

JASON JACKSON: Good afternoon, Chairman Clements and members of the committee. My name is Jason Jackson, J-a-s-o-n J-a-c-k-s-o-n, and I'm the director of the Department of Administrative Services. And I'm here to testify in support of the Governor's budget recommendation. I'm passing out on an exhibit that I'll refer to later in my testimony. And I apologize in advance, Mr. Chairman, I anticipate my testimony may go over five minutes. By all means, cut me off if you don't think it's germane.

CLEMENTS: Oh. No, with directors, we allow flexibility so.

JASON JACKSON: Thank you, sir.

CLEMENTS: Go ahead.

JASON JACKSON: Appreciate it. So just as a reminder, Administrative Services is responsible for the back-office business operations of state government. We manage procurement operations, accounting operations, vehicle fleet operations, real estate and building management, HR and personnel services. We've had-- we've just completed a great calendar year '23. And we've had two enduring priorities that I know of are interest to the committee, and they are our enduring priorities going into calendar year '24. Specifically, I'll begin just with procurement reform. The committee remembers the issues related to the failed Saint Francis Ministries pro-- procurement of several years ago. Flowing out of that was the LR29 Special Investigative Committee Chaired by now Speaker Arch. As a result of that committee's work, DAS was directed to conduct, be-- to work with a consultant to assess end-to-end our procurement system for Nebraska. In calendar year '23, we partnered with Ikaso, and a Ikaso identified 34 recommendations for our procurement system. Of those, with the Speaker's agreement, we are implementing 33. And in the past calendar year, we've really been focused on that implementation effort. And from an administrative perspective, we fully implemented 23 of the 33 provisions of the Ikaso report. That, the balance of those, are in LB461, the Speaker's priority bill, that will represent comprehensive procurement reform for Nebraska. We're really eager to see that get passed and implemented. And when it does so, Nebraskans can be very confident that our procurement system compares very favorably to any of the 50 states. So I appreciate this committee's green vote on both General File and Select File for LB461, and we're looking forward to seeing that get passed. Next I'll refer to the

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exhibit in front of you. I know the committee and the administration has been very interested in our accounting operations and the infirmities within our accounting operations and our continuous improvement efforts in our accounting system. And specifically as it pertains to the Annual Comprehensive Financial Report, recall that this is a statutory duty of DAS accounting division to basically produce a comprehensive annual financial statement of the state in advance of the Legislature's convening. Again, a little bit of history here, which I know the committee is familiar with, but just for the benefit of the record and some of the new senators. With COVID, we received over \$2.5 billion in federal funding and proved to be unable to scale to really advantage those funds and/or run the business operations. And so that exposed a number of infirmities in our processes. It exposed underperformance and it exposed under-resourcing from an accounting operations perspective. We've been working on that now for three years to try to continue to improve it. The graph basically shows a pictorial reference to the, the, the progress that's been made. FY 2020 was the very adverse report with the adverse audit that accompanied it. It noted-- the APA identified about \$20 billion in adjustments that went into that report, and we had a disclaimed opinion. In the subsequent year, FY 2021, we also added disclaimed opinion with about \$10 billion in adjustments. And then in the last year, we showed modest improvement. We, we had a solid opinion for the preponderance of the report, but for the infirmities in the un-- the Department of Labor unemployment fund and auditor adjustments recommended at \$2.8 billion. We just completed the FY '23 annual comprehensive report. That was published in December on time in advance of the Legislature's convening, as is statutorily required, with a unmodified opinion and a little under \$1 billion in recommended adjustments from the auditors. We've made those fixes so the Legislature is in receipt of a completely accurate financial report. And so although this shows modest progress, there is much more work to do. We are constructively dissatisfied with where we are here. Our enduring goal is a on-time report with reduced errors and a completely unmodified opinion in every subsequent year. So again, if anything, I would say the graph that I've shared with you might present a rosier picture than I intend to convey. We, we remain very focused on this and intend to continue to really press into this with an expectation that we need to continue to get better, and we need to get better faster. I want to express my gratitude to Mike Foley and the entire APA team for their work. We've enjoyed a great collaborative relationship with them this past year in terms of their identifying

