning, Chairman Stinner and Appropriations
Committee members.

STINNER: Good morning.

ANGIE BRUNA: Angie Bruna, I'm the executive director for the Beatrice Area Chamber of Commerce and Gage County Tourism. My name is spelled A-n-g-i-e B-r-u-n-a. I'm here today representing Beatrice Area Chamber of Commerce and Gage County Tourism in support of LB103. In 2016, the citizens of Gage County, Nebraska, were impacted heavily by a federal judgment ruling against the county in the amount of \$28.1 million plus attorney fees for a total impact of over \$30 million. This judgment has since become a heavy burden for the over 21,000 citizens of Gage County, who are now required to compensate for the actions of a few people who conducted the investigation in this heartbreaking crime that took place over 35 years ago. After the judgment's enactment, our county officials have worked relentlessly to uncover opportunities to meet the budget-exceeding payment requirements and any avenue available, such as attempting to reduce the judgment to the lowest amount possible, raising the property tax levy to the maximum, successfully pursuing the insurance companies for financial remuneration for a portion of the judgment, and incorporating a sales tax increase for the entire county at the half cent to pay for the debt more quickly. Since the federal judgment in 2018, our citizens have experienced a timeline of strain. The poorly named publicity of the event, the trials and federal court rulings have brought a negative reputation to our community and is affecting a new generation of adults and children who are left to pay for the damages. In 2019, property tax increases were absorbed by our landowners, our homeowners, and our business owners. In January 2020, the county sales tax increase was incorporated, eliminating one of the competitive advantages we had to encourage shoppers to make their purchases in our communities instead of driving to another. Just three months later, the COVID-19 pandemic struck and adding additional strain to our local economy. And while we understand the necessity of the extra taxes, we also understand that the burdens weigh heavily on our businessmen and women who are working diligently to keep their businesses open and provide for their families. Throughout the process, our office has fielded phone calls and had conversations with customers to our community about the sales tax rate, often with the voice on the other end of the phone noting that they'll plan to make their purchases elsewhere. I've had conversations with citizens who noted their intent

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to move out of our county because of the higher property tax rates. Regardless of whether they did or did not choose to move, the notion still speaks to the negative impact that this judgment has had on our community's reputation and morale. The sooner we can pay this off and put it behind us, the sooner we can heal and grow as a community. On behalf of the great citizens of Gage County and potential Nebraska counties who could find themselves in similar situations in the future, we humbly ask for assistance from the state of Nebraska to support LB103 and a more rapid payment of the judgment against Gage County. We ask that you vote to invest in our hardworking men and women to help ease the heavy financial burden and help reestablish competitive economic opportunities for our current and future generations. Thank you.

STINNER: Questions? Seeing none, thank you.

ANGIE BRUNA: Thank you.

DON SCHULLER: Good morning.

STINNER: Good morning.

DON SCHULLER: I'm Don Schuller, that's D-o-n S-c-h-u-l-l-e-r and I'm a landowner from Gage County and I represent the Gage Taxpayers Organization and I'm newly elected Gage County Supervisor. But in speaking on behalf of the Taxpayers Organization and myself, I'm here to support Senator Dorn in this bill. I have testified in the past in support of similar bills to help assist in the payment of the Gage County Beatrice Six judgment. And it's a burden to us and no-- to no fault of our own. And this could happen to other counties as well. I don't need to repeat information on the situation in Gage County. I have attached to my written testimony a document prepared by an organization in Gage County as a reminder the state has a financial obligation for the Beatrice Six judgment. Gage County is doing everything they can to get this judgment paid off. It is a burden on the people of the county. A county sales tax was implemented and the county mill levy was raised to maximize to generate funds directly to pay on the judgment. It has adversely affected the economy in the county. And based on information provided to me, 71 percent of the valuation of the county is agricultural related. The obligation of these taxes is a heavy burden on the 1,236 farm operators in the county, a burden predicted to continue for four to five more years to

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pay the remaining \$16 million. It continues to the farm-- it contributes to the farm foreclosures and local businesses closing in Gage County. Everyone in Gage County is sharing a portion of the burden. The sooner this is paid off, the better. This bill provides an opportunity for financial assistance that amounts to 14.8 percent of the judgment, including attorney fees and deducting the insurance collected, without mentioning the interest that we're paying, I ask you to vote to allow this bill to advance.

STINNER: Thank you for your testimony. Questions? Senator Erdman.

ERDMAN: Thank you. Thank you, Senator Stinner. I appreciate that. So newly elected supervisor, how long have you been a supervisor?

DON SCHULLER: I was sworn in on January 7.

ERDMAN: Of this year?

DON SCHULLER: Yes.

ERDMAN: Do you know if anyone in your county ever was put in your jail for breaking a county law?

DON SCHULLER: Do I know if anyone was? I would assume there is, yes.

ERDMAN: I don't believe there is. Those people put in that jail broke a state law.

DON SCHULLER: Well, yes, I stand corrected.

ERDMAN: So then it's upon the taxpayers of Gage County to pay for penalties that were handed down by the state. That's absurd that your county has to pay for the damages now that was because they were defending or protecting the citizens about it from a state law. There is no county in this state ever put anybody in jail for breaking a county law. Every one of those laws that are broken are state laws. And the state does nothing to help you pay that off and do the things you need to do to protect the citizens of the state and enforce state laws. I was a county commissioner for 12 years. It's an unfunded mandate. I appreciate you coming and sharing your story.

DON SCHULLER: Well, thank you. And I do realize that the county prosecuted those individuals on behalf of the state.

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ERDMAN: I understand.

DON SCHULLER: May I comment? Oh, excuse me.

CLEMENTS: I have a question.

STINNER: Senator Clements.

CLEMENTS: Thank you, Chairman. Thank you, Mr. Schuller. Are you aware,
I forgot to ask the other gentleman, how much is the county paying on
the debt and the judgment per year?

DON SCHULLER: I'll have to ask Erich to help me out on that.

CLEMENTS: OK, I'm just wondering. You're asking for the state to put
in \$2 million. And I did mention the sales tax is \$1.5 million, but
I'm not sure what the-- I forgot to ask what the--

DON SCHULLER: You want to know what the payment is per year that
they're paying.

CLEMENTS: And if the judgment was paid off, what would the levy drop
to from 50 cents?

DON SCHULLER: Well, it was raised 12 cents--

CLEMENTS: OK.

DON SCHULLER: --at the time.

CLEMENTS: It had been 38.

DON SCHULLER: Yes.

CLEMENTS: OK. All right, fine. We can find that out--

DON SCHULLER: OK.

CLEMENTS: --from another person. Thank you.

STINNER: You did want to continue with a comment.

DON SCHULLER: Yes. The question was asked about sales tax. And I will
comment that this year Nebraska implemented where sales tax was to be

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collected on Internet sales. So the comparison to what we've done in
the past is difficult. With COVID, I would say that that-- the law
being passed helped us a great deal because more people are doing
Internet shopping with COVID than what they used to.

STINNER: It did help the state, too, by the way.

DON SCHULLER: I'm sure it did.

STINNER: Additional questions? Seeing none, thank you for coming in.

DON SCHULLER: All right. Thank you.

EMILY HAXBY: Hello.

STINNER: Good morning. I was going to say this aft-- it's not the
afternoon yet.

EMILY HAXBY: It's getting close.

STINNER: Yes.

EMILY HAXBY: My name is Emily Haxby, E-m-i-l-y H-a-x-b-y. I live on a
farm just outside of Clatonia, which is in Gage County. I'm a fifth
generation farmer, a wife, a mother of three, business owner, cattle
producer, and a newly-- and newly elected to the Gage County Board of
Supervisors, which in general terms I'm part of a family farm. I came
here today in support of LB103. This bill is not just for Gage County,
but for any county in the future with a judgment of this magnitude.
This bill is only asking for \$4 million dollars on a judgment larger
than \$25 million. That is only 16 percent of a \$25 million judgment,
and in our case, it's only 14 percent of our judgment. If you
calculate that out over the entire state of Nebraska, which has a
population of 1.9 million, that calculates out to over-- over the
entire state of Nebraska, that equates to \$1.03 per year for two
years. That is a total of \$2.06 per person. That would help any county
with the judgment this large to avoid the significant tax drain that
our county has had. There needs to be some relief to help with this
size of judgment. I was not even born yet when the Beatrice Six
happened. And yet my family that is trying to start a life in farming
is struggling from it. I would not wish this on any county or any
family. If this were to happen to another county having the
experiences that we have had, I would say the \$2.06 were well spent.

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To put this in perspective, the population of Gage County is 21,513 of which only 16,630 are over the age of 18 that are taking in-- that are taking on this \$28 million judgment. If that cost were evenly distributed, each person would pay \$1,683.70. However, taxes are based on property and now those people that are farming, facing their own financial hardships, trying to make their start like myself, are taking the brunt of this judgment. For example, we own two parcels and every year our taxes are approximately \$1,391.35 higher than normal due to this judgment yearly. I put the math down here below. Right now, our approximate tax rate for the judgment is roughly 9.5 cents, but that can fluctuate based on the values of properties. It started closer to 12 cents so this is a low estimation. That means that for every \$100,000 in property value, we are taxed an additional \$95.80 roughly for this payment of the judgment. So we have a half section that's valued at \$934,765. Take that divided by \$100,000, you time-- times that by that \$95 and you get \$895.43. And then we have an eighty which is where our home is on and that's seven-- \$517,705 divided by \$100,000 times that \$95 and we are at that \$1,391.35. Now when this payment of this judgment started, it originally estimated that it would take seven-plus years. So over that time, we'd be paying approximately \$9,739.45 over that seven-year period. That's almost \$10,000 from a young farming family of five. Again, I truly do not wish these unfortunate circumstances on any county or family, and this bill would ensure some financial assistance. I respectfully ask for your support on this bill, and I thank you for your time.

STINNER: Thank you. Questions?

EMILY HAXBY: And you were asked previously what we had been paying.

CLEMENTS: Yes.

EMILY HAXBY: Yes. It was 3.8 was the first year; \$3.5 million was the second year; and \$3 million. And that's been lowering because of the property tax values. And Erich would be more than happy to answer more of those questions in depth.

CLEMENTS: Thank you.

STINNER: Thank you. I will say this, that I like your analysis. And when Senator Dorn's term is up, you need to run for the Legislature and get on the Appropriations Committee. So--

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EMILY HAXBY: I'm already nervous coming here today so I think we'll
stick with home.

STINNER: Thank you. Thank you for your testimony.

EMILY HAXBY: Thank you.

STINNER: Any additional proponents? Do we have additional proponents
for this or anybody to testify on this after this gentleman? I'm just
trying to gauge time against what time we have to get off. We'll stay
with the five minutes for this testifier.

JON CANNON: Thank you, Chairperson Stinner. Members of the
Appropriations Committee, good morning. My name is Jon Cannon, J-o-n
C-a-n-n-o-n. I'm the executive director of the Nebraska Association of
County Officials, otherwise known as NACO, here to testify today in
support of LB103. There's really not much I can add beyond what you've
already heard in testimony other than to say that NACO has always
supported the counties. That's-- that's what we're supposed to do. And
I think, Senator Erdman, to your point, one of the things that the
counties are-- we're happy to do is we participate-- we have that
strong partnership with state government in the enforcement of the
laws that are handed down by the State Legislature. But by the same
token, sometimes things go awry and you have those sorts of judgments
or you have those cases that end up costing the county a lot more than
they had ever anticipated. And this is one of those situations where
we're not asking for Gage County to be absolved of any responsibility.
But to a certain extent, we're asking for the state to just pay-- put
in a certain amount to help alleviate the burden on the taxpayers of
Gage County. That's really all I have. I'd be happy to take any
questions you might have,

STINNER: But the legislation will stay in place so all counties that
have this problem over a period of time will be able to access that.
Isn't that how this bill is written?

JON CANNON: Yes, sir.

STINNER: OK, just wanted to make sure I understood that. Additional
questions? Thank you for your time.

JON CANNON: Thank you, sir.

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STINNER: We do have letters of support for the record: Beatrice Area Chamber of Commerce and Gage County Tourism. Any additional proponents? Seeing none, any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you like to close, Senator?

DORN: Probably not so much close as I think the answer a little bit of John's question about was there ever any offer for settlement? I've been up here two years. I was eight years on the county board and this process started before that already. Visiting with some of those county board members at that time, originally, some of the early offers were, my understanding was, in the million dollar range. At that time based on who the legal counsel was and the county attorney and the lawyers involved with this, the decision was made not to settle at that time. As the process kept going along, there were discussions throughout the years, I know when I was on the board there was discussion about settlements. That number, when we came to a period of time before the last jury trial where the settlement came out of, there was an offer of \$15 million on that-- on the table at that time from the so-called Beatrice Six. The county at that time, based on some decisions that were made with insurance in the '80s, shortly after the episode happened or whatever, was always under the assumption that they had no insurance. So the county, when the \$15 million offer was out there on the table, the county themselves did not have \$15 million to pay for it. We did not-- at that point, we had not gone through all the discussion, all the realization of how a county ends up paying for it, which is basically you raise your property tax levy to the maximum of 50 cents amount. We were afraid at that time that there would be some bankruptcy or other things involved. After the settlement was done and as far as paying this, then we hired an additional lawyer firm out of Lincoln here to pursue the insurance thing. That took over a year and a half to two years also after this to solve, which was just solved lately in the \$5.9 million. Part of the thing through the whole thing was when you sit there and you look at we have no insurance, how do we pay for this as a county, knowing the, I call it, the guidelines that are in place for how a county can raise additional money, that was part of the factor. The other part of the factor, with I call it settlements, were your legal counsel and those people that are representing you that you hired, you tend to listen to them as you go along. There were twice that this case was dismissed in district court, federal district court. It had been dismissed. This was the third time it had been

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brought back, and that's when the settlement came out of that jury trial. So there was a lot of things involved; not-- not trying to defend what we did was right or wrong or whatever, but that's a whole lot of things that happened. Mrs. Haxby did a very good job of explaining to you that when this was originally set up, it was 12 cents a levy, collected \$3.8 million. Because of increases in operating costs of the county, they maintained less than a 2 percent increase each year. And because of the fact that valuations are decreasing, the last year, the county clerk told me that they've budgeted in the 3 to 3.2 million dollar range of payment out of property taxes. So you have about the \$3.2 million property taxes. It looks like they're going to be somewhere north of \$1.5 million from sales tax. So they will be paying about, you know, 4, 4.5 million to five million a year. Just depends on a lot of factors are there. So thank you very much and thank you for listening.

STINNER: Thank you. That also accrues interest, does it not, on the outstanding balance?

DORN: It does accrue interest, but interest will set by the court right after the jury trial and it is point four five percent of one percent. So it's less than a half percent interest.

STINNER: OK.

DORN: Now that this is paying off more-- the original estimation was that it was going to be somewhere in the \$900,000 total interest amount. Now that this has been paid off a little faster and everything, that interest, total interest amount will be less than that. I don't have an exact number for you on that.

STINNER: Thank you for the explanation. Any additional questions? Seeing none, thank you. And that concludes our hearing on LB103. Now the fun begins, LB140. Good morning. It says good afternoon, but I think it's still morning, is it not,--

HILKEMANN: Yeah, it's still morning.

STINNER: --Vice Chairperson Wishart and fellow members of the Appropriations Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. I represent the 48th District, which comprises solely of Scotts Bluff County. LB140 creates a Railroad Safety Cash

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Fund and transfers \$125 million annually from the Grade Crossing Protection Fund for the enforcement of railroad safety standards issued by the Federal Rail-- Railroad Association, which I refer to as FRA. This legislation was brought to me by the Public-- Nebraska Public Service Commission to bolster its safety enforcement and inspection program, which is a product of the partnership with the FRA. I won't go through the history of railroads in the state of Nebraska, but under Nebraska law, Public Service Commission has the jurisdiction to enforce track and motive power and equipment, MP&E, safety standards under this agreement with the FRA. The commission's MP&E inspector works both independently and jointly with the FRA inspectors to monitor air brake tests, inspection-- inspect the conditions of rail cars, and ensure blue signal protection for railroad employees' safety for Class I and short line railroads operating in the state. The Public Service Commission will also investigate derailments and grade crossing accidents when there is a death or serious injury. Lastly, I'd just note that the-- that the states that participate in the FRA program, about 21, have some sort of legislation in place that assess a fee toward railroad carriers in the state to support safety inspections and other programs. Nebraska will not-- is not one of those states, which is why the cash fund transfer approach has been taken. I understand there's a number of testifiers here who will voice their concerns over the transfer as it comes from the Grade Crossing Fund, which is used to maintain railroad grade crossing and-- and distribute aid to local governments in that eff-- in that effort. Former senator and current chair of Public Service Commission, Dan Watermeier, is here to go into more-- a little more detail on the rail safety inspection program and offer the commission's position. I would add also that we have turned down their request for an inspector over at least the seven years I've been here. So this is an attempt to find some cash funds, transfer the cash funds so that they can put people in place to do the inspections that they've requested out of General Funds in the past. So thank you, Vice Chairperson Wishart and members of Appropriation Committee, for your consideration. I'd be happy to take any questions.

WISHART: Thank you, Chairman. Any questions? Senator Clements.

CLEMENTS: Thank you, Senator Wishart. Thank you, Mr. Chairman. Just wanted to point out in your opening, I believe you used the term 125 million.

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STINNER: Oh.

CLEMENTS: And it's 125,000. Is that correct?

STINNER: 125,000. I correct my testimony. It's one of those situations late in the week and I see zeros across the page.

CLEMENTS: But this creates a new fund within the Public Service Commission just for this purpose. It's a new fund, right?

STINNER: It creates a Railroad Safety Cash Fund, yes.

CLEMENTS: Thank you.

WISHART: Any other questions? Seeing none, thank you. Any proponent's for LB140? Welcome again, Commissioner.

DAN WATERMEIER: Good morning, Vice Chair Wishart, members of the Appropriations Committee. I am Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r. I'm currently chairman of the Public Service Commission. I'm here today to testify in support of LB140. Senator Stinner had a pretty good introduction to what we actually do. I'm tempted to skip this first paragraph I have and just start at the end of it and just say in 2019, 20,000 units were inspected by our inspector and 11,000 inspected in 2020 while complying with the health measures of the various railroad locations. The inspector also investigates derailments of grade crossing accidents that result in serious injury or death, conducting 16 investigations in 2020. In addition, the state inspector supports the FRA by training new federal inspectors in the field and assisting with railroad carrier audits. The commission does not have a track inspector on staff at this time. Currently, the program is funded by General Funds under Commission Program 54. LB140 seeks to create the Railroad Safety Cash Fund and provide for the State's Treasurer to annually transfer \$125,000 from the Grade Crossing Protection Fund to the Railroad Safety Cash Fund on or before July 1, 2021, and on or before each July after that. LB140 would shift salaries, benefits, operating costs and capital outlay for the program from General Funds to each cash fund. Thank you for your time and I'll be glad-- happy to answer any questions. I know you're short of time, so I did cut through a lot of the history. But Senator Stinner had that accurate, so I took that out of my testimony.

