

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 2, 2026
Rough Draft

CLEMENTS: Good afternoon. Welcome to the Appropriations Committee. My name is Rob Clements. I'm from Elmwood and represent Legislative District 2, which is Cass County and eastern Lancaster County. I serve as chair of this committee. We'll start off by having members do self-introductions, starting with my far right.

PROKOP: Good afternoon. Jason Prokop, Legislative District 27, which is west Lincoln and Lancaster County.

SPIVEY: Good afternoon, all. I'm Ashlei Spivey, representing Omaha, northeast and northwest. District 13.

M. CAVANAUGH: Machaela Cavanaugh, District 6: west central Omaha, Douglas County.

LIPPINCOTT: I'm Loren Lippincott, District 34: Central City.

ARMENDARIZ: Christy Armendariz, District 18: northwest Omaha and Bennington.

DOVER: Robert Dover, District 19: Madison County and south half of Pierce County.

DORN: Myron Dorn, District 30.

STROMMEN: Paul Strommen, District 47: the Panhandle.

CLEMENTS: Assisting the committee today is Cori Bierbaum, our committee clerk. To my left is our fiscal analyst, Clint Verner. Our pages today are Amber Tannehill and Luke Perry. We have a combined hearing with bills LB1071 and LB1072 to start off today, and individual bills afterward. If you're planning on testifying, please fill out a green testifier sheet located in the back of the room for each bill you wish to testify on. And hand it to the page when you come up to testify. Online position comments must have been submitted on the Legislature's website by 8 a.m. the day of the hearing to be included in the record. If you have submitted a comment online, we ask that you not testify in person today. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are yellow sign-in sheets at the entrance to my left. These sign-in sheets will become exhibits in the permanent record after today's hearing. Committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard, as senators may have bills to introduce in other committees. To better facilitate today's hearings, I ask that you

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abide by the following procedures. Please silence your cell phones. Move to the front chairs to testify when your bill or agency is up. When hearing bills, the order of testimony will be introducer, proponents, opponents, neutral, and closing. When you come to testify, please say and spell your first and last name to ensure we get an accurate record. We request that you limit your testimony to three minutes or less. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining. The red light indicates you need to stop. Questions from the committee may follow. Verbal outbursts or applause are not permitted in the hearing room and may cause for you to be asked to leave. Written material may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come up to testify. We cannot accept oversized exhibits, CDs, or electronic exhibits. If you have written testimony but do not have 12 copies, please let the page know now so they can make copies for you. With that, we will begin today's hearing with LB1071 and LB1072. And I invite Mr. Sullivan forward. Welcome.

NEIL SULLIVAN: Thank you. Chairman Clements, members of the Appropriations Committee, my name is Neil Sullivan, N-e-i-l S-u-l-l-i-v-a-n. And I am the State Budget Administrator for the state of Nebraska. And I am appearing today on behalf of Governor Pillen in support of LB1071 and LB1072. The midbiennium budget package contains adjustments to the current biennial budget established for the current fiscal year 2025-26 and the following fiscal year 2026-27. These changes are outlined and summarized in the Governor's executive budget brief in-- excuse me-- Governor's executive Budget in Brief published on January 15 and are available at das.nebraska.gov/budget. Each budget issue and decision are narrated within this publication, and several tables are included summarizing the Governor's recommendation and providing relevant cash fund analysis. Many Nebraskans read headlines about a \$471 million budget gap and worry about the state's fiscal solvency. I'd like to begin by clarifying that the state of Nebraska is in an excellent fiscal shape. Annual tax revenue has grown half a billion dollars in the last four years. Our revenue growth trend is positive despite three consecutive years of historic income tax reductions. Our credit rating is higher than ever, and we have a billion and a half in the bank, and the Governor's recommendation provides for a \$1.3 billion reserve at the end of the biennium. The \$471 million budget gap is a spending issue. Last year, we planned to grow spending to an amount