infirmities in our processes, things we can do to change, recommending adjustments, all of which we've accepted and we've made. And we intend to build on that in the, in the coming year. And my hope and expectation is that we'll be working with the agencies to make sure we don't see any recurring mistakes that were identified in this, in this year's audited Annual Comprehensive Financial Report. And I anticipate the committee may have some more questions about that, which I'll be happy to address in Q&A, if that's your preference. But that does allow me to kind of pivot into the Governor's recommendation and some of the specifics there. And in particular, I appreciate this committee's investment in our accounting operations. That has allowed us to make some of the, the progress that we've made. Again, one of the infirmities that was exposed was just under-resourcing in this area. And the committee's giving us the resources we need to make sure that we confirm this up and that the team is adequately staffed with the adequately skilled people has really assisted us in our efforts. And I'll note that in the Governor's recommendation for the coming fiscal year, we recommend an additional \$300,000, a little in excess of that, in terms of operating spend and about \$270,000 in PSL to the accounting division to continue this progress. So appreciate the committee's support for that. Next, I'll pivot to risk management. So risk management, think about this like it's the state's insurance portfolio. And, and what we're seeing here is that our catastrophic or our excess carrier coverage, the premiums on that continue to go up in an exponential way. And so that's eating into our cash reserves. That's eating into our appropriation. And so the Governor's recommendation here includes a \$5 million transfer from the cash reserve into the risk management budget. Recall last year, we've been facing this these premium increases from our excess carriers for several years. Last year, we took the step of increasing our self-insurance within the portfolio, to try to minimize, you know, this type of move. And it's proved to just be insufficient relative to what we're seeing in terms of the, the premiums that we're, we're seeing in the marketplace. And so last year, we increased our self-insurance from \$300,000 to a million. So within your personal insurance, think about this like it's your deductible, OK? So we basically increase the state's deductible from \$300,000 to a million in the hopes that that would reduce our premiums. And it had some impact. But we're, even for those coverages that exceed a million, we're seeing those premiums increase at a very high rate. And so what this recommendation is all about us just making sure that we're adequately insured against foreseeable losses and that we can cover

our premiums on those excess carrier coverages. Next, I'll talk about the SOA State Personnel program. SOS stands for Specialty Office Services, this is basically the state's temporary workforce. And what we're seeing here is basically continued high demand for the SOS program, coupled with the fact that in the current biennium budget we didn't address the, the appropriation or the PSL relative to the wage increases that the workforce saw. And as a consequence, the budget on that is running a little hot. And the risk we run if we don't increase DAS's appropriation in PSL here, is that we may have to turn away customer agencies when we get to the latter half of the biennium. So our general frame on this is this isn't money, this is appropriation in PSL. Which is usually how DAS is, with a revolving fund. And what we don't want to do as a, as a general policy matter is where you've given an agency a statutory duty or a program obligation and you've given them operational budget to achieve that, we generally don't want the DAS appropriation or PSL ceiling to be the impediment to that getting accomplished. And so this is just putting us in a position that we can raise those thresholds and not be at risk of turning customer agencies away as we get into the second half of the second year of the biennium. I'll move on to some favorable budget adjustments, beginning with Building Division. Really proud of the work of State Building Division and the Nebraska State Patrol. They had a just great collaboration and entrepreneurialism related to the capital construction project for the Troop A headquarters up in Omaha. This committee appropriated about \$32 million of that project last year. In the intervening months, Building Division and State Patrol have identified an existing building that meets all of State Patrol's programmatic needs. And so, rather than going the new construction route, we're in the process of purchasing that facility. And we anticipate that with the purchase and then subsequent modifications of that facility, that will be favorable to the state's bottom line to the tune of about \$18.2 million. So that's what's informed with the Governor's recommendation there. Next, I'll talk about the Teammate dependent community college benefit. Basically, this is a program that reimburses state teammates who are sending dependent children to community colleges here in Nebraska. This committee invested in that program last year, it was basically a pilot at that stage. It's been enormously successful. We've seen over 400 teammates benefit and seek reimbursement for their dependent children that are going to community college. But we conservatively, I think, overestimated the funds that this program would need, based on the demand that we're seeing for it. And as a consequence, we recommend canceling the \$1.5 million transfer