WISHART: Thank you. Any questions? Senator Hilkemann.

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HILKEMANN: Just a quick question, Senator. So this-- this money is
already being spent. You're just switching it from one--

DAN WATERMEIER: Correct. Correct. We're taking--

HILKEMANN: OK.

DAN WATERMEIER: --it out of our General Fund allocation and taking out
of the cash fund. It's a transfer of that. And it's not for a new
position. It's something that we're already currently doing.

HILKEMANN: OK.

WISHART: Senator Dorn.

DORN: Thank you, Senator Wishart. Thank you, Commissioner Watermeier,
for being here again. I thought I heard you right. You said the-- your
second page, the commission does not have a track inspector on staff.

DAN WATERMEIER: Correct. We have the inspector. We're really obligated
to have one. But it's never been put in the modification over the
years. We have an inspector. He dedicates his time to the locomotives
and the equipment, but we can't cover the staff, the tracks.

DORN: Well, that was my following [INAUDIBLE]--

DAN WATERMEIER: The federal people do that as well. But it's-- it's
a-- it's not being done to the--

DORN: OK.

DAN WATERMEIER: --extent that, you know, it could be done.

DORN: Because my follow-up question was going to be--

DAN WATERMEIER: Right.

DORN: --isn't that a requirement. And you--

DAN WATERMEIER: It is a requirement, but we've never been funded to do
it. No.

WISHART: Seeing no others, thank you.

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DAN WATERMEIER: All right. Thank you.

WISHART: Any more proponents of LB140? Seeing none, we'll move to
opponents. Welcome.

KHALIL JABER: Still morning. Good morning, Vice Chairperson and
members of the Appropriations Committee. My name is Khalil Jaber. It's
spelled K-h-a-l-i-l J-a-b-e-r. I'm the deputy director of engineering
for the Nebraska Department of Transportation or NDOT. I am here to
oppose LB140, which would cause an annual transfer of one third of the
total annual revenue out of the NDOT Railroad Grade Crossing
Protection Fund and takes it into a new fund for the Nebraska Public
Service Commission. As you are aware, we have many existing railroad
crossings on Nebraska highways, roads, and streets. NDOT, the
counties, and the cities have great needs for safety improvements at
many of those crossings. The Legislature recognized this fact when
they created the Railroad Crossing Protection Fund for the specific
purpose of targeting these grade crossing for much needed safety
improvements. The Railroad Grade Crossing Protection Fund was
established to improve safety at railroad crossings by providing
financial assistance in the form of a grant or a state match to
federal funds. Each month, the State Treasurer is directed by statute
to transfer only \$30,000 from the Highway Trust Fund to the Grade
Crossing Protection Fund. Thirty thousand dollars a month result in
only \$360,000 transferred to the fund each year. NDOT put those funds
to work each year on safety projects at railroad crossing. LB140,
however, would transfer about one third of these much needed funds to
a new Public Service Commission for railroad safety cash. These
diversions would greatly affect NDOT's ability to continue to devote
those funds to safety improvement project at railroad crossings. NDOT
believes that diverting one third of the fund's annual revenue to be
used for reasons other than the original legislatively provided
purpose of railroad crossing safety improvements would negatively
affect the ability of NDOT to provide financial assistance and the
pursuit of safety at railroad crossing. In particular, local project
or local public agency depend on this assistance to accomplish their
safety goals at these crossings. If you refer to the spreadsheets,
hopefully it's in front of you, you'll see that the fund is being used
effectively in achieving the legislative intent. As illustrated, the
Grade Crossing Protection Fund allocated more than half a million
dollars helping Saunders, Cheyenne, Hitchcock, Seward and Perkins
Counties improve safety at their railroad crossings. I testify today

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to point out the direct and immediate effect of the proposed diversion
of these state efforts to assist financially in needed safety
improvements at railroad crossing on our highways, road, and streets
in Nebraska. For these reasons, NDOT opposes LB140. I'd be happy to
answer any of your questions.

WISHART: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. So-- and thank you for coming. So
you were saying this inspector that the commission wants is not
needed. Is that what you're saying?

KHALIL JABER: Senator, I'm not saying that. You know, for the
Department of Transportation, we receive this funds and we put it to
really good use, which is really enhance the safety for our highway
users. Obviously, you know, the inspectors and their responsibility,
what they do is something that we honor and we understand. I'm here to
focus only on a \$360,000 that helped us achieve a lot of these safety
improvements. And diverting \$125,000 of that, you know, a third of it
is going to delay a lot of much needed safety projects.

ERDMAN: So I'm trying to get my hands around the fact if we don't do
this, if we don't give them \$125,000, they will have no inspector.
You're OK with that?

KHALIL JABER: I-- the department conducts certain diagnostic reviews
when we are requested by the locals. We also have-- we know and
probably the others behind me from the Union Pacific and BNSF have
unique methods to do their inspection. I am not going to sit here and
tell you this is not needed. I'm here to really focus and tell you
that my reaction is to remove a third of the funds that we really
needed.

ERDMAN: OK.

WISHART: Any other questions? Senator Dorn.

DORN: Thank you, Senator Wishart. Thank you for coming today. So this
fund, when I look at the numbers and you add them up here, you go back
to 2015, you said you were getting \$360,000 a year into this fund from
the federal government.

KHALIL JABER: No.

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DORN: Or explain that I guess. Because to me then there's extra funds in this account they're not-- if it's \$360,000 a year, they're not all being spent.

KHALIL JABER: That is correct, Senators. What we use, we receive some federal funds, you know, for-- for some of those devices and we use this funds to match a lot of these funds. So if you look at some of the projects that I put on the exhibit there, you will find some of them are above half a million, \$600000. So we use that funds to match these federal funds because most of these projects that we do, they're not that cheap. You know, they're-- they require a lot of new equipments and a lot of upgrade to circuitry and with those new devices like signals at railroad crossings. And that's where the funds comes in. So we-- we take that \$360,000 and then we utilize it for the match, which in some cases, you know, an annual that produce about nearly three quarter of a million.

DORN: What's the balance or what is normally the balance of that fund, I guess, or there must be some reason that they're looking at this fund, that it must have excess funds in it or not being spent, I guess. Do you know approximate balance of that fund?

KHALIL JABER: I don't know exactly the existing balance. But, you know, you can see from the examples that I've given you, I mean, that-- that funds is going to disappear. It's gone because we actually executed agreements with-- with counties. And so if-- if we lose \$125,000, we'll be forced to delay the projects. We'll have to wait until it makes up the difference. But we will not be able to complete those project, which is geared up to be done this summer, the majority of them.

DORN: Thank you.

WISHART: Any other questions? Seeing none, thank you.

KHALIL JABER: Thank you.

WISHART: Additional opponents. Good morning.

KELLI O'BRIEN: Good afternoon maybe. I'm not sure what time it is behind me. My name is Kelli O'Brien, K-e-l-l-i O-'-B-r-i-e-n. I represent Union Pacific and I'm here today to testify in opposition of this bill, LB140. Safety is Union Pacific's number one priority. We're

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always looking for ways to innovate, refine, and advance our safety procedures. Track inspections, rail monitoring technology keep communities safe mile by mile. No part of our system is left unchecked. Inspecting track is an enormous undertaking and one that UP takes very seriously. While a minimum number of inspections are required annually by the Federal Railroad Administration or the FRA for the purposes going forward in this conversation, UP has established its own standards beyond the FRA scope that determines frequency-based inspection on the following factors. There's five factors: track classification, track type, which could be mainline, siding, or other track in a rail yard or rail spur, million gross tons, type of the traffic that traverses the track, and various variable weather conditions, which you could probably understand. We've had quite the weather conditions across the country. Each inspector undergoes rigorous classroom and hands-on training before taking a test to earn their FRA Part 213 certification. UP inspectors are evaluated monthly and receive continuous training to identify and protect our tracks based on both FRA definitions, as well as our more stringent Union Pacific standards. In 2020 alone, our track inspectors inspected 382,084 miles of track in Nebraska. So you're wondering, well, how-- how many-- how many miles of track do you have? Well, Union Pacific approximately has 1,904 miles of track in Nebraska. We identified 15,678 defects for remediation. Rail inspectors spend a lot of their day in high rail trucks. Those are sometimes the trucks you see with the-- with the-- with the wheels on there and they're going and they're checking. They're checking for hot wheel bearings. They're thinking-- they're checking for anything that relates to that. We have different devices that use lasers, ultrasound to find rail imperfections. We track the acoustic vibration on wheels that forecast potential failures before they happen. We're continuing to pilot new technology. Yes, Union Pacific uses technology a lot in-- in-- in our new and futuristic ways onboard our locomotives and on our system. For example, the ultrasonic wheel defect detector, I had to be real careful there, is the world's first facility that uses ultrasound technology to inspect wheels on a moving train. Developed by UP, this system checked more than 80,000 wheel sets annually, finding an average of 75 wheel defects that would have gone undetected. Union Pacific is dedicated to making our rail safe, relying on daily inspections and technology to detect and identify potential defects. The company continues to explore new processes and innovation with the goal of achieving an incident-free environment. Union Pacific is also

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supportive of great separations and active warning safety devices. They are making a difference in cities and counties all over this state. Nebraska has more than collectively 3,000 at grade crossings, and the Grade Crossing Safety Fund approximately has \$360,000 in it annually. This fund does not have nearly enough money currently and will face a new FRA regulation. Yep. Each state is required to implement a highway rail grade crossing safety action plan that is by February of 2022, which is less than a year away, to improve their grade crossing safety numbers. Taking funding away from a grade crossing safety project seems counter to this new and unfunded FRA mandate. If the intent is to keep the funding-- is to keep funding the track inspector position by the PSC, I urge you to keep funding it the way that you always have funded it and that is through state revenue. Thank you and I'm happy to answer any questions.

WISHART: Any questions? Senator Hilkemann?

KELLI O'BRIEN: Yes.

HILKEMANN: Kelli, it's good to see you again.

KELLI O'BRIEN: It's great to see you.

HILKEMANN: So the-- what you're basically saying is that doing this is a redundancy.

KELLI O'BRIEN: Yes, sir.

HILKEMANN: OK. And that-- and with this redundancy, it could probably make life more miserable for your inspectors.

KELLI O'BRIEN: Our inspectors always welcome FRA inspectors and other inspectors. But for the state of Nebraska, you're probably wondering about how many does Union Pacific have. We have over 42 that that's their sole job. And then we have another 38 that also are trained, cross-trained to do trail track inspection.

HILKEMANN: OK. Thank you.

WISHART: Any other questions? Seeing none, thank you.

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KELLI O'BRIEN: Thank you. Appreciate it. Thank you. That's-- that's my senator right there. I live in his district. I always have to get my eyes on you.

WISHART: Any more opponents? Come on up.

JEFF DAVIS: Madam Vice Chair, members of the committee, Jeff Davis with BNSF Railway, here appearing in opposition to LB140. I've had the opportunity to have some very thoughtful conversations with-- with Chairman Stinner, Mike Hybl, Chairman Watermeier. I appreciate everything they are trying to do. And I think we agree. We all want the same thing. We all want safe, reliable rail infrastructure. Three points I want to emphasize today. One, BNSF is committed to safety, the safety of our employees, and the safety of the general public. I think our track inspection program exemplifies that commitment. Two, the data shows that our inspection program, supervised by the FRA, is working. It works so well that four out of the six states surrounding Nebraska: South Dakota, Wyoming, Colorado, even Kansas no longer do track inspections. And three, Nebraska has more than 3,000 at-grade crossings. And that Grade Crossing Safety Fund takes, you know, whatever amount of money it takes in is already being spent out there, cities and counties all over Nebraska to help make a difference in those communities. In terms of track inspections, we have 1,500 miles of track in Nebraska. In 2020 alone, our track inspectors covered 259,000 miles of track in Nebraska and identified more than 2,300 defects. In addition to our inspectors, we use geometry test trains and other vehicles to perform automated track inspections. Using these small trains gives us more accurate measurements as we are able to put weight on the track structure, take more precise measurements at smaller intervals. In 2015, we conducted 11,000 miles worth of ATI track inspections in Nebraska. Last year, we did more than 40,000 miles of track inspection. And over the last five years, we've lowered our defect rate to less than half of what it was five years ago. So our plan is working. We're going to continue doing what we're doing, and our goal is to hopefully get to zero accidents someday. You know, there are two states that border Nebraska, Missouri and Iowa, that have track inspectors. Both of those states have their track inspectors at the state DOTs. And I think what the chairman has done is raise an important issue. Most of the PSC's railroad authority is found in Chapter 75, Sections 401-430. Two thirds of those statutes have either been repealed or the authority has been transferred to NDOT, including that for grade crossing safety. Grade separations and

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safety devices are making differences in cities and counties all over Nebraska. Taking away a third of that money, especially with this new FAA regulation, which, as Senator Erdman referred to it as another unfunded mandate. You know, we are going to have to come up with some plans by next February. So in conclusion, if this committee and the Legislature want to continue funding, we urge you to keep funding it the way it's always been funded with state revenue. I can assure you that BNSF will keep doing our track inspections and keep working to achieve our goal of zero accidents. And I guess more importantly, I think the chairman has-- has raised this question. And I think it would be an appropriate discussion for the Legislature to have is maybe we could do an interim study to take an earnest look at whether it's more appropriate for the PSC's remaining duties in this field to be transferred to NDOT. Thank you. Happy to answer any questions.

WISHART: Thank you for being here. Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. Thank you, Mr. Davis, for coming. So my question is going to be related to the issue that we had east of the Scottsbluff city when you-- that crossing that you repaired last summer--

JEFF DAVIS: Um-hum.

ERDMAN: --last fall. For the record, you did an expedient job. I appreciate it. Was that crossing fixed with those funds that we're going to take the money from?

JEFF DAVIS: No, sir, I do not believe so.

ERDMAN: OK, thank you.

WISHART: Any more questions? Seeing none, thank you. Any more opponents? Seeing none, anybody in the neutral? Seeing none, Chairman Stinner, we welcome you closing.

STINNER: I recognize the hour is getting late, but I wanted to correct one piece of my testimony. I said we turned down the General Fund side. I think they've always applied for a second inspector is the one we turned down. The other thing I want to put on the record and the Department of Transportation is one of my favorite departments. So I just want to go through something with you. Grade Crossing Protection Fund. They derive revenue from an excise tax of 7.5 cents. They have a

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levy that also of \$100 on grade crossings for each public crossing. Highway Trust Fund, there's also \$30,000 per month that's transferred in. Let me just go through a three-year history that's in your cash book. Total revenues that they receive from these sources, inclusive of investment income of well in excess of \$100,000 for three years, was \$3,060,000; \$3,000,693, and three-- \$2.9 million. So it does vary quite a bit. Construction and maintenance: \$7.4 million; \$5.3 million; \$1.7 million. Accumulated balances accumulated up to \$5.5 million. Just wanted to bring that out that there-- when they say that, oh, my God, you're going to take lots of money out of this, it doesn't appear they-- they do-- it does appear to have the capacity. That said, I'm a-- and I actually got a new update, \$4.5 million is in the fund. So I-- I'll adjust that. That's as of January 2021. Anyway, with that, I'll take questions.

WISHART: Any other questions? Seeing none, that closes our hearing on LB140 and we will open on LB488.

STINNER: Thank you, Chairperson Wishart, members of the Appropriations Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I'm from District 48, which is all of Scotts Bluff County. This appropriations bill is a shell bill. We-- we drop a shell bill every year. It's a just-in-case bill that we need to add some additional budgetary information or to clean up some-- some areas. This is traditionally done. And I asked Tom Bergquist to put this together for me, which he-- which he did. And that's what it is, is a shell bill. With that, I'll ask for questions.

WISHART: Any questions? Seeing none, thank you. We will move to proponents. Seeing none--

STINNER: I'll waive closing.

WISHART: Opponents? Seeing none, anyone in the neutral? Seeing none, Chairman Stinner waives his closing. So that concludes the hearing for LB488 and our hearings this morning.

STINNER: Sounded like a pretty good party out there, so I hate to break it up, but it is time to get down to business. Welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering. I represent the 48th Legislative District. I serve as Chair of

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this committee. I'd like to start off by having members do
self-introductions, starting with Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Steve Erdman, District 47, that's
ten counties in the Panhandle.

CLEMENTS: I'm Rob Clements, from Elmwood. I represent District 2,
which is all of Cass County and parts of Sarpy and Otoe.

McDONNELL: Mike McDonnell, LD5, south Omaha.

HILKEMANN: Robert Hilkemann, District 4, west Omaha.

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

WISHART: Anna Wishart, District 27, west Lincoln.

KOLTERMAN: Mark Kolterman, District 24, Seward, York and Polk
Counties.

DORN: Myron Dorn, District 30, Hall and Gage County and the southeast
part of Lancaster County.

STINNER: Assisting the committee today is Brittany Sturek, our
committee clerk. For safety of our committee members, staff pages and
public. We ask those attending our hearing to abide by the following.
Submission of written testimony will only be accepted between 8:30 and
9:30 a.m. in respective hearing room, where the bill will be heard
later that day. Individuals must present their written testimony in
person during this time frame or can sign the submitted written
testimony record at the time of submission on the day of the hearing.
An individual with disabilities, under the Americans with Disabilities
Act, may designate a person to sign in for them. Due to social
distancing requirements, seating in the hearing room is limited. We
ask that you only enter the hearing room when it's necessary for you
to attend the bill hearing in progress. The bills will be taken up in
order posted outside the hearing room. The list-- the list will be
updated after each hearing to identify which bill is currently being
heard. The committee will pause between each bill to allow time for
the public to move in and out of the hearing room. We request that
everyone utilize the identified entrance and exit doors to the hearing
room. We request that you wear your face covering while you're in the
hearing room. Testifiers may remove their face covering during

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testimony to assist the committee members and transcribers in clearly hearing and understanding the testimony. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance door will be monitored by the Sergeant-at-Arms, who allow people to enter the hearing room based upon seating availability. Persons waiting to enter the hearing room are asked to observe social distancing, wear a face covering while waiting in the hallway or outside the building. To better facilitate today's proceeding, I ask that you abide by the following pro--procedures. Please silence or turn off your cell phone. Move to the front row when you're ready to testify. Order of testimony will be introducer, proponents, opponents, neutral, closing. Testifiers, sign in; hand your green sign-in sheet to the committee clerk. When you come up to testify, we ask that you please spell your name for the records before you testify. Be concise. It's my request to limit your testimony to five minutes. If you will not be testifying-- testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sheets at the entrance where you may leave your-- your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearings. We ask that you please limit or eliminate handouts. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and the 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 now so that the page can make copies for you. With that, we will begin today's hearings with Agency number 13, Department of Education. Good afternoon.