that's gonna be about \$230 million a year more than we're gonna be able to sustain. The Governor's midbiennium budget recommendation balances this budget gap and also provides for additional investments in education, property tax relief, medical care, and business growth opportunity. This is accomplished through conservative fiscal decisions. The midbiennium budget recommendation flips the two-year average annual General Fund spending growth from a positive 1.1% to a negative 1.1%. We have reviewed 900 funds throughout the 79 state agencies. That is a lot of buckets of funding spread throughout the state. The budget recommendation package includes transfers of \$278 million and another \$80 million in fund mix adjustments, all from the excess balances of 94 funds. The recommendation also provides for further progress in broadening our state sales tax and addressing special interest exemptions in order to deliver even more property tax relief to Nebraskans. Our initiatives included in the rec-- other initiatives included in the recommendation package include bringing compulsive gambling services together with the closely related behavioral health services, reforming court fees to bring civil and traffic fees in line with other regional states, creating automatic contribution scaling to the judges' retirement plan similar to recent changes to the school plan, taxing money sent out of the country, and realigning various fees. I have also provided a summary of recommended technical amendments for your consideration as you prepare your amendment to the introduced legislative bills. These revisions include a correction to an earmark for health center aid, a correction to the fund mix for the recommended shift to move aged and disabled services under the Developmental Disabilities Program, an update to the homestead aid calculation, and corrections to transfers from the Economic Recovery Fund, Aeronautics Cash Fund, DMV Cash Fund, and the Nebraska Capital Construction Fund. With a balanced budget and improved tax policy, Nebraska's open for business, and we can make strategic investments to bolster our workforce and economy. The recommendation expands the Business Innovation Act incentive for new job creators to \$15 million and includes \$60 million for the Education Future Fund, \$7 million in education scholarships to low-income families, \$5 million for law enforcement retention, \$4 million for strategic workforce development, and \$1 million to grow the national impact of the Offutt Air Force Base. Governor's rec-- Governor's budget recommendation provides for a total reserve of \$1.3 billion to close the biennium in June 2027. This represents 24% of annual expenditure and puts us in a solid starting position for next year when we tackle a 2027-2029 budget. My understanding is that you have been briefed on the midbiennium requests and recommendations and

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have completed some of your preliminary decisions. Agency hearings are scheduled over the next few weeks with individual state agencies, boards, and commissions for your further consideration of their requests and the Governor's recommendations. Members of the Governor's cabinet will be providing additional information and answers to your specific questions regarding recommendations that affect their agencies during your upcoming budget hearings. The Governor's team remains available to work closely with the Appropriations Committee on the midbiennium budget and with the Legislature to provide property tax reform during the 2026 Legislative Session. As always, we look forward to working with you as you consider the midbiennium budget adjustments. Thank you. And are there any questions?

CLEMENTS: Are there questions? Senator Dorn.

DORN: Senator Dorn. I have-- second page there, you, you list that we have about \$1.3 billion in reserves.

NEIL SULLIVAN: Yeah. Total reserves.

DORN: And I know we have about \$300-plus million in our, our General Fund. We have-- by, by statute, we have to have that. And we have about \$660 million in the Cash Reserve. Where does the other amount come from?

NEIL SULLIVAN: The \$1.3 billion is from approximately \$800-some million in the Cash Reserve Fund by the end of the biennium.

DORN: At the start of the year.

NEIL SULLIVAN: And then the rest-- right. And then the rest is in the General Fund. So this would be at, at the end of the biennium. Now, if you're thinking about the current status that was, like, tax rate review status, one of the changes in the recommendation is shifting the Cash Reserve transfer out-year. And so for that-- I think it's \$150 million if you're thinking of that-- that's still in there. That will be pushed up until the following biennium.

DORN: OK. Thank you.

NEIL SULLIVAN: Yup.

CLEMENTS: Senator Cavanaugh.

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M. CAVANAUGH: Thank you. Thanks for being here today. In talking about the spending issue.

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: And in going through the budget this year, I've been see-- I've seen a lot of shifts from general funds to cash funds. I haven't seen cuts to spending.

NEIL SULLIVAN: Sure.

M. CAVANAUGH: Can you speak to what cuts to spending other than FTEs?

NEIL SULLIVAN: Yeah. So a number of them was, you know, vacancies that were cut. Health and Human Services has, I think, combined the biennium over \$200 million of appropriation reductions. Department of Revenue had a number of appropriation reductions. Some of that is through additional cash funds, some of it is through operational reductions.

M. CAVANAUGH: But tho-- those-- I-- those are FTEs that you're talking about?

NEIL SULLIVAN: Yes.

M. CAVANAUGH: But those are not cuts to spending. That's just not asking for an appropriation for, for positions that have been unfilled, so.