into this fund that's scheduled to occur in July. Basically, the program has the resources it needs for the current biennium, based on existing demand. And then we'll evaluate going into the next biennium what that looks like. And then finally, I'll hit upon the director's office. The Governor's recommendation recommends basically adjustments-- favorable adjustments or reductions to our director's office fund in excess of \$400,000 across all fund types. This predominantly relates to the wind down of the Center of Operational Excellence operations in the past year. Recall that DAS is responsible for operations excellence and continuous improvement throughout the state. For many years, the COE was the means by which we did that. In the past year, at the direction of this committee-- and Senator Armendariz, thank you for your leadership on engaging with a consultant to look at end to end performance across the breadth of the executive branch. That effort is in flight, already paying dividends. And the focus on that effort, and the CEO having already met its mission, led to winding down that program. And I'm pleased to say that just about every process improvement coordinator in that program found other alternative employment opportunities with the state. So that was a success story that we're really pleased with. I'll just conclude by talking about fund balances a little bit. I know that's been an area of emphasis for the committee. At Administrative Services, under my leadership and under Governor Pilleen's direction, we always regard it as an impropriety for funds to accumulate large balances. That's never our objective. And so our general kind of aid to judgment is we look every month at our fund balances and look for an operational minimum of about 60 days of just cash flow operational balance, and then a ceiling of 180 days of cash flow. And we always want to be in that range. And if we exceed 180 days of our operational budget, we start asking ourselves hard questions about are we charging our customers too much? Do we need to abate our rates? Do we need to lower our rates? Are we giving our customers insufficient value and we should have more projects against a particular fund? And then we also, of course, let that inform our budget recommendation into the next biennium to say, hey, we should be looking at lowering our rates. So I'll note that neither the committee nor the Governor have recommended adjustments to DAS's fund balances. And we hope that reflects your confidence that we're really managing these fund balances with rigor. So we appreciate that. DAS is-- we administratively support, of course, the Budget Office, OCIO and Capitol Commission. So leaders from those respective divisions will be coming in behind me to talk

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about those specific programs. So that concludes my testimony, and I'd be happy to take any questions.

CLEMENTS: Are there questions from the committee? All right, Senator Wishart.

WISHART: Thank you, Director, for being here.

JASON JACKSON: Yeah.

WISHART: And potentially the Capitol Commission can discuss this as well. But just what is the-- I'd like to see a long-term plan about parking around the Capitol. It's becoming increasingly challenging from my perspective for staff members who don't have designated parking to find parking and then also constituents who want to come and visit the Capitol. And so I'd like to get an idea of what is the long-term plan for us to relieve some of the congestion that occurs around parking around the perimeter of the Capitol, so that constituents can, can be able to access those parking spots and whether you have a sort of a plan for how that would work.

JASON JACKSON: Thank you, Senator, for the question. So I've been DAS director for roughly six years now. Parking has been an enduring area of focus. It was particularly an area of focus when I first began. I think our waitlist for state teammates at that time was in excess of 1,500 teammates waiting for a designated spot. And teammates might-- excuse me, public servants might wait upwards of two years, you know, to accumulate service time before they would have an opportunity to park in a state lot. So that was a, an early focus area for me, was alleviating that burden. And I know you as senators are, are-- your focus is constituent service and appropriately so. As an HR practitioner myself, I was concerned that that was actually an impediment to employment with the state, you know, was getting people to even accept a job with the state because they knew it might be two years before they would get a parking spot. So where we sit today is our waitlist for state teammates, at least as of several weeks ago when I last looked at it, was zero. And now we have a preference list for teammates that might prefer alternative lots. But generally speaking, if it's your desire to park in a state lot, you have an opportunity to do so on your first day. And if you have teammates within the legislative branch that aren't experiencing that, I'd love to hear about that, because that is at odds with our own expectations.

WISHART: OK.

JASON JACKSON: In terms of plans for more capacity, we don't currently have plans for more capacity. My portfolio at this point is, is making sure our workforce needs are met. And as I look at the data right now, it appears that that's adequately handled. And again, so if within your staff you're experiencing something different, I would welcome more information so that I could look into it.

WISHART: OK. Thank you.

JASON JACKSON: Yep.

CLEMENTS: Other questions? Senator Vargas.