[AGENCY HEARINGS]

STINNER: With that, we will open on LB264. Good afternoon, Vice Chairman-- Chairperson Wishart, excuse me, and fellow Appropriations Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the 48th District, which is comprised solely of Scotts Bluff County. LB264 appropriates \$100,000 annually from General Funds to Nebraska Arts Council for the purpose of carrying out the competitive grant program established to re-- award grants to certified cultural districts. This legislation is a follow-up bill to Senator Hunt's LB943 from last year, which was amended into my bill, LB780, and passed. LB943, as amended, granted

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the Nebraska Arts Council the authority to recommend a plan to the Legislature for the certification and establishment of creative districts in the state. Creative districts' certification is based on geo-- geo-- geographically contiguous areas, artistic or cultural activities for facilities, the promotion and preservation of artistic or cultural sites or events, and educational uses of artistic or cultural activities or sites. The bill also permits the Arts Council to prepare a plan to establish a competitive grant program to provide a grant to any certified creative district that meets the criteria for a committed-- com-- competitive grant program. LB264, which I've brought to you today, funds that competitive grant program, establishes the framework for implementing the plan set forth by the Arts Council, and renames the creative districts as cultural districts. Cultural districts can be thought of as another type of opportunity zone. It's a defined area of a community or city neighborhood that contains cultural assets such as performing arts centers, art galleries, museums, historic buildings. The people representing these assets collaborate with area's business community to attract more business and tourists to the district. Some districts succeed through thoughtful landscaping, public art projects and signage, while others are involved in arts program-- programming or event production, and others work toward the renovation of existing buildings and attracting complementary businesses. Many are found in downtown areas, but they can thrive on suburban, rural, and neighborhood locations as well. Because these districts have proved to be successful in economic development, most states have some form of cultural district program. Since the passage of LB943 last year, as amended by LB780, the Arts Council has received inquiries from over 20 communities that want to undertake the process to have a cultural district. Unfortunately, the funding mechanism to provide grants for them was to be specifically license plate sales. The Arts Council has estimated that due to the large number of specialty plates now available, license plate revenue will not exceed more than \$500 per district if ten districts are certified each year. That's not enough to-- to amount to any serious revitalization efforts. Arts Council suggests that funding ten districts with \$10,000 grants will give the cultural district enough to use the grants as incentives for additional community funds for projects like landscaping, public art, a marketing plan for tourism, and other uses. Suzanne Wise of the Arts Council is here to go into more detail about the interest expressed in the program and the need for additional funding and the benefit that

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cultural districts will bring to various communities across the state
of Nebraska. With that, I will take questions. Thank you.

WISHART: Does anyone on the committee have questions? Seeing none, we
let you off easy this time.

STINNER: Thank you.

WISHART: Anybody else here in support of LB264? Good afternoon.

SUZANNE WISE: Good afternoon, Senator Wishart and the members of the
committee. I'm Suzanne Wise, S-u-z-a-n-n-e W-i-s-e, the director of
the Arts Council, and I'm here to provide you with additional
information about the importance of LB264. The passage of the
establishment of the cultural district program for Nebraska was met
with a great deal of excitement and enthusiasm, both from Nebraska and
outside of the state. I've distributed to you a recently issued study,
Creative Economies and Economic Recovery: Case Studies of Arts-Led
Recovery and Resilience. For the purposes of the hearing, I've just
included the excerpt that includes Nebraska. The crux of the study was
to explore the challenges of rebuilding and renewing an economy and
viable solutions to that challenge. In summary, the arts and creative
industries offer a powerful source of light for states and localities
aiming to re-- reignite economic growth. The section on Nebraska that
you have in hand asserts that the establishment of a cultural district
program will be key to recovery in our state, based on the increased
amount of creative growth that Nebraska has experienced in the past
decade since the establishment of cultural districts was announced, as
Senator Stinner mentioned, we have over 20 inquiries on applying to
form one. The inquiries have come from expected corners, such as
Norfolk and various neighborhoods in Nebraska-- you just heard about
Benson-- and also from unexpected places, including Dawson County,
which wants to know if an entire county can become a cultural
district. Receiving a cultural district designation will be a
three-step process. First, the applicant meets a list of criteria,
including building a coalition of business and government partners,
inventorying cultural assets, and establishing the district
boundaries. The applicant then submits a letter of intent for our
review. The applicant then is authorized to undertake a strategic
planning process to determine what assets are needed to make the
district successful. As Senator Stinner mentioned, cultural districts
can pursue a variety of options based on their unique needs. And

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herein lies the rub. The funding for cultural districts was to be provided by revenue from Support the Arts license plates sales. Our research has indicated that with the increasing number of specialty plates available-- there were 16 new ones added last session-- revenue from Support the Arts license plates will be less than \$5,000 annually. Our goal is to certify up to ten districts annually. If we achieve that goal, financial awards using license plate sales would be less than \$500. I want to stop here and say they're really beautiful license plates though. Everyone should have one. They-- they really are lovely and we all support the arts. Our research on the cultural districts nationally has found that an award of \$10,000 is the sweet spot to announce a district and to launch their work. The grant, like the district itself, can be used as a tool. The project can be scaled to the amount available, or it can be used as an incentive for generating additional funds from the private sector. And again, we've had a few conversations with community-- local community foundations, and all of them seem to be very high on this idea because it would double their money. And because there's so many communities, they've already built their swimming pool, they've built their senior center, and they now want other activities that will beautify their community, so they felt that this cultural district designation would be an excellent way for them to expend their funds as well. With that, I'll take any questions.

WISHART: Any questions from the committee? Senator Clements.

CLEMENTS: Thank you, Madam Chair-- Vice Chairperson, and thank you, Ms. Wise. The-- the-- I think you maybe be just talked about it, but I was wondering if \$10,000 is the fixed amount or will it vary somewhat?

SUZANNE WISE: We feel, if they go through this process and they have done a really good job of strategic planning, they deserve \$10,000 because it-- the idea is to think big and to really launch and say, if you want a professional level marketing plan for tourism, it's-- you're going to need that kind of money, even if you're a small community.

CLEMENTS: And I see you're-- you're saying these will be not matching grants, no match required?

SUZANNE WISE: No match required, however, we're encouraging that and most of them have grasped that, the ones that we have talked to that

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have inquired about the program. They've said, oh, we have someone who
would be willing to match it.

CLEMENTS: They can set that in their program--

SUZANNE WISE: Correct.

CLEMENTS: --how they wish. And you went through three different
criteria, the partners, the boundary, and I missed the first one. What
was that?

SUZANNE WISE: Their-- their assets. And they would-- they-- they have
to look around their community and-- say they don't have art museums.
That's fine. Maybe they have a couple of historic buildings. Maybe
they have a brewery that has started. Maybe there is a dance studio.
All of those would be ticked up on their list, and that really forms
the basis for the conversation with the business community, so that
they're all thinking along the same lines.

CLEMENTS: And what is your opinion of an entire county being a
district? Is that within possibility?

SUZANNE WISE: I think it is, actually, and that's why we're working on
flexible application standards, because I think if they can make their
case, and I think Dawson County, because of the rich history of the
three communities that are along the interstate, it's up to them to
make their case, but it would seem to me if they-- if they approach it
carefully, it could be kind of like a Dawson County road trip where
you stop at each one of those three communities, Lexington, Cozad and
Gothenburg. And I kind of would like to see it but, again, they will
have to make the case to us.

CLEMENTS: There-- yeah, there's not a prescription for what it has to
be like. The--

SUZANNE WISE: Exactly, Senator Clements.

CLEMENTS: --boundary is set by the applicant then.

SUZANNE WISE: Absolutely.

CLEMENTS: All right. Thank you.

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WISHART: Any other questions? Senator Dorn.

DORN: Thank you, Senator Wishart. Thank you for being here. You talked about the license plates and that it would bring in \$5,000, approximately. How many plates is that and at what price?

SUZANNE WISE: The cost of the license plates is \$5 extra and--

DORN: [INAUDIBLE]

SUZANNE WISE: --and specialty plates, actually, are \$40, and of that, there is an administrative fee that I believe we will get \$37.87, something like that. But the problem with the specialty plates for-- to personalize them, there's only five letters and numbers. It's-- it's a lot easier to do a specialty plate if you've got seven. It's not very easy with five. I, however, do have a specialty plate and it is CREE8, C-R-E-E-8, so I took that one and I did it on New Year's Day.

DORN: Then my other question is-- talked about Dawson County maybe being a county. Someone like Omaha, how many cultural districts does Omaha have or could they have?

SUZANNE WISE: Well, potentially, I can think off the top of my head at least four or five neighborhoods. Senator Vargas just sat down. Certainly the South 24th Street area is-- is ripe for being a cultural district, Benson; 24th and Lake Street area has a lot of the necessary components, Dundee. However, there are some com-- Bellevue has a couple of them, and I think actually there's parts of west Omaha that could put something together. And as Senator Stinner mentioned, cultural districts don't have to be in a downtown. They can be in a suburban area, as well, and be very successful. It's just how you put the package together.

DORN: Thank you.

WISHART: Any other questions? Seeing none, thank you.

SUZANNE WISE: Thank you.

WISHART: Do we have any additional proponents? Welcome.

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BILL STEPHAN: Thank you. Good afternoon, I'm Bill Stephan, executive director of the Lied Center for Performing Arts. Thank you for this opportunity, Senator Wishart and everyone, to support LB264. I also just want to take a little moment and invite you to come to the Lied Center for Performing Arts. We've got a vibrant season this spring of in-person and online shows, so, just couldn't resist inviting you to Nebraska's Performing Arts Center. Cultural districts have been revitalizing communities large and small across the country for several decades. Defining a cultural district area in a community, especially around current cultural assets, elevates the area to a place where people want to visit, they want to operate a business, and they want to own property. While my great-great-grandfather was a Nebraska homesteader, I grew up in a place called Boise, Idaho, where I witnessed Boise's downtown went from vacant buildings and endless empty parking lots to one of the most vibrant downtowns in the United States, and a key reason for their success: the creation of their cultural district. And so I witnessed that as I grew up, and I know that can happen all over Nebraska. We desire to have a cultural district in downtown Lincoln. With the Lied Center, Sheldon Art Museum, Great Plains Museum, Hixson-Lied College of Fine and Performing Arts, the Rococo Theatre, Kiechel Fine Art Gallery and so many more arts institutions in the core of downtown Lincoln, perfect place for a cultural district. Our vision is to create the district to define it with signage. We plan on enhancing it with distinctive and creative visual art, colorful public seating areas, and promoting the area as the place to visit in the Midwestern United States. Many people in Lincoln, in Nebraska, and certainly outside of our state have no idea the cultural assets in downtown Lincoln, Nebraska. But a cultural district is going to lift it up, make the area noticed, and bring good things to everyone in the community. Nebraska needs a vibrant grant program to support the cultural districts. The grant program will be a catalyst for community investment. The grants will be-- will be matched by donations. I know that was just mentioned a minute ago. We-- I-- I'm confident that your-- your-- your money is a seed of investment that will be multiplied many times. The grants will be matched by a variety of organizations in Lincoln. We'd like to upgrade public seating, continue to invest in public art, purchase creative wayfinding signage, and to invest in physical enhancements that define the area and make it a must-visit destination. A grant program that provides \$10,000 per community will make major impacts every year. Public seating, public art, professional signage, it

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really does take thousands of dollars to be able to accomplish what we're looking at. Cultural-- cultural districts across Nebraska will showcase historic theaters, bring visitors to art galleries, encourage creative businesses to locate in that defined area in the community. We'll see increase in property values, increase in tourism, fuel economic prosperity for restaurants, shops, gas stations and hotels. Cultural districts bring beauty, excitement, creativity, color, and distinctive identity to a community. I am so excited for Lincoln's future cultural district and for every community across Nebraska that takes advantage of this exceptional opportunity development. I hope you will support LB264. The investment will be matched by community contributions and the value of the district will go far beyond all of our expectations.

WISHART: Any questions? Senator Clements.

CLEMENTS: Thank you. Thank you, Vice Chair, and thank you, Mr. Stephan. The-- I should have asked, probably, Director Wise, but is the cultural district going to become a new 501(c)(3)? Is it going to have a board of directors or just a group of people who happen to work together?

BILL STEPHAN: That's a good question. I would anticipate that there probably be some type of a fiscal agent required since they'd be receiving money, and it may vary depending on the-- on the area, you know, on that particular community. That probably would be something that Suzanne would need to-- to answer.

CLEMENTS: I was just looking in the bill. I-- I did not see the requirement as to what kind of an organization there would be, but we can-- we can find that out [INAUDIBLE]

BILL STEPHAN: I do-- you know, like for in Lincoln, we're planning on having multiple partners that are part of that, so there'll be a board of directors, of members, and certainly work together to identify expenses and revenues and make them balance. So there'll be certainly some type of organization in every community.

CLEMENTS: Thank you.

WISHART: Any other questions? Seeing none, thank you.

BILL STEPHAN: Thanks.

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WISHART: Additional proponents?

JAMIE ULMER: Hello, members of the committee. Thank you for the opportunity to speak today. And a quick hello to my senator from District 30, Senator Dorn. My name is Jamie Ulmer, J-a-m-i-e U-l-m-e-r. I'm the managing artistic director at Community Players, the Community Theater in Beatrice. When we think of that idealized rural Nebraska downtown of the past, it includes that weekly trip that the family takes to buy all-- all their shopping for the week, sidewalks full of friends and neighbors, every building full and bustling with stores like Sears, Woolworths, J.C. Penney's. But at its core, what made a downtown or any concentrated part of a city thrive were the people and the interactions that they have. While long-term retail trends have changed where and how we shop, they haven't changed our need for in-person interactions with our friends and neighbors. Those positive interactions are probably needed now, more than ever, and that's what thriving cultural districts can create for our communities: community. Beatrice is excited about the possibilities of cultural districts and the funding those programs will create for our community. Right before the pandemic started, we-- In Beatrice, we were already having conversations about how we can highlight the growing variety of creative and cultural offerings that we have. These collaborative conversations actually included involvement with Main Street, the chamber, tourism, economic development, the city, and nonprofits, like the theater. As community leaders, we knew that there was an embarrassment of riches regarding community and cultural offerings, from places like the Mercantile Building, which was a massive two-story warehouse that had sat vacant for close to 30 years but now hosts-- houses several new businesses including a brewery and the state's first indoor entertainment district, to top-quality restaurants, museums, second-floor housing developments, new public art projects, movie theaters, and a certain nationally recognized community theater that I'm familiar with. The amount of activity in the downtown district of Beatrice is really exciting. As leaders, we see the great progress, but we know that those outside of our community and, more concerning, those within our community often don't see it. That's why we are envisioning being able to take advantage of a cultural district designation to bring attention to our exceptional offerings. Playing off the unique way to pronounce Beatrice, we have already started conversations with a marketing firm to develop "Be At" campaign: Be at work, be at play, be at home, Beatrice. That is just

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one of the possible ways districts like Beatrice will make an impact with this funding. Drawing more people to our districts will create more buzz and draw more unique development and creative reuses of historic buildings, like our former RadioShack, which is now home to Vintage Venue, a catering business and a much needed reception and meeting space. As the pandemic has taught us, it is possible to work from just about anywhere, so we must make sure our communities have the ability to build and highlight assets which make them places where we want to live. Funding the Nebraska Arts Council cultural district grant program will be a significant step in that direction. So thank you.

WISHART: Thank you. Any questions? Yes, Senator Dorn.

DORN: Thank you, Chairperson Wishart. Thank you for being here. We were able to take part this summer in one of your plays where you had an individual there at a time and you did that over, I call it, the Internet or whatever. Tell me how that came about a little bit or what that-- did that require some funding or was that profitable, I guess?

JAMIE ULMER: You know, a lot of the virtual programming that we've been engaged in and that I know institutions like the Lied Center have been doing have been-- have been a lot about connecting with the communities and focusing on that part of our missions. Sometimes they're profitable. And you were part of our virtual New Year's Eve concert that we had online, and that was a-- that was a profitable venture for us. We were able to-- we're pretty scrappy and we're able to make use of the-- of all that technology. But we've become pro-- television producers instead of live arts producers lately.

DORN: I know the pandemic has affected the culture, the arts and so on, a lot. You know, we show-- saw some federal funding and stuff that had come forward also. Businesswise, or from a year ago, is it-- are-- are you at a position now where you are starting to, I guess, plan for the opening completely up, or what-- where does that sit-- part sitting?

JAMIE ULMER: Yeah, we have been envisioning what post-pandemic times look like. We actually this week have opened-- are opening two shows. We have a show on the road here in Lincoln that we opened last night, and we've got another show that's opening in Beatrice tonight. So we are doing in-person stuff, but in a very limited capacity. But we are

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looking to the future and I'm on Plan Z now of our reenvisioned programming. But we do envision that hopefully by the summer we'll be able to return to the bigger productions that draw the larger audiences, that bring in that earned revenue, the ticket sales that Suzanne had mentioned earlier. But right now, we've been focusing on just smaller scale things to be responsible and limiting our seating capacity right now to 50 percent.

DORN: Thank you.

WISHART: Seeing no other questions, thank you. Any other supporters?