NEIL SULLIVAN: Some of them are cuts to positions. You know, for instance, Department of Revenue had a whole office that closed.

M. CAVANAUGH: Right. But what are the actual cuts to spending in the Governor's budget?

NEIL SULLIVAN: Sure. So I know under Health and Human Services, a lot of the-- there's some appropriation from the aid programs that was reduced. That's--

M. CAVANAUGH: Sorry. I'm having-- acoustics in here.

NEIL SULLIVAN: Yeah. Maybe if I-- maybe if I can angle this a little better. Can you hear me better?

M. CAVANAUGH: Yeah.

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NEIL SULLIVAN: All right.

M. CAVANAUGH: Thank you.

NEIL SULLIVAN: So under Health and Human Services, I know we had about \$220 million in gross reductions throughout the various programs for aid, and some of that does come through taking a different approach, more strategic approach for, for how we handle provider rates, making sure we're not doing broad-based increases, doing more strategic rate-setting techniques. And then also making sure that we have reasonable limitations and thresholds in, in the aid eligibility and aid maximum payments. So we're trying to go after some of the outliers in some of these programs to reduce spending in that regard.

M. CAVANAUGH: I-- we-- I appreciate that, but that is more like-- you're not cutting spending. You're cutting-- you're changing how you're doing something specific. I-- what are we cutting? Like, what programs are we cutting? What services are we cutting? What are we actually cutting? When we talk about government waste, I don't think people are saying government waste is provider rates. What are-- what's being cut?

NEIL SULLIVAN: Right. Well, certainly we have-- there are fewer positions in some programs. So some of it is positions, some of it is natural attrition and not filling vacancy positions. Altho-- also making operational adjustments like closing offices, with-- which we-- we've seen with Department of Revenue. You know, it's not always going to be this program. We're just not going to do it anymore. I mean, that would be an easy, clear cut, right? A lot of it is going to be finding better ways to do things.

M. CAVANAUGH: But there-- OK. But there are cuts to programs in the budget.

NEIL SULLIVAN: Sure.

M. CAVANAUGH: So you are making those decisions. How are those decisions being made?

NEIL SULLIVAN: How are we making decisions about which programs to cut, which programs to reduce?

M. CAVANAUGH: Yes.

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NEIL SULLIVAN: And, and I will say that most of the-- most of the appropriation reductions we are recommending in, in the budget are reductions, not necessarily complete cuts. There may be a few isolated examples, but most of them are reductions in spending.

M. CAVANAUGH: There's quite a few cuts to the Medicaid excess cash fund programs.

NEIL SULLIVAN: Sure. So--

M. CAVANAUGH: How are those decided?

NEIL SULLIVAN: The Medicaid excess cash funds-- so when you think about the, the excess profit for the, for the MCO Excess Profit Fund, a lot of-- all of that profit, all that revenue that goes to the MCOs comes from Medicaid payments, right?

M. CAVANAUGH: Right. But how did you decide on what programs to cut and why did you decide to cut them through the bud-- the mainline budget and not introduce legislation to roll back those programs as is typically done? Because the budget-- the mainline budget isn't how we do policy. And it seems like there was a concerted decision to do policy through the budget, which is really inappropriate, generally speaking. I think it's been a long held-- that we don't do that because the budget isn't supposed to bind future Legislatures. So if you want to repeal legislation, you should introduce a bill to repeal legislation. So how did you come to the decision that this was how you were going to repeal legislation?

NEIL SULLIVAN: I think you've got two questions in there, and I'll, I'll see if I can address both from here. Number one, for the, for the more structural changes which required statutory changes, I think you'll find that every single statutory change that's included in the budget bill is tied specifically to an appropriation reduction.

M. CAVANAUGH: Right, but-- we'll, we'll use a personal example. My priority bill two years ago is the re-- Medicaid reimbursement for translation services.

NEIL SULLIVAN: Sure.

M. CAVANAUGH: That's just struck in the mainline budget.

NEIL SULLIVAN: And that was part of the MCO Excess Profit Fund.

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M. CAVANAUGH: It was, yes.

NEIL SULLIVAN: Now, many other lines within the MCO Excess Profit Fund--

M. CAVANAUGH: But that was a-- that was a bill in HHS that had a public hearing, that had a senator priority, that went through floor debate. Why didn't you just introduce a bill in HHS to strike that program?