VARGAS: Thank you very much for being here. And six years goes by really quickly, as we're looking for some of us that are going to be leaving here at the end of this--

JASON JACKSON: Sometimes it doesn't feel so quick, but [INAUDIBLE].

VARGAS: Yeah, yeah, I can, I can imagine. I wanted to ask you a couple questions about the, the SOS temporary program.

JASON JACKSON: Yep.

VARGAS: Part of this is because when we were having initial conversations, you know, we want to make sure that we have, we have the ability, obviously, for this program to meet the needs of agencies for temporary staff. But it also occurred to us that the increases in the reliance on this can also have detrimental impacts. I wanted to give you the opportunity to talk about that, because some of the questions I had were on what are the differences, if any, between salary-- salary for some of these teammates versus temporary teammates' salaries? Why is it growing? Why is the demand growing? And it-- should we be concerned about the demand for temporary staff growing if we need basic services, we need continuity and that sustained growth of staff for agencies and for, for work? So I wanted to give you the opportunity to respond to some of that. And also, just why is this happening?

JASON JACKSON: Yeah. Great questions. Those are questions we're asking ourselves as we're looking at evaluating the long-term viability of this program. Which probably from an administration perspective merits

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some more study. Here, I-- so here's what I would-- first of all, what does this get used for? I would say three primary use cases. The first is filling a gap role. So John Doe leaves, you know, retires or find another opportunity. Agency anticipates it might be 3 or 4 months before the role is filled. They want, you know, some temporary resource to be able to perform the work so that they can continue to run their op-- operations. So that's, that's kind of use case number one. Use case number two, and we see this in state government more than I anticipated when I, when I got here, is, is just managing the ebbs and flows of work. In, in many of our agencies there's a lot of seasonality in the work. And so the SOS program is a vehicle for agencies where they don't necessarily have an enduring need, but they have a temporary need. And that mitigates against hiring somebody that, that would be in a permanent role and then you need to do a RIF if that doesn't continue. And then relatedly, the third use case would be grants. So a grant might be for, you know, a defined period of time. You can't be assured that the role will exist. The-- whatever work is happening against that grant, you can't be assured that that work will endure if that grant doesn't continue. And so the SOS program is a good resource for that. In terms of, I think your first question was just, hey, why? I don't see it really since-- I think utilization has been mostly consistent and so I haven't really seen a increase in this. Certainly post-pandemic, haven't seen an increase in this. The utilization has, you know, went-- has, has been high. I think it's, it's, it's used a lot. But it's, it's been a sustained high rate of use. So not a lot of-- we see seasonal variability, but not year-over-year variability. Where the, where the-- why we're spending, why that budgetary pressure is raising gets to your second question, which is just what's the compensation like. These teammates are in the same classifications that regular full-time teammates are. And so the pay band is, is exactly the same. So there's no arbitrage advantage.

VARGAS: Benefits too?

JASON JACKSON: I'm sorry?

VARGAS: Benefits too?

JASON JACKSON: I, I don't think they have benefits covered. So that's something I can follow up with you on. But from a wage perspective, there's no disparity. I could get back with you about what the, what the exact benefits [INAUDIBLE].

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VARGAS: That, that would be helpful.

JASON JACKSON: Yep.

VARGAS: And then the other thing, if you, if you can follow up with us on, is it's helpful to hear that the utilization is consistent. It would be helpful if you have numbers on the sort of month-by-month, like so-- like what is-- like how long are we-- like what is a temp? Like is this really like three months? Is this, to your example, gap role makes sense, seasonality makes sense. But do we have some people in this temporal that have been doing it for a year, or is that really unique? Why would that be the case? Getting some of those numbers would be helpful to--

JASON JACKSON: And it's not uncommon to see people at a year, when we're talking about that grant use case in particular. But I can absolutely follow up with you about like what is the average time enroll within this program? I-- that would be my pleasure to follow up with you on that.

VARGAS: And for full transparency, the reason why I'm asking is, if we're appropriating the funds for an agency that's coming in and asking us for something, but we end up having somebody for six months that is unfilled and we've appropriated for benefits, for the PSL, for the, the funding for it, it's a real big mismatch for us.

JASON JACKSON: Yep.

VARGAS: And I just want us to be accurate on our end.

CLEMENTS: Other questions? Senator Dorn.