ERIC GERRARD: Vice Chair Wishart, members of the Appropriations Committee, my name is Eric Gerrard. That's E-r-i-c; last name is G-e-r-r-a-r-d. I'm here representing the city of Lincoln in support of LB264. Thank you to the page for handing out a letter from somebody that may be familiar to you-- to you. Kate Bolz authored this letter and most of the testimony I'm going to give, so a former member of this Appropriations Committee. The city of Lincoln is proud of our community's commitment to arts and culture. From the Lied Center for Performing Arts to the Sheldon Art Gallery here in Lincoln, arts and cultural institutions help make Lincoln a place people want to live, work, and visit, and they have a certainly a positive economic impact for our state and for each of our communities. In fact, according to the Nebraska Arts Council, the creative industry adds \$2.7 billion to Nebraska's economy. The creative industry also supports 27,000 jobs in Nebraska. Building arts and culture initiatives will help Lincoln in an important goal, and that's growing talent in the STEAM, and that's science, technology, engineering, arts and math fields. These fields are essential to complete-- to compete in a 21st-century economy. Increasingly skilled professions can choose-- or skilled professionals, excuse me, can choose where they live and work. Cultural districts will help be a part of the draw to bring more people to Lincoln. This is why we are pleased to support LB264. Cultural district support will help our Lincoln small businesses after a very difficult year. It will assist small businesses and will be a part of attracting and retaining a skilled and diverse workforce in our city. The last brief point I'd make is I'm-- I try to be self-aware, and I know that I can't-- I'm not that persuasive. But when I've heard the testimony today and when I read through this, I think of my daughter and all the times she smiles when we're doing things related to the arts, so I think she's probably more persuasive,

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and the most persuasive argument is that the support of funding like this will help continue to bring smiles to her face and other ten-year-olds and other like-minded children. So with that, I'll close. Thank you, Chairman Stinner, for introducing this bill.

WISHART: Any questions? Seeing none, thank you. Additional proponents?

STEVE BARTH: Hello, members of the committee. I am Steve Barth, S-t-e-v-e, and then Barth, B, as in "boy," -a-r-t-h. I am here as president of the Kearney Cultural Partners, as well as executive director of Crane River Theater in Kearney, Nebraska. I want to start by saying thank you. In 2020, you voted to approve the cultural district designations in Nebraska. This was a huge victory for not only the arts organizations in our state, but for all of our communities. It was affirmation that the arts do matter in Nebraska. We want to thank you. I am here today to share with you the impact that a cultural district designation, along with a complementary grant, would have on our community of Kearney. Arts and culture have always played a vital role in our community. We are home to the Museum of Nebraska Art, Merryman Performing Arts Center, World Theater, Kearney Symphony Orchestra, and many other long-standing arts institutions. In recent years we formed the Kearney Cultural Partners. This is a coalition of 20 arts and culture organizations. We meet monthly to coordinate programs and marketing efforts to promote Kearney as a cultural tourism destination. Representatives from the Chamber of Commerce and Kearney Visitors Bureau also attended the meetings. This partnership has proven to be extremely successful. Since the formation of Kearney Cultural Partners, nearly every entity has increased membership, revenue, and programming. With collective marketing and collaborate-- on collaborative events, we have boosted our ability to be an economic engine for our community while enriching it at the same time. A cultural district designation and grant from the Nebraska Arts Council will enable our organizations in Kearney to continue the progress that we have already begun. We truly believe the arts enhance our quality of life. They bring us together. They remind us why we love our community. Additionally, the arts attract visitors from outside our community, which then translates into tourism. A recent Buffalo County economic impact survey showed that for every dollar spent on the arts, it generated \$11 back into our local economy. I am currently the executive director of Crane River Theater in Kearney, an organization I founded in-- 12 years ago. And in our first year we entertained 4,000 audience members and educated nearly

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100 youth with our programs. Fast-forward ten years later and we have now-- we're now entertaining 20,000 audience members a year and 3,000 youth with our programs. This growth would not have been possible without the assistance of grants from the Nebraska Arts Council, and Crane River Theater is just one of 20 arts and cultural organizations Kearney. Grants, like the ones proposed in LB264, have an enormous impact. They are an investment. They're an investment in our communities. I urge you to think of these grants not just as a cultural district grant, but as a community enrichment grant, an educational impact grant, and an economic vitality grant. With the cultural district grant, Kearney Cultural Partners could extend our outreach to surrounding communities with professional marketing campaign, add physical enhancements to our arts district, and build on our plans for a collaborative family arts festival. As a result, we hope to establish even more partnerships with area businesses and our community as a whole. Thank you very much for your support today. Thank you.

WISHART: Thank you. Any questions from the committee? Seeing none, thank you.

STEVE BARTH: Thank you.

WISHART: Additional proponents?

SKYLER DYKES: Thank you. Vice Chair Wishart and members of the Appropriations Committee, my name is Skyler Dykes, spelled, for the public record, S-k-y-l-e-r D-y-k-e-s. I am here today on behalf of Nebraskans for the Arts, a statewide nonprofit organization of artists, educators, and businesses, to voice our organization's support for LB264. As interim executive director of NFTA, I work with arts, businesses, and community leaders across the state that recognize how the cultural district grant program, funded by LB264, would enhance their communities' efforts to bolster tourism, retain talent, strengthen partnerships between local businesses, and improve quality of life, a recognition that is research-based and proven policy. One of the key findings of the Blueprint Nebraska report released in 2019 was that a lack of access to or knowledge of cultural offerings, concrete barriers for attracting new workers and families, and speed brain drain in our state. As a solution, the report proposed targeted state investments to enhance the mapping, planning, and marketing of community arts, entertainment, and recreation and set a

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goal of giving Nebraska "the most vibrant rural main streets in the country by the year 2030." LB264 would further this goal by supporting ongoing efforts statewide to rejuvenate downtown spaces. You've heard about many of them today, but to share a few more, in Red Cloud, the Moon Block project has already refurbished storefronts, now seeks to turn an old movie theater into a performing arts and conference center. Downtown businesses in Ashland have partnered to create arts events that attract visitors but have found that it can be difficult to find funding for cooperative marketing projects. And the city of McCook has and continues to work to expand its downtown cultural offerings through its Norris Alleyway project and artistic spaces in the Keystone Hotel. These are just a few of the communities with whom our organization has worked that could benefit from the funds and additional recognition a cultural district-- district grant would provide. Ultimately, the funds allocated to the cultural district grant program would help support the economic development of Nebraska municipalities as they reopen, work to attract tourists, and revitalize cultural activity and community gatherings, a point that the Arts and Economic Recovery Report Suzanne Wise distributed well demonstrates. As you consider fund allocations that will rehab-- rehabilitate our state's economy, I hope you keep LB264 in mind. So thank you, and with that, I'm happy to take any questions.

WISHART: Any questions? Seeing none, thank you.

SKYLER DYKES: Thank you.

*CAMDYN KAVAN: Good afternoon, Senator Stinner and members of the Appropriations Committee. My name is Camdyn Kavan and I'm the policy and outreach coordinator at OpenSky Policy Institute. We're here today in support of LB264, as we believe strengthening Nebraska's communities through increased investment in arts and culture is an important economic development tool. Economic development reports dating back to 2010 have universally called for increased state investment in order to attract and retain workers, especially younger workers, including a 2010 report by Batelle, a 2015 report from SRI International, a 2018 report from the Center for Regional Economic Competitiveness and, most recently, the 2019 report from Blueprint Nebraska. As recognized by Blueprint Nebraska, one of the keys to attracting and retaining young workers is having vibrant arts and cultural opportunities and so we believe further investment in cultural districts throughout the state is a worthwhile use of state

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funds and one that is likely to help further our economic development goals. We therefore support LB264. Thank you for your time and consideration.

WISHART: Any additional proponents? I do have submitted written testimony for LB264 from Camdyn Kavan, OpenSky Policy Institute. And with that, we will move to opposition. Any opposition? Seeing none, anybody in the neutral? Seeing none, Chairman Stinner?

STINNER: I'm going to waive. I've got the next three bills--

WISHART: OK.

STINNER: --and I'd like Dorn to have a chance before midnight to introduce [INAUDIBLE]

WISHART: Yes. [LAUGHTER] We-- before we close out this hearing, we do have another letter of support that was submitted-- submitted by Zachary Wahab. And with that, we will move on to LB141.

STINNER: Good afternoon, Vice Chair Wishart and fellow members of the Appropriations Committee. My name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the 48th District, which is comprised solely of Scotts Bluff County. LB141 appropriates \$7.5 million in fiscal year '21-22 from General Funds to the University of Nebraska at Kearney as matching funds to assist in the renovation of the University of Nebraska for perform-- program art, including existing space and additional gallery space for the Nebraska art collection at the Museum of Nebraska Art in Kearney, which is referred to as MONA. As per the attached fiscal note from the university, UNK's relationship with MONA has historically been limited to a joint-use lease in a limited operational/curatorial support. As such, the university indicated it will not be able to utilize these funds or receive those funds as appropriations is limited in purpose. This is why I've introduced an amendment onto the floor of the Legislature, AM260, for your consideration as a committee amendment. AM260 would simply divert the funds under the bill from UNK to Nebraska Arts Council, which would create a separate program under the Arts Council to be used as assistance or aid to MONA for the purpose of matching funds to renovate existing gallery space. I will tell you this. I have visited MONA. It's well worth getting off the interstate. First of all, it's in a historical building, which is the old post office. It

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will take you probably four hours to get through all of the gallery exhibits. It's all Nebraska art. There is statute supporting Nebraska arts, as well, and this was-- this is the designated place in Kearney. Kearney has done a fantastic job, but they-- but interestingly, when I went downstairs, there's more Nebraska art to be displayed than-- than actually you have floor space to. So they're-- they're wanting to add onto the-- the existing facility, expand it into, you know, something new and modern along with the post-- the historical post office. And I think it's a great-- a great program. Again, it's in the second part of the fiscal year. That gives them the opportunity to raise the money for matching money. I think they already have raised some. There'll be some folks from Kearney who will give you details. Suzanne Wise, the Nebraska Arts Council, is here also to give you more details on MONA and the need for renovation. And with that, I'll open for questions.

HILKEMANN: Thank you, Senator Stinner. Are there questions for Senator Stinner?

CLEMENTS: Yes.

HILKEMANN: Yep, Senator Clements.

CLEMENTS: Thank you, Senator Hilkemann. Senator Stinner, who is the-- who's the owner of the Museum of Nebraska Art? Is it the state or is it the University of Nebraska?

STINNER: From-- this is from my understanding. The-- the state owns the art collection and it's all Nebraska artists and Nebraska art. And I think maybe it-- they may correct me on this. I think the facility actually is owned by the Museum of Nebraska Art.

CLEMENTS: All right, we'll talk to them. Thank you.

STINNER: Yeah.

HILKEMANN: OK. Additional questions for Senator Stinner? Seeing none, proponents for LB141.

GALEN HADLEY: Good afternoon, Vice Chair Wishart. Members of the Appropriations Committee, my name is Galen Hadley; that's H-a-d-l-e-y. The first thing I was going to say, it's a lot easier to be on that side of the chair than it is on this side of the chair. I woke up in the middle of night worried about what I was going to say. I do want

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to thank you for all of your work in the last two years. It's a tough enough job and COVID has made it tougher, so I do want to compliment you on what you've done and the work you've done in the last two years for the state of Nebraska. In 1976, President McDonald of Kearney State College and three professors-- Larry Peterson, Jack Karraker, and Gary Zaruba-- met in the president's office and decided there ought to be a collection of Nebraska art. They started with 30 pieces of art that had been donated to Kearney State College that involved Nebraska art. Today, that 30 pieces of art has grown to over 5,000 pieces of art. Three years later, in 1979, LB116 was passed that put into statute the Nebraska art collection and who would house it and the specifics of the collection. This was amended in 1989 because the Kearney State College became the University of Nebraska at Kearney and the statute had to be amended to include the University of Nebraska at Kearney. That was the start of the present day MONA and the Nebraska art collection. That 1979 bill had two important parts. First of all, it said that the university-- at that time, the Kearney State College-- and their Board of Regents could have an advisory council that would advise the university on the art collection, and secondly, the art collection could be displayed in a museum. And that was part of the statute. The reason that was put in there is President McDonald was afraid that if-- if the art collection was left strictly to Kearney State College, that you might have a president someday who is in a money crisis, who might sell part of the art collection, and he was very much opposed to selling any of the art collection, so he basically made it impossible, without the approval of that advisory board, to sell the art collection. It was interesting. I go to coffee every Tuesday with Larry Peterson. He's the last living person who was involved in the starting of the Nebraska art collection, and he told me last Tuesday that he had senators that said we will be down here-- this art collection group will be down every year asking for money. They've only come down once, and there was a bill and it was vetoed by the Governor at that time in 1989, so it-- we have not been down every year to ask for money. This is literally only the second time. The Museum of Nebraska Art, basically, it is Nebraska art. It must meet certain criteria and it's pretty strict cri-- criteria. The actual MONA Board has a collections committee that examines every piece that is either purchased or donated, and the artist must be from Nebraska, must have worked in Nebraska, must have passed through Nebraska, must have some involvement with Nebraska for the piece of art. So we could be donated a very expensive piece of art that doesn't meet this

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criteria; if that's the case, we would not accept it. We are now asking for an expansion. We don't have enough room. We need to expand the building we're in, an old post office, and we need to add an extension to it. This is a three-legged stool, this expansion. One expansion is private donations. We're entering a private donation foundation fund to raise funds. We're asking you the state for fund, and we asked and received help from the city of Kearney, so it is a three-pronged stool that we're asking. This is a private-public art collection, renovation, and extension. We're asking for these funds on a matching basis. If we don't raise the funds, we will not receive state funds. I see the red light's on, so I'm going to end up by saying we hope that you can support this. Following me will be the executive director, Nicole Herden of the MONA Museum. Someone I know closely, Marilyn Hadley, is co-chair of the capital campaign with me-- I'm the gopher-- and she is also president of the board of directors. We will end-- lastly will be Mayor Stan Clouse of Kearney explaining how Kearney is helped with this. Thank you very much, and I would be happy to answer any questions you might have.

WISHART: Thank you. It's so good to see you. Any questions from the committee? Seeing none-- oh, yes. Did you have one, Senator Hilkemann?

HILKEMANN: Well, Senator Hadley, it's always good to see you. Is there anything additional that you wanted to tell us now that the red light is off? [LAUGHTER]

GALEN HADLEY: No, my mouth is dry at this point in time, so my worries are over, and I'm turning this over to the people that really know what they're talking about. How's that?

HILKEMANN: Yeah.

GALEN HADLEY: Thank you very much. And it's-- it's good-- very good to see old friends who I haven't seen for a while. Thank you.

WISHART: Any other oppon-- excuse me-- proponents?

NICOLE HERDEN: Good afternoon, members of the Appropriations Committee. My name is Nicole Herden, N-i-c-o-l-e H-e-r-d-e-n, and I have the privilege of serving as the executive director at the statewide nonprofit Museum of Nebraska Art, also known as MONA. Nebraska's story is very unique, our heritage is enduring, and there

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is no more of an eloquent way to showcase our history and story than through the art and the art of our Nebraskan artists and the creativity that-- that has been inspired from the human hand. That has been the mission of MONA from the very get-go. We have a very unique-- very unique mission in that we are solely dedicated to highlighting and celebrating the art of Nebraska and further showcasing the-- the rich creativity from artists that are making artwork today, contemporary artists. That is our sole mission. Other institutions incorporate that, but we are solely dedicated to that. We are also very unique in that we are the repository of the-- the state's art collection. So it's-- it's twofold in-- in one. I want to spend a few minutes today to tell you what MONA means to the state and to Kearney, and I also want to tell you a little bit about the future of what our expansion and restoration project will bring to MONA moving forward. During its 46 years of history, MONA has expanded from an initial 30-- 30 artwork collection to a recognized statewide MONA collection of more than 5,000 objects. We have grown into an important regional center for cultural activity. We have become a beacon in Kearney for the arts. We have been a point of inspiration, an education center, a motivation, if you will, for all ages, K through the very elderly stage in life. We have outreach throughout the community with-- within the public and private schools, also with retirement facilities in town. And probably most-- most notably, through MONA's ARTreach program, where we reach about 24,000 visitors throughout the counties of Nebraska. We have currently highlighted artwork. We've showcased exhibitions throughout Nebraska in places that haven't had the opportunity to highlight their own artwork or wouldn't otherwise have the opportunity to tell the story of Nebraska through the collection that we have, our treasures. And in any given year we highlight approximately 20 to 25 exhibitions through this program without-- with ARTreach. Our visitors that come to MONA can experience a range of tours with our volunteer-led docent program. They can also participate in hands-on workshops. We-- we offer a variety of different classes and engagement opportunities for classes and teachers at the university level and at-- at K-12. And we also offer a variety of artist talks, programs, events, social opportunities. And we have had a great impact in our-- in our state and in our region and in Kearney. Despite our increasing impact, MONA must adapt and respond to our need to move forward. We have to-- we are simply running out of space to store the state's collection, to be excellent stewards, to ensure that the-- the collection is-- is stored in the best capability we have

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with the best standards set by American Alliance of Museums. And so the-- I want to highlight a handful of items that we will-- we will see with the-- the new expansion and restoration project. We will feature dedicated gallery space to exhibit artwork, which will increase to 10,000 square feet. We will double the square footage of our dedicated art storage, which is currently in the basement, to a total of 5,000 square feet, critical for the-- the-- the longevity of our collection, provide larger and inviting spaces, foster community engagement, install infrastructure upgrades on the historical Post Office which address decades of deferred maintenance, upgrades in security systems, and activate the exterior landscape, install necessary technological infrastructure to be more effective online, and to have a greater outreach throughout the state of Nebraska and throughout our region. We will also encourage more jobs, internships. We will be a strong anchor into the-- for the Kearney cultural district that we've been talking about. And so with that, the-- my red light is on. And in summary, I just want to highlight that the growth in our collections and programs and events and visitor activities, along with the spaces needed to support them, has just been constrained by our limitations and with your support, we will have a stronger MONA for all of Nebraskans for the future of our collection. With that, I'll take your questions.

WISHART: Thank you. Any questions? Seeing none, thank you.

NICOLE HERDEN: Thank you.

WISHART: Next proponent.

MARILYN HADLEY: Good afternoon on a Friday afternoon. It's nice to see you. Thank you for staying here and being with us to hear about Museum of Nebraska Art. I'm Marilyn Hadley, M-a-r-i-l-y-n H-a-d-l-e-y. Vice Chair Wishart, Senators of the Appropriations Committee, I'm here testifying on behalf of-- of state support for the expansion and renovation of the Museum of Nebraska Art. I've joined Galen in talking about-- a little bit about the fact that we house the official Nebraska art collection as established in 1979 by statute of the State Legislature. The Nebraska art collection has enjoyed public-private support from the very beginning. It was initiated by Kearney State College president and faculty, who then invited 20 people from across the state to be a part of the Nebraska Art Collection Committee. They incorporated in 1978 as the Nebraska Art Collection Foundation and

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their purpose was to raise money to buy art, Nebraska art, for the Nebraska art collection. Kearney State was the home of the art collection. The art was housed and it was hung in the president's office; it was hung classrooms and in administrative offices. Ten years after the beginning of the Nebraska Art Council-- not Council, the Nebraska art collection, in 1986, they had accumulated so much art that they wanted to prepare a museum to store and to exhibit and to conserve this art that had been collected and to look ahead for future art. And as been mentioned, there was no state money in the State College System for a museum. And so the Nebraska Art Collection Foundation raised money to purchase the historic Post Office building to become the museum that houses the Nebraska art collection. And that museum was then renovated to be expanded so there would be room for-- for galleries. And again, private leaders stepped up, who were community members as well as members of the Nebraska Art Collection Foundation, and helped raise over \$4 million for that expansion and renovation. The University of Nebraska at Kearney and Kearney State have never participated in helping raise funds for-- I mean they've never given any state funds. They have collaborated with the foundations that are supportive of the art collection. So today, as the president of the Museum off Nebraska Art Board of Directors, I'm speaking to you on behalf of the 501(c)(3) organization that supports the Nebraska art collection and the museum that houses it. The Museum of Nebraska Art is a physical building. It is also a 501(c)(3) entity. And so we combine-- I mean, we use the same terminology, but I wanted to distinguish that they are-- they are two separate things. We-- this public-private partnership has been enjoyed, as I said, since 1976, since the beginning, and today it continues with the MONA 501(c)(3) entity leading the capital campaign for expansion of this building and the renovation and restoration of the existing building. My second point I'd like to talk about is to move into the capital campaign that the MONA board of directors is conducting. It-- we do have-- I see-- we do have four members of the University of Nebraska administration on our board, the chancellor, vice chancellor for business and finance, the dean of arts and science, and the art department chair. They are voting ex officio members. They are totally supportive of this project, as are all of our board members. They are-- have-- have each made a personal commitment to the project. We have not asked the University of Nebraska at Kearney for any commitment, just like we did not ask for a commitment when the mus-- when the Post Office building was built. The capital campaign cabinet consists of members of the

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board, the current board, past board members, and will event-- and--
and nonboard members. Galen is not on the board, but he has been
recruited to assist us with the fundraising. And I wanted to just
mention that we do have a consultant that we've hired. We have raised
enough money to pay for one-and-a-half years of the planning and the
preparation for construction, the hiring of architect, the hiring of
owner's rep, etcetera. I'll wrap up in a minute. And so we want to
assure you that we have in place a process to raise the money to match
the \$7.5 million that we are asking for support from you. With that,
I'll stop and see if you have any questions.

WISHART: Thank you so much. Any questions? Senator Clements.

CLEMENTS: Thank you, Senator Wishart. Thank you, Mrs. Hadley. And
Senator Hadley mentioned the three-legged stool--

MARILYN HADLEY: Yes.

CLEMENTS: --the \$7.5 million being asked for in this bill. Then that
would mean-- would that mean private donations would be 7.5 and the
city of Kearney would be \$7.5 million?

MARILYN HADLEY: Actually, he was-- I-- I know because we spoke about
this, but the three-- the three-legged stool is the idea of the
private being one leg, the city of Kearney another leg, and the-- the
state being another leg of support, so the private and two different
public entities. We're asking the state for \$7.5 million. The city,
and I-- Stan will-- will mention this. They have-- they have made a
gift to-- of land to the-- to the museum and let the mayor speak to
that gift and their support. And then the private entity of MONA will
raise the remaining funds for the construction and an endowment that
is set aside to pay for increased operational costs after the
construction is completed.

CLEMENTS: So the city's portion is value of land.

MARILYN HADLEY: Yes, that's right.

CLEMENTS: All right. Oh, thank you.

MARILYN HADLEY: OK.

WISHART: Any other questions?

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MARILYN HADLEY: Are there any other questions?

WISHART: Senator Dorn.

DORN: Thank you, Chairperson Wishart. Thank you for being here, Ms. Hadley. Question I have is talk-- some of you have talked about that you're-- you're at 5,000 pieces of art or whatever. Are-- so are you at the point where you are limited in the fact that you don't have any more room for the pieces of art, or are you limited by, I call it, the size of some coming in or are you still actively pursuing some?

MARILYN HADLEY: Well, that-- good question, and both-- the answer is-- is yes to both your questions. One is we are running out of storage room and-- and the storage, actually, we have water pipes running right over where some of the art is stored. I mean, it is-- it is just in need of restoration and-- and-- and we do want to continue collecting art. We do-- we-- we receive donations. We have endowments to purchase art, and so we want to be continuing to collect when 19th century art comes on the market, as well as contemporary. We don't-- we are limited in the size of-- of the gallery space that we have in terms of showing the-- the art. And we're just we don't want to have to be able to have to store these in an inappropriate place like a hallway. I mean, you can't do that with art. It has to-- so-- so our needs are our needs are both storage and being able to-- to exhibit them appropriately.

WISHART: Thank you so much.

MARILYN HADLEY: Thank you. I appreciate your listening to me on a Friday afternoon. I do, too-- I-- I appreciate all that you do. I know after being on the-- the-- the spouse side of-- of a state senator, I know what the costs are to the family and I do appreciate all that you do, all that you sacrifice to be here and work on behalf of Nebraskans. Thank you.

WISHART: Additional proponents?

STAN CLOUSE: Good afternoon, Senator Wishart. Senators, my name is Stan Clouse, S-t-a-n C-l-o-u-s-e. I am the-- the mayor of the city of Kearney. And as I was sitting here, it just dawned on me that you've had the last two mayors of the city of Kearney in front of you today. I've been the mayor 14 years, and Galen was mayor 2 years prior to

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that. And the one thing that we did learn in Kearney is when Marilyn Hadley says it's a good idea to do something, we'd probably better listen, so-- [LAUGHTER] so that's why I'm here. I'll address a couple things, one of them being, you know, in the city of Kearney, we-- we take a lot of pride in the arts and culture and the things that we have in our community, and we have one of the lowest property tax valuations in the state for class-one cities by a considerable margin. But an interesting fact that I've shared many times with the Leadership Kear-- Nebraska group and different ones that come in our community, it's not uncommon for our largest budget item not to be parks and-- or, excuse me, public works and streets and things of that nature, but a lot of times it's parks and rec and culture, just because of the amount of time and money that we invest in our community. And so when this project was presented, it fits with how our community thinks and-- and the value that we put in art and culture within our community. And Steve Barth was up here earlier talking about Crane River on the other bill, and, you know, we support that through helping with the renovations of the World Theatre. We've done things with Yanney Park for the Crane River productions that they have, and MONA is just another great asset for our community. Now, to answer your question, Senator, what-- what we're looking at, we're not going to be laying out a lot of dollars because that's-- that's always a challenge for us, but what city government can provide is relocation of utilities, providing the-- the parking lot, because it would expand into a parking lot, so we're willing to give that to MONA for their expansion. We've got to vacate an alley. And then when you give up a parking lot, then you've got to find some other locations to find another parking lot in the downtown area, so to put an actual dollar amount on it is difficult at this point in time. But we have made a commitment to MONA. We have a memorandum of understanding that we approved at a council meeting a week or two ago. I went through the planning commission and the planning commission approved it prior to coming to council and it was unani-- I think they had one-- one vote that was against the vacation of an alley, and I work with him, so I'm going to find out what he was thinking, but he voted on the rest of it, so pretty much unanimous and, of course, unanimous by the city council to support this project. We know that it'll take some time and-- and obviously we'll work through that. But we will work closely with-- with MONA as we proceed with this project. We think it's-- it's great for our community, it's great for the state, and, as always, our community from the city, speaking from the city perspective, we will

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step up and do what we need to do to help make this a reality. So with
that, I'll take any-- any questions you may have.

WISHART: Thank you. Any questions? Seeing none, thank you so much.

STAN CLOUSE: Thank you.

WISHART: Any additional proponents? Seeing none, we will move to
opponents. Anyone in the neutral? Chairman Stinner.

STINNER: I think I'll waive on this. The speakers that were behind me
answered all the questions. Otherwise, I'm on the committee and you
can ask me questions afterward.

WISHART: Before we close out, we do have one letter of support from
the American Institute of Architects, Nebraska chapter. And with that,
we will close this hearing and begin our next hearing on LB142.

STINNER: Good afternoon, Vice Chair Wishart and fellow members of the
Appropriations Committee. For the record, my name is John, J-o-h-n,
Stinner, S-t-i-n-n-e-r, and I represent the 48th District, comprised
solely of Scotts Bluff County. LB142 increases the General Fund
appropriation to the Nebraska Cultural Preservation Endowment Fund by
\$500,000 annually until 2030 to support the mission of the Nebraska
Cultural Endowment. Nebraska Cultural Endowment, a nonprofit
501(c)(3), is a partnership between the Nebraska Arts Council and the
Humanities Nebraska created to support arts and humanities in
Nebraska. The governing body of the Cultural Endowment is statewide,
20-member board of directors. Since 1998, the Nebraska Legislature has
appropriated \$10 million to create the building of the Endowment Fund
to stabilize funding for the arts and humanities in Nebraska through
Humanities Nebraska and-- and the Nebraska Arts Council. Income from
the endowment is available for distribution to Human-- Humanities
Nebraska, Nebraska Arts Council, when matched by private
contributions, the endow-- endowment was created to raise pri-- and--
to raise the pri-- private match to access income from and to
facilitate the increases in public funds, the Endowment Fund. The
Legislature has appropriated an additional \$5 million over ten years,
or \$500,000 a year, provided that the Cultural Endowment matches the
increase with private contributions. Under current statute, the
endowment can match up to an additional \$15 million in donations to
its private endowment. As of December 2019, the Cultural Endowment has

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matched \$1,460,000 on the scheduled \$5 million increase in endowment funds. LB142 simply extends what was a ten-year timeline to 2030 and increases the-- that appropriation by an additional \$500,000. This serves to fulfill the mission of the endowment to preserve-- to preserve Nebraska's long-standing tradition of arts and culture, building on incredible success that we've had with the Endowment Fund over the years, which is fast becoming self-sustaining and thereby lessening pressure on the-- on the General Funds. In contrast to our compet-- comparative states, the Endowment Fund in Nebraska has-- has a diversified funding portfolio and is approaching a structural balance with one-third General Funding, compared to the structural mix of 50 to 65 percent General Funds in most states. That's why I believe now is the time to increase contributions as a state so that we may leverage additional private donations and accomplish the state's commitment to cultural and economic development. Let me just put it this way. We've actually had on the books-- we raised \$10 million from the state because it's been matched on the private side. You got 20. Under the last time around, we went up to \$500,000 dollar match for a ten-year period of time. That's-- that's another-- 5 and 5 is 10, so that's 30. What I'm trying to do is to get it to 40. It will be a self-sustaining fund by that time. I don't expect them to be pulling on General Funds at all at that time, but it presents you with a really robust fund for the arts, for the st-- and humanities for the state of Nebraska. That's what this whole thing is about, is-- is get self-sustaining, get it out of the General Funds, and create a-- a-- a funding mechanism for the arts long term. Suzanne Wise of the Nebraska Arts Council is here to share with you her perspective on the success of the endowment and share some financials. I believe there's other people, as well, that will testify and answer probably most of your questions on Nebraska Arts. I think if-- think that the council generally distributes what-- actually looks in your communities, in your district. The difference that they're making in your district with humanities as well as art, they've done a great job as far as my district's concerned, and I'm sure they'll share with you what happens in your district as well. So it's not just for Lincoln and Omaha. I guess I want to say. It's really kind of spread evenly throughout the state. So with that, I'll take questions.

WISHART: Any questions? Senator Dorn.

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DORN: Thank you, Chairperson Wishart. Just, I guess, just for clarification for me more than anything, this-- currently in this fund we have in the budget \$500,000 a year or is this a new request?

STINNER: This is-- this is an-- that-- well, you have a funding of \$500,000 right now. I'm going to take it up another \$500,000 to a million dollars--

DORN: OK.

STINNER: --and that'll go out for ten years. That ten years will provide you the numbers I was talking about, about \$40 million-plus.

DORN: OK.

STINNER: But the onus is on them to raise the money, as well, so.

DORN: Yep.

WISHART: Any other questions? Seeing none, thank you.

STINNER: Thank you.

WISHART: We'll move to proponents for LB142. Welcome back.

SUZANNE WISE: Thank you, Senator. Members of the committee, I'm Suzanne Wise, S-u-z-a-n-n-e W-i-s-e, the director of the Arts Council. The chart that I am distributing is a snapshot of the Nebraska Arts Council's revenue, and it's in comparison with the four states most similar in population size. So basically, on the far left, you have a population rank, the state, obviously, and then you'll see the various categories of funding. I'd like to make several points about this data. First, note the diversity of funding sources and their percentage of the agency's total budget. Our reliance on State General Funds is the lowest in the group. So latching onto what Senator Stinner just said, you can see it's already working. We're only at 36 percent of our budget comes from State General Funds, and what you see from those other states, ranging from 67 percent to 40 percent, shows that we by-- we-- we rely by far the least on State General Funds. Second, we receive the highest level of funding from the National Endowment for the Arts. Finally, we are the only state arts council among our population cohort that is supported with private funds, and that fact holds true for over 90 percent of the state arts agencies.

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This data is a good summation of our success as a state arts agency and is directly attributable to the existence of the Cultural Endowment. Our revenue diversity means less reliance on State General Funds. Our higher level of federal funding is explained by the fact that the National Endowment for the Arts has a basic level of support, which is formulaic, and that number is what you see for Kansas. So Kansas is receiving that base level of support. The higher amounts are given to states in our cohort that reflect additional competitive dollars for serving arts education in underserved communities. Nebraska's amount, which is 10 percent higher than the next-closest award, is because the Cultural Endowment enables us to invest more money in arts education and underserved programs, which results in better quality programming, which results in more money from the NEA because we have really good programs. And again, that's not money that's coming from the State General Funds. That's because we have the Cultural Endowment. In addition to the private support, which is the most unique feature of our funding model, it adds stability to our cultural economy. And all of the things that I have been showing you today and the testimonies for some of these other legislative bills shows that that stability is something that's really critical to the cultural economy. We're very unique among state arts councils and it is responsible-- it is responsible for the State Arts Council's-- or, excuse me, the Arts Council's stability and our ability to provide consistent funding to the cultural education sectors in our economy. So what this is, is-- is-- Senator Stinner said it best. It's really an investment in the future. And if we go back to the amount of national recognition we've been getting just recently, it's because our cultural community is pretty solid, it's stable, and they can count on us for stable funding. This is not true in a lot of other states and their grants go up and down, again, be-- as you well know, it's your job to marshal the resources of the State General Fund and if things aren't looking good, you give us less money. But now we have this Cultural Endowment which really smooths that out so that they're always guaranteed kind of a base level of support with those combination of funds. So that's what I have to say. If you have any questions--

WISHART: Any questions from the committee? Senator Clements.

CLEMENTS: Thank you, Senator Wishart. Thank you, Director Wise. I had a question on-- you had talked-- you were comparing the states, those first two columns. Other state funds, if you add those two together,

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Nebraska is 61 percent of state funds. Why do you separate those two
columns?

SUZANNE WISE: The other state funds, the-- that's the earnings from
the Cultural Preservation Endowment Fund. So in other words, that's
the-- the pri-- the public side of the Cultural Endowment.

CLEMENTS: So that's the investment interest, investment return--

SUZANNE WISE: Um-hum, yeah.

CLEMENTS: --from the endowment.

SUZANNE WISE: That's-- those are just the earnings, um-hum.

CLEMENTS: I see. So it's not General Funds, the first column is just
the General.

SUZANNE WISE: No, it's-- the first column is just the General Funds.

CLEMENTS: All right. I-- I see that. And, let's see, you have other
funding sources of private funds of \$824,000. You'll need to raise
that to a million dollars to be able to receive this million dollars.
Is that right? Or is that the private funds, the other--

SUZANNE WISE: The other-- the other funding sources is the private
side. But again, that's just the earnings. So what you're seeing there
is what already exists on the private side of the Cultural Endowment,
and those are the earnings that we've received in fiscal year '20.

CLEMENTS: All right. This is a matching program, though, right?

SUZANNE WISE: Correct, it is, and--

CLEMENTS: What money-- what do you use to match with? Do you get to
use the investment earnings as a match?

SUZANNE WISE: What I have to do is step back to what's available and
to draw down earnings and then what the-- the private side of the
cultural endowment is doing. They are raising money for their own
endowment, as well, and so what we're using when we match the draw
down from the public side are all of the contributions that are being
made. So it's a two-step thing that they've raised enough money to

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make a match to draw down from the state side. But in addition,
they're able to put that into their private side. So, as Senator
Stinner said, if we have \$20 million on the public side, we also have
\$20 million on the private side and we draw down earnings from both.
That makes sense?

CLEMENTS: Yes, thank you.

SUZANNE WISE: OK.

WISHART: Any other questions? I-- I have one, just dovetailing off of
Senator Clements, just to try to wrap my head around this, because I'm
not very familiar with endowments. So basically, there are two
separate endowments, a public one and a private one.

SUZANNE WISE: Correct.

WISHART: OK, so every time we put money as State Legislature into the
public one, the Cultural Endowment is in-- and their staff are raising
the funds to put into the private one.

SUZANNE WISE: That's correct.

WISHART: And then off of both of those, how much interest for
earnings, I guess, how much earnings do we have to spend every year?

SUZANNE WISE: It-- it depends. It's all dependent on the market--

WISHART: OK.

SUZANNE WISE: --because both are-- well--

WISHART: What's the average, though? The averages would show here?

SUZANNE WISE: Well, there isn't-- there really isn't an average
because--

WISHART: OK.

SUZANNE WISE: --every year more money is going in, so it continues
to--

WISHART: OK.

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SUZANNE WISE: --raise. However, I will say that there-- in bad market years, there are times when we're not drawing down on either side because we want to maintain the principal.

WISHART: OK.

SUZANNE WISE: So that's, of course, then when the state dollars have to kick in and our arts agencies just know ahead of time that-- that here's your basic support, and this is from the State General Fund. You should budget based on that and anything extra from the Cultural Endowment, you'll be able then to spend if-- if we have the money available.

WISHART: So the goal then is to grow the endowment, the public endowment and the private endowment, each to be \$40 million.

SUZANNE WISE: Correct.

WISHART: No, I'm seeing--

KOLTERMAN: Did you say 20?

WISHART: Each-- each but--

SUZANNE WISE: Well, 20 and 20 is 40 total.

WISHART: --each to be 20.

SUZANNE WISE: Yeah.

WISHART: And at that point then, will we see this State General Funds column go away?

SUZANNE WISE: Pretty close to it.

WISHART: OK, thank you.

SUZANNE WISE: Yeah, I mean, basically, the person that succeeds me and succeeds all of you isn't going to be begging for money from the State General Fund.