DORN: Thank you. Thank you, Senator Clements. And thank you for being here.

JASON JACKSON: Yes, sir.

DORN: I know the past few years haven't been the best to sit in that chair when you've been in front of us, and I really appreciate this chart or to see where we've come from where we were in 2020. Thank you to you and your staff and everybody who put a lot of work into this. And appreciative to hear your comments that you said you're not done and you're still looking at other things.

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JASON JACKSON: Yes, sir.

DORN: Mine, mine goes back, and I forgot to bring the book along. We got the two books that detail every state agency and-- or whatever and NDAS, the main part of yours is made up in revolving funds.

JASON JACKSON: Yes, sir.

DORN: And in the four year, years that they have numbers in there, we had quite an up and down, probably over \$50, \$60 million in those. Some of it I can relate to COVID, but this last year now we've had an increase in, I call it, the revolving part of that budget. Any reason why or you just commented on that you're trying to make sure that you don't have more than, I think, 25% or 50% of a year's worth in the ending balance. Are you looking at that real close all the time-- or talk a little bit about that.

JASON JACKSON: Yeah, I-- if you had a particular fund you were particularly concerned about, I could probably dive into some detail, but--

DORN: There's a whole agency's revolving fund.

JASON JACKSON: OK.

DORN: And basically you--

JASON JACKSON: Yeah.

DORN: --you set the rates for many of our other agencies. That comes in and then, you know, it's dispersed out as needed.

JASON JACKSON: Yep.

DORN: But this, this was the whole agency's fund and two-- three years ago during COVID, it was like it was way down. And I didn't know if that was, you know, because of not having staff or whatever. This past year though, that increased by over \$40 million, the revolving fund number did. And, and I'm just looking at--

JASON JACKSON: Yeah.

DORN: --that page. So I don't know all of those things either so.

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JASON JACKSON: I'll recheck the numbers, but that would be at odds with my expectation, Senator. And certainly that's not my frame of reference. And I wonder if maybe OCIO funds and some other funds that I don't-- aren't directly managing might be swept into that. It could be. But just as a-- just again, as a matter of general principle, I, I put a-- and this is admittedly arbitrary-- but I put a ceiling on at 180 days of operating fund for any fund balance. That's my-- I never want to exceed that. If I exceed that, that's my red flag that we need to be lowering rates or otherwise providing more value for customers. And then on the floor, we get into cash flow problems if we fall below 60 days of operating fund. And so those are-- that's what I kind of use. And if both of those figures are arbitrary, it's just an aid to judgment to say, hey, are we in a healthy spot? And then, you know, a couple of instances I can think of where there's been exceptions where that ceiling has been exceeded in, in recent months or in the past year, the task force for 309, the State Building Renewal Fund. That's a fund that is dedicated to basically, you know, renewal of antiquated buildings within our real estate portfolio. So think about your boiler goes out, you know, for your HVAC system. This fund comes in and, and replaces that, as a for instance. And what we're seeing in that fund in particular is, I think in terms of just labor shortages or difficulty getting contracts on the civilian-- in the marketplace that are doing that type of work, it's almost, it's almost tough to get the projects happening fast enough. And so that's when we're taking a close look at, hey, are we at the right fund balance? Are we-- is there more we can do? Then the other one I would say is state accounting. And of course, we've had the Workday implementation. We've had these investments in resources. We're bringing on a new software system to aid our accounting operations in the coming year. And always looking in our rates there to make sure that's right. We believe that's consistent with the, with the committee's preferences with respect to our focus on accounting operations specifically. So that's another area where we've been, you know, maybe at the precipice of that 180-day fund balance.

DORN: I'll try and visit with you more.

JASON JACKSON: Yeah. Sounds good.

DORN: Thank you. Thank you very much.

JASON JACKSON: Yeah.

CLEMENTS: I just thought I'd make a comment for you. The fiscal agent says that the indemnity-- indemnification fund [INAUDIBLE] increase went up by \$18 million. Which would you want to describe the indemnification fund? What it looks like?

JASON JACKSON: That's within our state insurance portfolio. And so that would be playing-- paying claims against the state within, you know, tort liability and other things like that.

CLEMENTS: That's what I thought.

JASON JACKSON: Yeah.