WISHART: OK, thank you. Any other questions? Seeing none, do we have any other proponents for LB142?

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BOB NEFSKY: Good afternoon, Vice Chair Wishart and members of the Appropriations Committee. My name is Bob Nefsky, B-o-b N-e-f-s-k-y, and I'm a founding director and past president of the Nebraska Cultural Endowment. I am pleased to testify today in support of LB142, which would increase the annual state set-aside to the Cultural Preservation Endowment Fund from its current level of \$500,000 to \$1 million. The Nebraska Cultural Endowment is a uniquely Nebraskan public-private partnership among the Nebraska Arts Council, Humanities Nebraska, and the state of Nebraska to provide support for the arts and humanities statewide. We were established in 1998 when your predecessors in the Legislature set aside \$5 million, the income from which provides essential support for the arts and humanities in Nebraska, subject to our matching that income. Unanimous legislatures have supplemented it twice with equal private and public contributions to the point where the combined state and private funds together exceed \$20 million. Most importantly, since 1998, that combined corpus has generated enhanced support for Nebraska arts and humanities of nearly \$15 million without diminishing the corpus. In percentage terms, support from the Cultural Endowment amounts to about 20 percent of the combined bud-- annual budgets of the Nebraska Arts Council and Humanities Nebraska and 35 percent of their combined program budgets. The current distribution capacity of the end-- of the cultural endowment is approximately a million dollars annually and growing. In 2020, together with our partners, the Arts Council and Humanities Nebraska, we were able to use accumulated income from the private fund reserve to make a one-time special distribution to arts and humanities organizations statewide to help offset the extraordinary loss of revenue resulting from their widespread inability to serve the public during this pandemic. As you will hear from the directors of the Arts Council and Humanities Nebraska, an increase in the corpus of the cultural endowment will permit enhanced contributions to our constituents, which will in turn greatly enhance the ability of the Cultural Endowment to serve all Nebraskans in the future. The need is great and this effective, efficient and nationally unique initiative is available to help satisfy that need. Thank you again for your support of the Nebraska Cultural Endowment. We've had a long partnership and it's been a good one. Together, we have built an enduring Nebraska institution. That concludes my testimony. If you have any questions, I'd be pleased to try to answer them.

WISHART: Senator Kolterman.

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KOLTERMAN: Thank you, Senator Wishart. Mr. Nefsky, you said you-- were you-- were you on the board in 1998 when you started the endowment?

BOB NEFSKY: I was chair of the Humanities Council in 1995, and by virtue of that, I just hung around and worked on it starting in the mid-'90s.

KOLTERMAN: Well, I'd just like to thank you for your foresight. I'd also like to make a comment that my-- my district, the 24th District, which consists of Seward, York, and Polk Counties, all participate regionally and-- and are benefactors of what you've done and what the Arts Council has done. And I appreciate all the energy that goes into this. I get on an annual basis, probably, three or four letters from kids thanking us for giving them the opportunity to participate in the arts. So thank you for your hard work.

BOB NEFSKY: Thank you.

KOLTERMAN: I know you don't get paid a lot for doing that, but we appreciate you being here today.

BOB NEFSKY: Thank you for your comments. This is-- this is a team effort that's gone on for a long time. And so there's a lot of us that are involved in this, but thank you very much.

WISHART: Any other questions? Seeing none, thank you so much.

BOB NEFSKY: Thank you.

WISHART: Welcome.

CHRIS SOMMERICH: Good afternoon, members of the committee. Thank you so much for the opportunity to speak. My name is Chris Sommerich, C-h-r-i-s S-o-m-m-e-r-i-c-h. I'm executive director of Humanities Nebraska. And I'm just going to share a couple of minutes of what our part is in this Cultural Endowment partnership with Nebraska Arts Council. So we-- Humanities Nebraska is a statewide nonprofit organization that helps Nebraskans explore what connects us and makes us human, and we do this by working with hundreds of organizations all across the state every year through grants and programs that enrich lives and expand knowledge and create connections with our history, our culture, and each other. Our-- our humanities speakers give hundreds of programs annually for schools, libraries, senior centers,

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museums, and other community groups. We are a national leader with the Prime Time Family Reading program for underserved families across the state. We bring people together Smith-- for Smithsonian exhibitions, history lectures, Chautauquas, community conversations, and we award grants to community groups of all sizes. So thanks in large part to this working relationship with the arts and humanities in our state, Humanities Nebraska is a leader in-- among state humanities councils by building private and endowment funding to support our work. So to give you an example from a national perspective, we ranked 41st out of 55 state humanities councils for federal dollars through a National Endowment for Humanities for our operating support. And that's-- that's distributed by population, so that's about in line with population size. However, we rank-- we jump up to 18th in the-- in the country, 18th out of 55 state and territorial humanities councils, in total income because of the Nebraska Cultural Endowment and other private fundraising that we do. So that allows us to implement more programs and distribute more grants than many of our counterparts all across the country. One of my counterparts in one of the bigger states once said Nebraska just punches above its weight. So we-- we are recognized for-- for this great relationship. The challenges of 2020 brought an intense focus to the need for this kind of cultural partnership here in our state. Like the Arts Council working with the National Endowment for the Arts, we worked with the National Endowment Humanities as a critical partner for their efforts to deploy CARES Act funding, millions of dollars of CARES funding to cultural organizations all across the country who are reeling from the COVID-19 shutdowns. We worked-- stayed in close touch with the Arts Council as we planned our CARES Act grant making, ended up award-- awarding 79 grants for about \$440,000 of that federal money, and that was unrestricted support of local partners to pay staff and bills while other revenue sources had evaporated because our normal grant making is for programming. But that's not the end of the story. As Bob Nefsky just mentioned, the Cultural Endowment made that \$150,000 special contribution or distribution for each of the councils to do more pandemic relief grant making. And as that happened, I got a call from a major private foundation in the Omaha area that was doing plenty of funding in Omaha, but really wanted to distribute their money all over the rest of the state to cultural organizations, but they didn't have the network in place to know how to do that in a short amount of time. And so when I told them about what the Cultural Endowment was doing, they said, well, we'll just anonymously match that funding and you

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guys distribute it as long as it's going outside of Omaha, and-- and so that's what we did. We ended up distributing a total of \$308,000 more, another 74 grants for relief, for pandemic relief. And so between those, that was 153 humanities grants for three-quarters of a million dollars in 2020 that were distributed. And this is above and beyond anything we usually do. We've never done anything like that. So, I mean, to me, this kind of impact gives a glimpse of what the possibilities are in the coming years with the continuing growth of the Cultural Endowment. But imagine that instead of reacting to a pandemic crisis, we could be strategically investing more and more of this funding to build capacity of our local partners to serve their communities and engage people of all ages. So thank you and I'd be happy to answer any questions.

WISHART: Thank you, Chris. Any questions?

CHRIS SOMMERICH: Thank you.

WISHART: Seeing none, thank you. Any additional proponents? Good afternoon, Kyle.

KYLE CARTWRIGHT: Good afternoon. Vice Chair Wishart and members of the Appropriations Committee. I think that I am anchoring in the cultural bills for today. I just want to take a moment to say thank you for the Appropriations Committee's consideration of--

WISHART: Kyle, will you spell your name?

KYLE CARTWRIGHT: Yes, I will. Thank you. My name is Kyle Cartwright, K-y-l-e C-a-r-t-w-r-i-g-h-t, and again, thank you. So far you've heard about the success of the Nebraska Cultural Endowment nationally, unique relationship with the state, private donors, the Nebraska Arts Council and Humanities Nebraska, in creating sustainability by bringing together multiple stakeholders around a shared vision. Policy and cultural leaders in other states are in awe of what our state has been able to accomplish. What your predecessors have done is something uniquely Nebraskan and the NCE, the Nebraska Cultural Endowment, is recognized nationally as a triumph. And I just want to take a moment to acknowledge Senator Kolterman's comments on the work of the Cultural Endowment and say thank you for that. And if any of the other senators are curious about the projects and programs that are funded in your districts, on our website, at nebraskaculture.org, you can go

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to a tab called "Impact" and there's a little search that you can do by your district, or if it's Lincoln and Omaha metros, we've kind of aggregated those, so I would encourage you to seek out that resource if you're interested. The impact that the state match has had on our fundraising cannot be overstated. Within the current match period, we have received 800 donations from across the state in that match period, starting about 2017, for a total of \$3.7 million. And that's, again, in the current match period. About 43 percent of these 800 gifts have come from outside of Lincoln and Omaha. And it's also worth mentioning that the vast majority, or about 88 percent are gifts-- of those 800 gifts are from donors who are contributing a thousand dollars or less. So the point of all this is to indicate that the support is coming from across the state, from a broad base of supporters who join your visionary and your predecessors' visionary investment with their own personal support. I'll also mention a couple of our most significant funders include the Johnny Carson Foundation, who has been a long-term partner of ours, out of Los Angeles, and has continued to support us, the Simon family in Omaha, Omaha Steaks, and a gift of more than \$1 million contributed by an anonymous Chicago foundation. So it's interesting to see some of the-- the fun-- funders out of state playing a part in Nebraska. And I would just say also that the gifts from thoughtful and strategic grant makers like these are an indication and kind of a stamp of approval of an organization's effectiveness, trust, and potential. Given our recent and long-term fundraising success over the last 23 years, I'm confident that the Nebraska Cultural Endowment will meet the state's ambitious charge under this proposed legislation. And you have peace of mind that the state will only be required to make these transfers should we raise the amount equal to the state's investment each year. With success, the combined \$40-45 million that we talked about earlier would be held in support of arts and humanities programs statewide and will create an annual infusion of more than \$2 million into the creative and cultural industries, which are significant employers in Nebraska, as we heard in-- mentioned in LB264, doubling-- which would practically double our current capacity, about \$2 million-- over \$2 million annually would double our current capacity of the Cultural Endowment's combined-- combined funds. And overall, what that will do is it'll sig-- significantly raise our collective ability to deliver quality programs to communities all across Nebraska, all of your districts included, and all without requiring an increased year-over-year budget request, as we mentioned. Putting aside this additional resource for

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the future will mean permanently investing in quality of life, education, civility, and economic outcomes, while also providing, as we found this year, resiliency to a significant industry in Nebraska. It's clear that Nebraskans support this initiative. It's good for Nebraska's economy and our sense of community, and we're ready to meet the need. I'm deeply thankful, both personally and professionally, for the Nebraska Legislature's commitments over the last 23 years and for this opportunity to continue growing this unique and effective asset for our great state. And I'm happy to clarify anything or answer any questions you may have at this time.

WISHART: Thank you. Any questions from the committee? Seeing none, thank you.

KYLE CARTWRIGHT: Thank you.

WISHART: Any additional proponents? Any opponents? Anyone is the neutral? Seeing none, Chairman Stinner, you're welcome to close.

STINNER: I'm going to waive closing.

WISHART: OK. Well, that closes our hearing for LB142 and we will open the hearing for LB342.

STINNER: Good afternoon, Vice Chair Wishart, fellow members of the Appropriations. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the 48th District, which is comprised solely of Scotts Bluff County. LB342 appropriates \$2.5 million from General Funds to the State Department of Education, 2021-22 and fiscal year '22-23, for the purpose of Early Childhood Education Endowment Cash Fund, which will be referring to as the Sixpence program. Sixpence is the public name for the Nebraska Early Childhood Education Endowment Fund created in 2006 through LB1256 and a subsequent amendment to the state constitution. More to the point, it stands out as a shining example of how Nebraska's public and private sectors can work together to address a key challenge to the well-being of our state and its citizens. Specifically, that challenge concerns what our youngest and most vulnerable children need to grow up to become well-educated, healthy, productive members of their community. The answer to that challenge is relatively straightforward. Children need quality early care and learning experiences wherever they are being cared for, at home with parents or with qualified early childhood

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professionals, particularly during the critical first three years of life. Sixpence was created to make sure these experiences were more widely available to Nebraska at-risk infants and toddlers. Since its inception 14 years ago, Sixpence has become Nebraska's signature effort to help our state's youngest and most vulnerable children succeed. It is unique because it has a private-- public-private framework providing sustainable funding and dedicated professional guidance to high-quality early childhood programs throughout the state. It was specifically designed to address the development challenges early before they require more costly intervention later in life. Sixpence empowers parents to guide their children's development, enables communities to develop their own solutions, and delivers accountability to our combined public and private sector investments. Sixpence offers three different grant models: center based, home based, and childcare partnerships. Throughout Nebraska, there are 31 center and home-based grant recipients, 55 childcare partnership grant recipients. Nevertheless, there remains a high level of unmet demand for Sixpence funding services in communities throughout the state as, as sub-- as subsequent testifiers will verify. Currently, the Legislature provides \$5 million every year for the Sixpence Early Learning Fund to help support these grants. Although Sixpence has used this support to shift the odds of lifelong success in favor of thousands of Nebraska children at risk, COVID-19 has had a dramatic impact on our statewide early childhood infrastructure, including the availability of quality childcare for working parents. LB342 will provide an additional \$2.5 (million) the next two years to potentially expand existing and establish new Sixpence programs. In doing so, the bill reinforces ongoing efforts to stabilize the childcare market while strengthening a broad array of Sixpence funding serve-- funded services that are crucial to children's development-- developmental outcomes. As members of the Nebraska Early Childhood Workforce Commission, as a member of that, I know that our state must fully fund the early childhood system so all children and families have the support they need to succeed. Providing additional funding to Sixpence is a worthwhile step to achieve that goal. I also have an amendment for your consideration, AM272, which is a technical fix to bring the bill into alignment with proper accounting practices by the state. It would effectively allow us to transfer funds into the endowment cash funds versus appropriating General Fund dollars directly to the fund, as exists under the current version of the bill. I've got some testifiers behind me from First Five and Nebraska Children and Family

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Foundation-- will go to a little more detail on this Sixpence program,
but with that, I thank the committee for their patience today and
we'll open it up for questions.

WISHART: Any questions from the committee? Seeing none, thank you.

STINNER: Thank you.

WISHART: So proponents for LB342.

ELIZABETH EVERETT: Chair Wishart and members of the Appropriations
Committee, good afternoon. My name is Elizabeth Everett, spelled
E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm the deputy director of First
Five Nebraska. Thank you for allowing me the opportunity to speak with
you today. First Five Nebraska is a public policy organization that's
focused on promoting policies that help quality early learning
experiences for Nebraska's youngest children. I am here today to
testify in support of LB342. Quality early care and learning
opportunities are foundational in the developmental process of
Nebraska's children and essential to our state's economic
infrastructure. We know that supportive, stimulating experiences at
home or in childcare settings lay the groundwork for the lifelong
skills and qualities we need children to carry with them into their
schools, communities, and our future talent pool. We also know that
having access to quality early learning programs makes it possible for
more Nebraska parents to participate fully in the workforce,
strengthen their household incomes, and better prepare their children
for the challenges and opportunities that lay ahead of them. For more
than a decade, the Nebraska Early Childhood Education Endowment Fund,
also known as Sixpence, has helped sustain community partnerships that
deliver high-quality early care and learning opportunities for
Nebraska's most vulnerable infants and toddlers. Sixpence provides
funding and technical assistance through a competitive grant process,
enabling locally controlled partnerships to offer parent coaching and
childcare services to families most in need. Sixpence provides
supports under the guidance of a Governor-appointed board of trustees,
as well as a team of experts in early childhood education, program
administration, and grant management. Sixpence is successful because
it effectively unites public and private sector resources at the state
and local level and ensures quality and accountability for the dollars
we invest to help communities address their specific early childhood
needs. Every year, the Munroe-Meyer Institute at the University of

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Nebraska Medical Center evaluates the progress of children served by Sixpence-funded programs against established developmental expectations for the first three years. In 2018-2019 evaluation year, nearly all children served by Sixpence programs met or exceeded cognitive, social-emotional, and behavioral metrics. Demand for Sixpence-funded services has grown far beyond the capacity of existing programs in communities throughout the state. LB342 would help us take a step in the right direction to meet this challenge by appropriating an additional \$5 million over the next two fiscal years to the Department of Education, allowing existing and possibly new Sixpence programs to deliver the services our families and communities will need to help build back from the pandemic. Nebraska is at a critical juncture. Now more than ever, we need to find innovative solutions to address the most urgent challenges facing our youngest children, their families, childcare providers, and other members of the early childhood workforce. Since 2006, Nebraska lawmakers have twice approved legislation that enabled Sixpence to enhance its services throughout the state. LB342 is another opportunity for the Legislature to support a program that has shown proven results, made Nebraska a national model for the effective use of public and private resources, and delivered on the promise of being a fiscally prudent investment in the future of our children, families, and state. Again, I appreciate your time and attention today. I would like to thank, thank Chairman Stinner for his leadership on this important issue and I'd be happy to answer any questions that you may have.

WISHART: Thank you so much for being here.

ELIZABETH EVERETT: Thank you.

WISHART: Any questions from the committee? Yes, Senator Clements.

CLEMENTS: Thank you, Senator Wishart. Thank you, Ms. Everett. The-- let's see, the first thing I was wondering is what is the current balance in that endowment cash fund?

ELIZABETH EVERETT: So the current balance in the endowment cash fund, it will vary depending on what the current snapshot is, but right now it's about \$7.28 million. That will go-- be drawn down significantly. Most of it is because we are on a reimbursement basis and schools-- so school programs-- when the-- the individuals that get the grants, you have to get reimbursed for their expenses and so this money will

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eventually get drawn down to about \$1.3 million once all the
expenditures have been used.

CLEMENTS: There is \$7.3 million and it-- you're going to spend down \$6
million of it?

ELIZABETH EVERETT: Yes and over time, unfortunately, the, the way that
the funding is going right now and the demand in communities, the
funding that currently exists in these programs-- that we give to
these programs is unsustainable, so that's why we're asking for an
additional money at this time.

CLEMENTS: It's really not like what I think of as an endowment. You
don't spend the principal, just the earnings.

ELIZABETH EVERETT: Earnings, correct.

CLEMENTS: So it's not that way in this fund?

ELIZABETH EVERETT: No, we spend the earnings. So the way that the
endowment is structured and if you look on the handout I've given you,
so it is structured where the earnings from both the public and
private investment councils go into the cash fund. So the earnings get
used in the cash fund and the cash fund, the amount that's in there,
is then sent out as grants.

CLEMENTS: And the earnings-- what is the principal amount that's
earning investment returns?

ELIZABETH EVERETT: So the original investment right now-- and I can
get you the most recent-- I don't know where the principal has grown
to. It's, it's been-- it's grown above the original corpus. But
originally when this Sixpence was created in 2006, it was a \$40
million investment from the public side and it was a \$20 million
investment from the private side. The corpus has grown, though, so I
can get you those numbers.