CLEMENTS: That would be a one large item that I see.

DORN: That would be, yeah.

JASON JACKSON: Oh, I, I'm speculating a little bit, but I suspect that's the State Patrol trooper settlement. So that, that could be what went into that-- I can, I can verify that. But that might be what you're seeing, sir, is that. Yeah.

CLEMENTS: I'm seeing heads nod, nodding.

JASON JACKSON: OK. We got there. Sorry that it was a long-winded way to get there.

CLEMENTS: Thank you. Senator Armendariz, do you have a question?

ARMENDARIZ: Yes. Thank you. Thank you, director, for being here.

JASON JACKSON: Yep.

ARMENDARIZ: One thing that stuck out in your testimony was the insurance rates are going up.

JASON JACKSON: Um-hum.

ARMENDARIZ: Did the insurance carriers give you-- two questions. Did the insurance carriers give you a reason for the rate hikes? And like is the state doing something to reach into our insurance all the time? And is there some efficiencies or changes that need to be made so that we're not reaching into it? And question number two is, have you negotiated with those insurance companies to give credits or rebates

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for nonuse of the policy in one year? Because I know that they will negotiate those as well.

JASON JACKSON: Great question. I think we could probably look at that closer. Generally speaking, so as in terms of losses the states experience that probably are contributing to our-- the, the, plumbing failure at the State Penitentiary was a, you know, a massive financial liability that the state incurred, that our risk-- our insurance had to come in and come alongside us and cover. So that's, that's a very atypical example of a catastrophic loss. But it is one that we've recently experienced that might have contributed to that. A typical loss in our program would be like hail damage that hits our vehicle fleet. And, you know, you have 500 cars that--

ARMENDARIZ: Which is, which is random. But the plumbing would be a preventative thing that we missed, things like that or are we doing preventative--

JASON JACKSON: Oh, I don't know how-- I mean, it's a 120-year-old facility. So I think it's more just it probably more reflects the that facility is a massive liability within our insurance portfolio. That, you know, until that facility is off the books, we'll just have to be really cognizant of the risk exposure there that we have to any infrastructure failure. But to your question, Senator, I think we could probably do more to just look at, hey, what are we doing within our RFPs for our insurance coverage, are there opportunities for rebates? Are there more things that we can do for favorable pricing? Frankly, I'm probably not close enough to the work to say everything that's happening there. So I can follow up with you on that.

ARMENDARIZ: Thank you.

JASON JACKSON: Yep.

CLEMENTS: Other questions? Senator Dover.

DOVER: I just wanted to echo Senator Dorn's statement that just thank you for the improvement, Director Jackson. It's much, much appreciated.

JASON JACKSON: Thank you, sir. Thank you.

CLEMENTS: Other questions? Seeing none, thank you for your testimony.

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JASON JACKSON: Thank you, Mr. Chairman.

CLEMENTS: We would Invite other agency representatives to come forward now. Good afternoon.

MARK NEEMANN: Good afternoon, Chairman Clements and members of the appro-- Appropriations Committee. My name is Mark Neemann, M-a-r-k N-e-e-m-a-n-n. I am the interim Chief Information Officer for the state of Nebraska, and I appear here before you to testify on behalf of the Department of Administrative Services Office of the Chief Information Officer. The OCIO is currently in the process of not billing for its Program 172, which is IMS services. As a result, our customer agencies will cumulatively experience cost savings of close to \$30 million in fiscal year 2024. In conjunction with this, OCIO has identified specific rates for mainframe usage and various types of storage. We are able to reduce, by 35% once billing resumes towards the end of fiscal year 2024, and will continue into fiscal year 2025. The customer agency savings for the reduced billing rates will be worked on in the weeks to come. Agencies now have received their first month no bills in Program 172 for their assistance in the budgeting process for fiscal years '26 and '27. We will be providing them with their savings from these months of no bills in Program 172. In addition, agencies will continue to have access to bills they receive prior to and after the no bill. This will assist them in understanding what their total expenses would have been for fiscal year 2024. In the coming weeks, the OCIO will beginning-- will begin our rate-setting process for the upcoming fiscal year '26 and '27 biennium. Throughout the rate-setting process, our goal is to effectively set our rates through accurate cost identification, awareness of impact on our customers and recovering only what is necessary to satisfy OCIO's incurred expenses. A major component of this rate-setting process will continue to be the effective collaboration with our customer agency partners. Thank you for your time today. We will at the state budget off-- the State Budget Division in the Department of Administrative Services will follow up and give more details on the rates and how they impact the state budget.