CLEMENTS: It was \$40 million and it's grown from there?

ELIZABETH EVERETT: It has, yes.

CLEMENTS: So when you say \$7.28 million, is that earnings-- that some
earnings? And \$40 million is not earning \$7 million.

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ELIZABETH EVERETT: Correct, but let me double-check on that for you.

CLEMENTS: And who is eligible for distributions from that fund?

ELIZABETH EVERETT: So the grants go out to school districts. They're the fiscal agent for the Sixpence programs and then the Sixpence programs target at-risk children and so the at-risk children have to meet a certain amount of risk factors to be eligible for those programs, but the school district, so any community can apply for the grant.

CLEMENTS: You say community.

ELIZABETH EVERETT: Community, correct.

CLEMENTS: School district gets the money and then the community-- are these-- what, what kind of a facility does the community have?

ELIZABETH EVERETT: It depends on what type of grant they get if they get-- they receive. So they can have three different models of grants. They can either have, like, a childcare partnership grant, they can have a center or home-based grants, and I believe that's the-- the descriptions of each grant should be also listed in the handout that I just provided you.

CLEMENTS: OK. Will it end up at individual childcare providers?

ELIZABETH EVERETT: So they will-- so some of the money, yes, they will be, will be provided to childcare providers depending on, again, the grant recipients. So, like, the childcare partnerships, for instance, or the center-based programs, those go, those go towards childcare providers.

CLEMENTS: Does that have to be owned by a community or can it be private?

ELIZABETH EVERETT: No, no, but I would have-- the individual who is going to testify after me will be able to provide more specific details on the programmatic side of it.

CLEMENTS: Thank you.

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WISHART: Thank you. Any additional questions? Seeing none, thank you
so much.

ELIZABETH EVERETT: Thank you.

WISHART: Additional proponents for LB342.

KAREN PINKELMAN: Good morning-- good afternoon. You guys have been
here a long time. So thank you for bringing this to our attention,
Senator Skinner [SIC], and would like to thank you, Chairman Wishart
and the members of the Appropriations Committee. My name is Karen
Pinkelman, K-a-r-e-n P-i-n-k-e-l-m-a-n. I'm the associate vice
president for early childhood programs at Nebraska Children and I work
on the team that provides technical assistance for Sixpence grantees.
I'm here today to speak in support of LB342. The first three years of
a children's life are especially crucial moment in young children's
development. During this period, the human brain creates as many as 1
million new synaptic connections per second and neural circuitry is
laid for new cognitive, social, and behavioral skills. Because of this
rapid brain growth, the relationships, interactions, and environments
that very young children experience, even in the prenatal months, can
profoundly affect the lifelong trajectories for better or for worse.
These experiences play a crucial role in determining whether children
will arrive at their first day of kindergarten ready to learn
alongside their peers, developmentally-- development-- develop
socially positive behaviors as they grow older, and eventually take
place as productive members of their communities. While many Nebraska
families have the resources to give their children a healthy start in
life, the Sixpence Early Learning Fund was created to help those
families who lack those advantages. Sixpence offers funding and
technical assistance, assistance to local school districts. A
significant benefit, bene-- a significant benefit to families and
their children is community partnerships. Districts collaborate to
help parents guide and provide for their young children's
developmental, social, and physical needs. Each partnership is locally
controlled and unique to the Sixpence community and the families that
is served. Sixpence programs fall into three main categories. Sixpence
supports home visitation programs that educate parents about their
infant's and toddler's needs and coach them in techniques to best,
best meet those needs. Secondly, Sixpence supports center-based care
programs that enable parents to finish their high school degree,
attend college, and pursue employment to the best-- to best provide

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for their families. Thirdly, Sixpence supports school districts' partnerships with local childcares to strengthen the quality care and the reach of those childcares. Currently, Sixpence supports 31 home and center-based grantees, 55 childcare partnerships throughout the state. As of 2020, approximately 1,708 children receive services through Sixpence grants across more than 35 Nebraska counties. In addition to the direct benefits to children's development, Sixpence-funded programs actively help families grow towards sustainability and self-sufficiency. I will refer you to the 2018-2020 Sixpence Biennial Report for examples of how Sixpence-funded programs serve as assets to their communities as a whole. Despite the progress Sixpence has made in preparing, preparing more of our youngest Nebraskans for success in school and life, we are still only meeting a fraction of the state's need. As COVID-19 continues to put pressure on working families, childcare providers, and related services, those needs have only increased over the past year. Even in communities with active Sixpence grants, the number of children and families who would benefit from these services outweighs the existing program's capacities. We should never be in a position of having to pick which children will or will not be given the opportunities they need for lifelong success. The fact is we need all of Nebraska's children and families to succeed if we want to strengthen our communities and state by allocating more resources to Sixpence. LB342 moves us closer to that goal. I wish to thank Senator Stinner for introducing the bill and I hope that the committee will vote to advance it to General File and thank you for allowing us to present today. Do you have any questions?

WISHART: Thank you so much for being here. Any questions? Seeing none, thank you.

KAREN PINKELMAN: Thank you.

***JULIE ERICKSON:** Chairman Stinner and Members of the Appropriations Committee, my name is Julie Erickson and I am a registered lobbyist representing the Nebraska Child Health and Education Alliance in Support of LB342, The alliance is a unique group of healthcare and education leaders dedicated to policies that ensure Nebraska children and youth become successful adults. Investing in early childhood education is one of the most important steps we can take to provide essential learning tools to our children. Infants, toddlers and preschoolers deserve equal opportunities, regardless of family

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circumstances, and the Nebraska Early Childhood Education Endowment Fund supports programs to establish these opportunities. Thank you, Senator Stinner for your commitment to Nebraska's children and we urge the committee to support this appropriation. Thank you.

***MATT BELKA:** Members of the Appropriations committee, my name is Matt Belka and I am here today representing the Nebraska Association of School Boards in support of LB342. My testimony includes comments from Maureen McNamara of the Bellevue School Board. The premise of LB342 is to allocate funds to the Early Childhood Endowment Fund, Sixpence. This will support quality Early Childhood programs so children come to school ready to learn, therefore improving their chance of future success. Research indicates the allocation of funds to Early Childhood programs reduces the need for future interventions and more costly services. Additionally, the earlier the intervention, the higher likelihood of achievement for the child. Few understand that early childhood services may actually begin at birth. Esteemed professionals in the field of Early Childhood and Early Childhood Special Education, know how important Early Childhood programs are and acknowledge the validity of the research. However, when it comes to making funds available for these programs, districts or programs are left with limited resources or funds to make this happen for all children. The children most at risk have the least chance of participating in a quality Early Childhood program. Even if a program exists, the ability to access that program due to transportation or other family issues has limited the opportunity for these children. NASB believes LB342 is a step in the right direction to providing early childhood for more children across the State. Thank you.

***JASON HAYES:** Good afternoon, Senator Stinner, and members of the Health and Human Services Committee. For the record, I am Jason Hayes, Director of Government Relations for the Nebraska State Education Association. NSEA supports LB342 and thanks Senator Stinner for introducing the bill. We all know the tremendous benefit - to both the children and to the state through their return on investment - when we offer high quality early childhood education. Investing in quality early childhood education programs pays dividends that may reach up to \$13 per \$1 of investment. In fact, brain research points to the astounding success of quality early childhood programs in closing the achievement gaps for children, so it's a no-brainer: investment in these programs is vital to the students of our state. As you know, LB342 appropriates \$2.5 million from the General Fund to the State

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Department of Education in FY2021-22 and FY2022-23 for purposes of the Early Childhood Education Endowment Cash Fund. This appropriation helps support the Endowment, known as Sixpence. Sixpence programs have served 1,088 children and 886 families located in 31 communities across the state. Additionally, Sixpence programs have a high accountability standard. Sixpence programs regularly undergo a rigorous evaluation process by researchers at the Munroe-Meyer Institute at UNMC to measure child outcomes and ensure ongoing accountability for Nebraska's public-private investment. This ensures a sound investment for Nebraska taxpayers and high-quality early childhood programs for our children. The NSEA, on behalf of our 28,000 members across the state, asks you to advance LB342 to General File for consideration by the full body. Thank you.

WISHART: Additional proponents? Any opponents? Anybody in the neutral? I actually do have some submitted written testimony for proponents for LB342 from Matt Belka with NASB, Julie Erickson with the Nebraska Childhood and Education Alliance, and Jason Hayes with NSEA. And I have 19-- we have 19 letters of support that were submitted into the record and that will-- Chairman Stinner-- we--

CLEMENTS: And a closing, yeah.

WISHART: Would you like to close?

STINNER: I do want to close and I'm going to clarify something. Back when this was set up, there was a public-private partnership where the state says, hey, we're going to put it in an endowment, \$40 million. You've got to match it with \$20 million so you'd have \$60 million. And, you know, the hope was, is that interest rates would stay where they're at and the like of that. We're having-- and, and all they can use is the dividend and interest income coming from the endowment. I think we all understand right now it's projected only to be 2 percent from that source. I think there's \$58 million. I don't think they raised that full \$20 (million). There may be some more money coming in to get you to that level, but an endowment, by pure definition, means that you don't-- I mean, you use the corpus-- the earnings from the corpus, OK? And we maybe look at some legislation that's-- kind of contemplates what earnings really are, so that might be just a little bit different. But that source provides and it goes through this program that's administered up by the Department of Education. Our \$5 million of appropriations comes in with that and then, of course, then

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they take the grants in and people-- right now there's-- and what I asked them to do is tell me if it's oversubscribed or not. Right now, they believe, based on the list that they provided me, there's \$4.5 million of additional require-- I mean subscriptions that people are waiting for, financing-- probably won't get financing unless we up that number. So that was really the idea behind it is to go to 2.5 (percent). So now instead of \$5 million in appropriation, you've got \$7.5 (million) coming in, which will help support those grants and schools; some of the schools, some center based, some home based, some-- I mean, it's a varying degree of things that have-- but there are requirements for those grants. So hopefully that answers some of your questions. I think when she was talking \$7.2 million, that's the balance in the cash fund because we've, we've actually allocated those, those money and it's sitting there and waiting for, waiting for the billings to go out, but it is oversubscribed. The dollars are all spent to support a Sixpence program that has a certain curriculum.

CLEMENTS: And--

WISHART: Yes.

CLEMENTS: Thank you. So to be clear, \$5 million will be spent. It will not increase the corpus of the endowment, right?

STINNER: Right, this is spent.

CLEMENTS: OK.

STINNER: This will go on-- directly out to those people who either want to expand their program or new people that we can put in the program.

CLEMENTS: All right, thanks.

STINNER: There's about \$4.5 million of that combination sitting out there right now.

CLEMENTS: OK.

STINNER: OK. Thank you.

WISHART: Any other questions? OK, that concludes the hearing for LB342 and we will open the hearing for LB361.

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STINNER: Senator Dorn, how are you-- how are you doing at--

DORN: We're hanging--

STINNER: --4:30 on a Friday?

DORN: Well, it's not 5:30, so-- not yet.

STINNER: Well, it might be.

DORN: I know. We'll see how many come up and talk and how long after we get done with this. Good afternoon, or almost good evening. Thank you, members of Appropriations Committee and Chairman Stinner. My name is Senator Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30, which is Gage Co-- all of Gage County and part of southeastern Lancaster County. I'm here to introduce LB361. In 1965, the Nebraska Legislature created the educational service units to help maximize resources-- resources which can provide support services to schools that the schools themselves either cannot provide or afford. ESUs have a long history of working with school districts to meet the changing needs of our society. Currently, there are 17 ESUs that work closely with Nebraska's 244 school districts. There will be those who follow me who can give you detailed information on the services ESU provides. I would like to speak to the funding of the ESUs. ESUs receive money in the following ways. They receive grant funds, contracts for services, or flow-through funds. They receive up to the authority of 1.5 cents of property tax levy. They also receive core service funds, which are formula based. Core services include professional development for teachers, technology, which includes distance education, technology infrastructure and instructional materials. In the past ten years, core service funds have been reduced. In-- in the 2009-2010 budget year, the allocated funds equaled \$15,559,720, or almost \$15.6 million. In 2021, the funding stands at \$13,332,322, or \$13.33 million. In 2018, the Legislature did pass a 2 percent increase, but funding still is inadequate for the services to meet demand. LB361 is asking the Legislature to restore the core services funds and would add \$3 million to the current appropriation-- appropriated amount for the 2021-22 school year. In addition, the bill would add a 3 percent increase for the second year of the biennium, which would increase the fund by \$489,969, for a total of \$16,822,291. There will be several testifiers after me that can speak directly to

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services ESU provides and the funding needs of ESUs. I would be happy
to try to answer any questions that you might have.

STINNER: Any questions? Got kind of a slim group over here. Thank you,
Senator Dorn. Good afternoon.

KRAIG LOFQUIST: Happy Friday, folks. We're grateful for your time. I
think that Senator Dorn did an awesome job. And due to time
constraints, or to honor your time, I think I'm just going to hit on
some of the highlights in my testimony. The page is going to hand that
out. My name is Kraig Lofquist. I'm the executive director of the
Educational Service Unit Coordinating Council. I work closely with
Nebraska's 17 ESUs. My name is spelled K-r-a-i-g L-o-f, like "Fred,"
-q-u-i-s-t. I want to especially thank Senator Dorn for carrying the
bill, Senator Vargas for his support of the bill. And I'm just going
to go through my paragraphs and hit the highlights. We were created by
this body in 1965 to provide services to schools that they couldn't
afford on their own or would maximize the resources. During the 1996
Legislative Session, LB1114 reduced ESUs' levee authority from 3.5
cents to the current cent-and-a-half. At that time, the Internet was
becoming a thing and ESUs, for technology purposes, could levy an
additional nickel. That all changed with LB1114. ESUs were a part of
LB1114 simply because they're a public subdivision. In fact, ESUs
weren't even specifically mentioned during the debate that took place.
During the '98 Legislative Session, the Legislature appropriated core
service dollars. That's what we're here talking about today. That
comes from the General Fund and that passed in-- that concept passed
in LB1110. And as Senator Dorn had said, they-- these are defined as
professional development, technology, technology infrastructure, and
instructional materials. The core service funding formula is
conceptually similar to what schools have with their state aid
formula. Unfortunately, when finances get tight, things get cut, and
this has been reduced numerous times over the course of the years. So
in 2010-11, there was \$15.5 million that Senator Dorn shared, and in
'11 that was reduced that year by 7 percent. In '11-12, the fund was
reduced again 5 percent, down to \$13.7 million. The allocated amount
stayed that way for six years. And I want to emphasize, you know,
that-- that needs go up, costs go up, etcetera. It was then reduced
another 3 percent, and then the next year the fund was even reduced
further, by 4 percent, down to a low of \$12.8 million. And then LB264
two years ago in-- in 2018, the fund was increased by 2 percent, which
we were certainly grateful for. So in the final analysis, the ESUs are

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called upon to provide critical, cost-effective services to schools. Needs have grown while funds have been reduced. Appropriate funding is the issue. Therefore, we're asking for your assistance to help bring the fund up, back into the vicinity where it was about 2010, 2011. And I'd be happy to try to answer questions if you have them.

STINNER: Questions? It looks like to me that-- looks like somebody was trying to right-size the program. Were you using the money or is-- was there a reason why they would cut you 7 and then 5 and 3 and then 4?

KRAIG LOFQUIST: I-- I'm not really sure how to answer those questions, that particular question, Senator Stinner, to right-size us. There's-- there's a lot of work and resources are always at a premium. So I was in graduate school when-- when the law passed and they reduced it from 3.5 cents to a cent and a half. And then-- and then the-- the reductions that have happened over that time, I-- I can't-- I can honestly say from-- from working at educational service units for the last ten years, we're not being right-sized. It's actually been pretty painful. And conceptually, ESUs were created to save schools money. It-- it can get to a point where you have to go back and say, we're going to pro-- provide these services, but you're going to have to pay for them.

STINNER: And I'm a fan of ESUs, believe me. But here's what we do in Appropriations. We take a look historically what your spending patterns are and then try to get the appropriations to kind of fit that, kind of because generally we leave a little bit of a cushion for contingencies. And I guess I'm going to have to research to see why the cuts were there and see if-- see what we can do.

KRAIG LOFQUIST: I-- prior to my current position, I was at the Educational Service Unit 9 in Hastings, Nebraska, and I started that job in 2011-12. And so that's when I really started to learn about this and the services that you can provide. And it-- it-- I can tell you right now that it's snug and schools will come to us. They'll ask for certain services, remote learning, all the things, the latest curriculum, technology, infusing technology into the curriculum, and-- and we say no a lot of times. So there-- there's critical need is what I can tell you.

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STINNER: I'm-- I agree with you that you're doing a great job out there, the ESUs are. Senator Kolterman, do you have a question? Senator Clements, you got any questions? Seeing none, thank you.

KRAIG LOFQUIST: Thank you so much.

CLEMENTS: The last of the Mohicans.

STINNER: Well, it's-- the ranks are thin right at the moment. There's four of us though. We're almost a quorum.

CLEMENTS: I've got ten minutes.

STINNER: In ten minutes, you've got to go? Oh, jeez.

DAN SCHNOES: Good afternoon.

STINNER: Afternoon.