CLEMENTS: Thank you. Are there questions? Thank you for your testimony.

MARK NEEMANN: Thank you.

CLEMENTS: Mr. Will, come forward.

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LEE WILL: Chairman Clements and members of the Appropriations Committee, my name is Lee Will, L-e-e W-i-l-l, and I'm the State Budget Administrator for the state of Nebraska. I'm here today to provide a brief overview of the recommendation for the adjustments to OCIO rates and the related impact on the state budget. As Mark indicated, OCIO rates are established on a two-year basis and published alongside the biennial budget instructions. These are calculated considering utilization, existing fund balance, and projected revenue from assessed rates to ensure available cash flow and appropriation is sufficient for the OCIO to meet the IT services needs of agencies statewide. Following the conclusion of FY '23, the fund balance for the OCIO's information management services fund balance had grown to \$35.9 million by October 2023. The OCIO has partnered with our office to right-size and realign its resources. As a result, the OCIO will provide reimbursements to agencies and significant budget reductions. The total rate reduction for FY '24 is \$31.3 million and \$12.2 million in '25. This allows for a total of over \$14 million in general fund savings. This realignment will stabilize the fund balance around \$16 million, which supports the right amount of cash flow at 25% of the annual operating budget. The intention was to frontload these savings as much as possible, so revenue generated can be nearly flat to allow for a sufficient fund balance that is less volatile, volatile. This will provide agencies more certainty in the future when budgeting for OCIO expenses. I want to acknowledge the work of Noah Finlan, CFO of the OCIO, and the rest of the OCIO team in delivering these reductions. Shortly, we will begin the process for the next biennial rate setting exercise by involving the agencies on the front end of the process to better inform anticipated utilization costs. This will provide better certainty to the agencies and OCIO to ensure the right amount of funding is available at the right time to provide necessary services. I'd be happy to take any questions.

CLEMENTS: Are there questions? I'll just ask, we've noticed a lot of OCIO adjustments in all of these different, the various agencies--

LEE WILL: Yep.

CLEMENTS: --that we've been reviewing.

LEE WILL: Yes, sir.

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CLEMENTS: And we have been wondering why this-- that is. And did you say the OCIO had a \$35 million fund balance of excess funds?

LEE WILL: Yeah, it was about \$36 million in total. And right, about 25% of expenditures off the top of my head is around \$14 to \$15 million. So there's about a \$20 million buffer in there that was, you know, not necessary. So the intention was to flatten the rates as much as possible in this current year and then provide stable amount of funding in '25 and beyond. So in the next biennial period, '26-27, we don't have significant rate hikes. It can be pretty balanced and pretty flat in the future.

CLEMENTS: So the \$14 million general fund reduction is in fiscal year '24?

LEE WILL: That's the total for the biennial period.

CLEMENTS: For '24-25.

LEE WILL: Yes. Correct.

CLEMENTS: All right. Any other questions? Well, thank you for that explanation. That does--

LEE WILL: Thank you, Senator.

CLEMENTS: --clear that question up.

LEE WILL: Appreciate it.

CLEMENTS: Are there any other testifiers regarding the Department of Administrative Services budget? Good afternoon.

BRETT DAUGHERTY: Good afternoon, Appropriations committee. My name is Brett Daugherty, I am the interim administrator for the Office of the Capitol Commission. I am here to-- in support of the Governor's recommendation.

CLEMENTS: Would you spell your name, please?

BRETT DAUGHERTY: Oh, sorry. Brett, B-r-e-t-t, Daugherty, D-a-u-g-h-e-r-t-y. So I-- we're just-- I'm here to, in support of what the Governor's recommended for our budget. And that's all I really have.

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CLEMENTS: Are there any questions for the committee? Thank you for your testimony.

BRETT DAUGHERTY: Thank you.

CLEMENTS: Are there any other agency representatives? Seeing none, is anyone else wanting to testify on the Department of Administrative Services budget? Seeing none, that concludes Agency 65.