DAN SCHNOES: My name is Dan Schnoes, D-a-n S-c-h-n-o-e-s, and I'm currently the CEO of ESU number 3 in the Omaha metro area. And thanks for having me here this afternoon. Happy Friday to you. Way to hang in there. We got this one almost done here, so thank you. And a special thank-you to Senator Dorn for submitting LB361. This bill before the Appropriations Committee today is very important to the core services that each of the ESUs provides. Simply, we're asking you to catch us up to where we were over ten years ago. Over the past years, ESUs have been one of the best-kept secrets in Nebraska. Many of our colleagues from other states are pretty envious of the collaborative relationships we have with our school districts and our Department of Education. With the current pandemic, our ESUs were asked to pivot quickly and to respond to the remote learning environment, not only for our students but for our teachers as well. Our teams of professionals responded remarkably well as we transitioned many of our services quickly and efficiently to help our district. For example, this past summer and during the school year, just in the ESU 3 area, we were able to help deliver 880,000thousand masks and over 10,000 gallons of hand sanitizer to help our school districts not only open this fall but to stay open. ESU 3 serves 18 districts in the Omaha metro and surrounding areas. These 18 districts have over 84,000 students and over 5,500 teachers and administrators. On an average year, we see an increase of between 1,000 and 1,500 students that move into this 18 districts, into our service area. This past year, our

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core service funds covered only 13 percent of our total budget. Our property taxes cover 22 percent, and we had to use grants and contracts to cover the rest. As you can see on the first infographic, our core services cover a number of our district needs, but we rely really on our grants and contract to support most of our work, and you'll see that as one of the first handouts. I like to highlight two programs that we use our core service dollars for. First is our Brook Valley Schools and second one is our Makerspace Lab. And they both benefit from core service funding. Our Brook Valley programs serve 90 to 100 special-needs students every day. Most of the funding, the-- to supply for this program comes from special ed funding and contracts with our districts. However, our professional learning staff continue to work with and do professional development with our Brook Valley teaching staff and our technology specialists make sure that everything is running appropriately. Our ESU number 3 Makerspace Lab, which we developed in 2018 with advice from our school districts, has been extremely popular. We certainly wish the pandemic wasn't going on because we'd have more kids in our building taking advantage of that. In fact, yesterday I walked by and we did have a teacher and three kids using our Makerspace Lab safely. We developed this in 2018. We've served almost 1,000 students in just the last couple of years, and we use innovative technologies such as 3D printing, laser cutting, CNC router, vinyl-cutting, microcontrollers, robotics, teach coding and many, many more. The core services from our professional learning department and from our information systems department allow us to invest in a program that's been beneficial to our school districts and without a huge capital outlay for them, thus saving our districts money. You can see a lot of information on our second infographic on our Makerspace Lab. It's been very popular. You might ask the question, if we had more core service funds, where would we go? Well, based on our priorities over the last five years and working with our districts right now, we are mostly targeting professional learning and support for those educators that have the greatest impact on increasing classroom teachers' effectiveness and increasing-- increasing student results. We know that the most important person in the classroom is the teacher. We also know that the most important person in the building is usually the building principal. And if we can help build-- develop both of them, we can have an excellent school. So the three areas you can see in bullets on my handout is we'd like to focus more on instructional coaching and consulting, not only providing professional learning for instructional coaches, but we

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also have instructional coaches that go in and work directly in the school-- school districts. We're also looking at developing a principal pipeline because we know we have many administrators that are retiring, and good for them, but we've got to replace them. And so we're currently working with a number of our districts in a pilot program to grow more leadership within our school districts. And then lastly, we liked to add a little bit more on makerspace technology and cyber security, if you look at one of our infographics, you'll notice that we have over 100,000 devices hit our district-- our network every day, and so bandwidth and cybersecurity is very important to us because we're helping protect-- protect our districts. So LB361 is a welcome measure to provide some catchup funding to ensure that our ESUs are better able to sustain the vital services that we are relied on to provide. The Appropriations Committee has a difficult job ahead of you. Spending money is never that easy and being responsible for that is an important task. We just ask that you take a good look at LB361. We believe the collective impact of ESUs warrant your fullest consideration for funding and ask you to advance LB361.

STINNER: Any questions?

DAN SCHNOES: Thank you.

STINNER: Senator Kolterman.

KOLTERMAN: I just have-- I have a comment. You have a lot of class wearing a tie like that.

DAN SCHNOES: [LAUGH] Well thank you.

KOLTERMAN: You're welcome.

STINNER: You know we're punching out.

DAN SCHNOES: It's Friday afternoon, Senator. Thank you.

STINNER: Any additional questions? Seeing none, thank you.

DAN SCHNOES: OK. Thank you.

STINNER: Afternoon.

GREG BARNES: Good afternoon. And a late Friday afternoon it is, but--

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STINNER: It is.

GREG BARNES: --I'll try and make this brief.

STINNER: Thank you.

GREG BARNES: Chairman Stinner and Appropriation Committee members, my name is Greg Barnes, G-r-e-g B-a-r-n-e-s. I am currently administrator of ESU 11 in Holdrege, Nebraska. First and foremost-- most I want to thank you guys for let-- giving me the opportunity and us the opportunity to speak with you today. Historically, I've been a school superintendent for 18 years in two different districts in this state. I was fortunate to be able to serve Senator Kolterman's home school district for ten years, so I know him well. And I'm currently in my fourth year as an administrator at ESU 11 in Holdrege. And when I think back of the-- the 20-some years I've been doing school budgets or ESU budgets, I think I can remember three of those years where we got any equalization aid, and currently ESU 11 receives no core service dollars. And-- and I suspect that there are probably a lot of people out here wondering why in the heck they would hire you if state money never follows you, but-- so-- so this isn't a very good advertisement for me in the future, but I don't really think that LB61-- LB361 is going to add anything to ESU 11's budget in terms of state funding. Our resources are well above our needs and-- and so I'm here I guess speaking on behalf of-- of the state. When I look at our ESU schools that we serve, we have 13 public, 1 parochial school in south-central Nebraska. Two of our districts are equalized. The other 11 or nonequalized. This past year, our revenue that we generated in our ESU, \$1.14 million was from our penny-and-a-half levy on our property taxes. We get one \$127,000 in state funds, which are property tax credits and homestead exemption payments. We get 100-- just over \$100,000 federal money. The bulk of what we receive is from our school districts. We bill out \$2.6 million to our school districts for things like special ed, staffing. We bill out for technology support, group technology purchases, professional development, and so on. And that's kind of a combination. We don't bill them everything. We use-- we use our property taxes when we can, but then we just don't get enough to provide everything that the schools want us to provide, so we bill them out. So basically 94 percent of what our revenue is generated from is property taxes, since we have only two of our districts being equalized that we bill out to. And so we're heavily reliant on property taxes, but, don't get me wrong, I think-- I think the-- the

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dollars that are spent on our ESUs are dollars well spent. I think we do provide efficiencies that can't be provided otherwise, and I do think we provide awesome opportunities that schools couldn't provide on their own. So basically what I'm here today is-- is to kind of promote more of a state commitment to education, to our students. And so ESUs and schools both fit into that category. So do I think-- is the core services fund-- funding formula broken? I don't think so. However, I think in rural parts of the state, where valuations have increased and while student enrollments have decreased, we've just seen a shift to where ESU 11 is on the short end of the stick in terms of state dollars. I do know-- I do know that-- the formulas, I think, will work if we let it work. I guess what I'm here today is to say, let's let the formula work without tweaking and without adjustments, and I think we would be in a better position today financially across the state in our ESUs and our school districts if we could do that. And-- and I say that knowing it's not easy to do a budget at a school or an ESU. I can only imagine what it's like at the state. So in the-- in the core services funding formula, I don't think, or in the ser-- core service funding formula and the TEEOSA formula, what they do is they determine needs based on student enrollment and some other factors, and they-- and then they tax the property first. They say, how much can you generate locally? And then the formula makes up the difference. In ESU 11 our resources are up here. The-- the needs are down here. So there is no difference to make up. But what happens, I think, is-- is as-- as the money is available in the state, if the formula calls for more money, the state will give us more money. But sometimes there's tweaks and adjustments. Some years they say you don't need more money. And so we haven't allowed the formulas to work, whether it's TEEOSA or core services money. So I guess what I'm encouraging is that we allow those formulas to work and-- and if we can get caught back-- back up, we'll never get back what we lost, but at least we can get back to where we should have been and not lose ground moving forward. And lastly, I guess I would just say fully funded in my mind means fully funded without tweaks. I think too often at the state I from the Governor and senators say, hey, we've funded the formula, but that's after the tweaks have been made and the commitment reduced. And so I-- I would just encourage this body to-- to look at that in this committee and be happy to answer any questions.

STINNER: Yep. Did Kolterman goon you on your ties when you were--

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KOLTERMAN: No.

GREG BARNES: Excuse me?

STINNER: Did Kolterman ever goon you on your ties?

GREG BARNES: No, I don't think he's ever said anything about my ties.

STINNER: Just wanted to make sure.

KOLTERMAN: That's 'cause-- 'cause I'd never wear one like that.

GREG BARNES: Yeah.

STINNER: Now Senator Kolterman has a question.

KOLTERMAN: Thanks for coming, Greg. I know you drove in a long ways
from Holdrege, Nebraska, but would you tell us a little-- when-- when
you were at Seward, correct me if I'm wrong, but didn't our-- didn't
our technology run-- our supply run through ESU 6? So in other words,
our-- our-- our bandwidth and all that came--

GREG BARNES: Yeah.

KOLTERMAN: And is that-- is that pretty standard for other ESUs around
the state?

GREG BARNES: You know, Network Nebraska has a lot to do with the
actual connections, the-- the getting the-- the fiber out to the
buildings. But ESUs provide a lot of support for that. You know, our
technology guys are-- if-- if the Internet goes out in Holdrege, they
know while-- when they're home in bed, I think they have an alarm that
goes off. And so then they're working on it. I know-- they just know
instantly when the power's out somewhere. So they're-- so what we do a
lot of is that. But we also go out and we help teachers with
technology support. We provide filtering for school servers. We-- we
go out-- our guys go out and pull wire in the summertimes. In new
buildings, they put up, you know, all the-- connect all the wireless.
They do all that that they would normally have to hire a private
company at a much higher rate to do and that kind of thing.

KOLTERMAN: And lot of these smaller streets, which you serve a lot,
don't have the capabilities of having a full-time person on staff.

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GREG BARNES: Yeah.

KOLTERMAN: And so you fit-- you fill in. Is that-- is that an accurate
statement?

GREG BARNES: That's-- that's accurate. I-- I think we can hire people.
All of our schools have technology people. I think our people have
some more expertise that they don't have. And obviously, you know, I
think that expertise comes with a cost, too, but-- but I think they've
got to have that support.

KOLTERMAN: OK, thank you.

GREG BARNES: Yeah.

KOLTERMAN: Thanks for coming today.

GREG BARNES: You're welcome.

STINNER: Yes, thank you.

GREG BARNES: Thank you.

STINNER: I'm not opening up for any more questions. While we're
waiting, there are written testimony. I said, while we're waiting,
written testimony on LB361: John Schwartz, Norris District, Norris
School District; also a proponent, Matt Belka, NSA-- NSB-- NASB,
excuse me, and a proponent, Josh Fields, of the Seward Public Schools.
We also have letters of support: Crawford Public Schools, Education
Service Unit 7 in Columbus, Bloomfield Community Schools, North Bend
Central Schools. Thank you. Good afternoon.

JACK MOLES: Good afternoon, Senator Stinner and members of the
Appropriations Committee. My name is Jack Moles; that's J-a-c-k
M-o-l-e-s. I'm the executive director of the Nebraska Rural Community
Schools Association, also known as NRCSA. And today I'm also speaking
on behalf of the Nebraska Council of School Administrators, Nebraska
Association of School Boards, Nebraska State Education Association,
the Greater Nebraska Schools Association, and Schools Taking Action
for Nebraska Children's Education. They could have all come in and
added to the testimony, but they said just one person can do that and
get you out of here earlier, so. On behalf of all these organizations,
I do wish to testify in support of LB361. We appreciate Senator Dorn

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for introducing this bill. Educational service units provide vital services and supports for our schools, especially those in the rural sector. A year ago, Senator Groene and the Education Department-- or Committee had a interim hearing on how schools could work more together and one of the focuses, I think, was on educational service units. So what I did is I went to our members, our member superintendents, and I said, OK, here's a list of 40 services and supports that ESUs offer. And what-- what I asked them to tell me is, are the ones they were dependent upon, not ones they used but the ones they were dependent upon, they didn't think they could do it otherwise. And of those 40 supports and services, our superintendents identified at least 25 of those as being ones that they're dependent upon-- dependent upon. And as I look at the list, at least half of those things on that list, and that list is on the second page, by the way, but at least half the things on that list were not even issues for schools 25 or 30 years ago and now they are. So schools become more and more dependent upon service units over the years. Providing more needed funding to ESUs provides an opportunity for school districts to possibly realize some savings, as well. As the scope of what is needed from the ESUs has grown over the years, school districts have taken on more costs. Any financial relief that can be provided to the ESUs likely provides a measure of financial relief for the schools al-- for their member schools also. So in closing, we all thank Senator Dorn for bringing this bill and we do urge you to support it yourselves.

STINNER: Thank you. And this list is very helpful. We appreciate your testimony today.

JACK MOLES: Thank you.

STINNER: I don't see any questions, so thank you.

JACK MOLES: Thank you.

***JOHN SCHWARTZ:** Good afternoon, Chair Stinner and Appropriations Committee members. My name is John Schwartz and I am the Superintendent for Norris School District. LB361 is an important bill before the Appropriations Committee to bring a catch-up provision of more core service dollars to Nebraska ESUs. LB361 would bring needed support to our ESUs which would in turn positively impact our schools. We submit this proponent testimony in support of LB361. Within ESU 6,

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our schools rely upon the service unit for a range of core services and the level of state support has not kept pace with the costs of such integral supports as network monitoring, network security surveillance, and server backups. These are critical elements of our overall infrastructure that would be inefficient to secure and sustain as an independent organization and are critical to keep up to date given today's reliance on technology. Over the last 10 years, statewide core service funding has declined by over \$2 million. This has happened at a time when school districts have become more reliant upon ESUs to provide technology infrastructure, staff trainings and professional development for teachers, and to offer a full range of specialized student services such as LMHPs, school psychologists, and behavioral specialists for high needs students. The result of this diminished commitment from the state to core services funding for ESUs has meant that more costs are passed on to member school districts and thereby, our local taxpayers in the form of contracted services, and that more ESUs have become disproportionately reliant upon their levying authority for all operations. LB361 is a welcome measure to provide some catch-up funding to ensure that our ESUs are better able to sustain the vital services we rely upon them to provide. We know the Appropriations Committee receives many requests for funds reflecting a wide range of interests. We believe the collective impact of ESUs warrants your fullest consideration for funding. We sincerely hope that LB361 provides the committee with an understanding of the key role and sustained value of Nebraska's Educational Service Units, and that you advance LB361 from committee. We are grateful for your consideration of LB361.

***MATT BELKA:** Members of the Appropriations committee, my name is Matt Belka representing the Nebraska Association of School Boards testifying in support of LB361. My testimony includes comments from Lana Oswald who represents District 6 as an elected member of the Educational Service Unit #1. ESU #1's central office is located in Wakefield and encompasses 2,926 square miles and 23 K-12 public school districts in the northeast corner of Nebraska. ESU #1 provides educational core services, which include professional development and training, technology, and media services. Our schools rely on ESU #1 for their services and expertise to provide access and opportunities that would otherwise not be possible. During the 2019-20 school year the ESU #1 Teaching and Learning Team conducted 144 on-site school visits and sponsored 94 workshops and trainings that impacted 2,126

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participants. During the COVID-19 pandemic, schools received support to transition to virtual learning. The ESU #1 technology services helped schools deploy and improve digital security, filtering, and remote capabilities. In the second quarter of 2020, we helped schools bid new internet contracts and the result was greater bandwidth, increases speeds, and lower costs. We also provided Zoom licenses allowing teachers and students to communicate. ESU #1 core service funding from the state in fiscal year 2010-11 was \$694,187 and a decade later in 2020-21 that amount is \$354,492. Additionally, during the 2019-20 fiscal year ESU #1 expended \$959,889 for core services. Over the past decade in order to provide the core services requested by schools, property tax receipts have covered the growing funding gap. Educational Service Units play a vital role in serving schools and students effectively and efficiently. Please consider increasing the core service funding by supporting LB361. Thank you.

***JOSH FIELDS:** Chairman Stinner, and Appropriations Committee members. My name is Josh Fields and I am the Superintendent for the Seward School District. LB361 is an important bill before the Appropriations Committee to bring a catch-up provision of more core service dollars to Nebraska ESUs. As a member public school district of ESU 6, we note that for the 2019-20 financial statements, less than 1% of our ESU's revenue was derived from Core Services funding. LB361 would bring needed support to our ESUs, which would in turn positively impact our schools. We submit this proponent testimony in support of LB361. The core funding historical perspective paints the stark picture of diminished resources to ESUs to provide services that are mandated in statute. Over the last 10 years, statewide core service funding has declined by over \$2 million. This has happened at a time when school districts have become more reliant upon ESUs to provide technology infrastructure, staff trainings and professional development for teachers, and to offer a full range of specialized student services such as LMHPs, school psychologists, and behavioral specialists for high needs students. At ESU 6, the core services funding a decade ago was 538K and has now declined to just 88K. Ten years ago, our service unit had six times the core services funding they receive now. Yet school districts like ours have enlisted our ESUs to provide a wider array of services and support as the demands of schooling have only become more complex. This has created an untenable situation for ESUs and in turn, our schools. As a district we have to increase our levy in certain school years when we are in need of these core services

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from ESU 6. Data provided by ESU 6 through annual reports and financial records notes that the core services as dictated in statute and defined by NDE in Rule 84 equated to nearly \$2.4 million in expenses. Yet during the same 2019-20 school year, ESU 6 received less than 35K in core service dollars from the state. This funding gap paints a clear picture of why the funding provision in LB361 is needed. LB361 is a welcome measure to provide more funding to ensure that our ESUs are better able to sustain the vital services we rely upon them to provide. We know the Appropriations Committee receives many requests for funds reflecting a wide range of interests. We believe the collective impact of ESUs warrants your fullest consideration for funding. We sincerely hope that LB361 provides the committee with an understanding of the key role and sustained value of Nebraska's Educational Service Units, and that you advance LB361 from committee. We are grateful for your consideration of LB361.

STINNER: Any additional proponents? Any opponents? Anyone in the neutral capacity? Seeing none, Senator Dorn, would you like to close? We're going to put you under lights.

DORN: We have five minutes 'til 5:00, so.

STINNER: Yeah, well, we're going to give you two right here.

DORN: I'm teasing. I just want to thank everybody that came and testified on behalf of this bill. Would like to make a quick comment though. When I was in school, as some of the others of us were, for Senator Wishart, there wasn't such a thing as ESUs. As my kids came through school and was able to visit some of their classrooms, started to see the distance learning part of it and saw what was able to accomplish and the schools were able to accomplish with that. As we fast-forward another 10, 20 years or whatever, I think we see the ESUs in the distance learning, especially with COVID, of the importance of some of these aspects that have developed over time, how they are so useful to schools, and not only with this program but other things too. We have a lot of things on the table as far as funding. And it's-- I look at it that it is fantastic that we get to be here and listen to a lot of the concerns and then work through and do the budget. So thank you very much for having this--

STINNER: Thank you. Any questions?

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DORN: --listening to this bill.

STINNER: Nobody's allowed to ask questions. We put a moratorium on
that. So thank you very much, Senator Dorn.

DORN: Thank you.

STINNER: You have a great weekend. Thank you all for being here at
this late hour on a Friday.