NEIL SULLIVAN: So many of the other lines in the MCO Excess Profit Fund are specifically Medicaid-related costs that were just brought over to the MCO Excess Profit Fund to be paid specifically out of. Many of those were put back into the base agency program budget general fund, federal fund.

M. CAVANAUGH: But you're not cutting-- you're not cutting the reimburse-- you're not cutting funding them. You're cutting--

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: --the language. Why?

NEIL SULLIVAN: For the, for the translator services, that was one. Yes. That, that, that--

M. CAVANAUGH: Why are you cutting the language, not introducing a bill?

NEIL SULLIVAN: So the MCO Excess Profit Fund is not going to have a sustainable source--

M. CAVANAUGH: That's not an answer to my question.

NEIL SULLIVAN: It--

M. CAVANAUGH: Why--

NEIL SULLIVAN: You have to-- you have to cut--

M. CAVANAUGH: Why are you deciding to change statutory policy in the budget and not introducing legislation? It feels like you're hiding the ball--

NEIL SULLIVAN: Sometimes you reduce--

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M. CAVANAUGH: --on a lot of things when you do that.

NEIL SULLIVAN: Sometimes you reduce spending to reduce appropriation. You have to have a statute that supports that reduction.

M. CAVANAUGH: Yes, you do, and that's why you introduce legislation.

NEIL SULLIVAN: And if you have leg-- it all ties into the budget. And in my mi--

M. CAVANAUGH: It does, but then we-- why do we have other committees?

NEIL SULLIVAN: If we're gonna propose a, a package that resolves a \$471 million--

M. CAVANAUGH: I don't think-- I'm going to stop you because we're taking up everybody else's time and I don't think you're going to give me an actual answer to why you are doing things inappropriately.

NEIL SULLIVAN: You can't balance a-- you can't balance all of that without having it in one place.

M. CAVANAUGH: But you can do things the right way. You can do things the right way.

NEIL SULLIVAN: This is the right way.

M. CAVANAUGH: No, it is absolutely not the right way. It categorically is not the right way.

NEIL SULLIVAN: I disagree, Senator.

M. CAVANAUGH: That's fine. You can disagree. You're still wrong.

CLEMENTS: Thank you, Senator. Are there other questions from the committee? Senator Prokop.

PROKOP: Thank you for being here this afternoon. So a quick question. You've talked about cash funds and, and cash fund transfers. Several of those have been built up as a result of fees and-- ov-- over years. As part of your process of looking at doing that, did the administration consider reducing fees as a result to, to make sure those balances don't grow like they have?

NEIL SULLIVAN: In some cases, yes. One I can think of is the Excess Liability Fund, where fees were reduced from the Department of

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Insurance. Anytime we're looking at a fee, we do kind of a regional comparison. We want to see how our fees line up with other states and see if we're in the same ballpark there. And in many cases, yes. The, the fees being charged did result in excess balances. And in some cases, probably more often than not, we-- we're trying to leverage those funds either to the General Fund or to be used for similar purposes for what the fees were raised for to begin with.

PROKOP: So would you say there is a commitment then to reduce those fees so that the same Cash Fund transfers don't take--

NEIL SULLIVAN: It depends on the fee.

PROKOP:--[INAUDIBLE] future--

NEIL SULLIVAN: So if our fees--

PROKOP: Has there been a broad analysis of that that, that you're doing--

NEIL SULLIVAN: If our fees are out of line and the excess revenue is a result to our fees being way higher than what everyone else is charging, then absolutely. I think they should be brought back in line. Yeah.

PROKOP: OK.

CLEMENTS: Are there questions? Sen-- Senator.

PROKOP: Different topic. So as far as just looking at some of the areas of where-- them-- there-- where there's been cuts, what analysis-- or is there anything you can speak to as far as state dollar reductions and what that means in terms of that going towards federal match? Do we know what the impacts are in that regards or, or how much money we might be losing out on the federal end based on cuts we're making on the state side?

NEIL SULLIVAN: Sure. And I would say most of the federal match comes on the Health and Human Services side, and that was definitely considered along with any appropriation reductions to make sure that any reduction that we're doing is, is, is-- the juice is worth the squeeze, right, on that. So I would say that Health and Human Services probably would be able to give you more detailed analysis of what the federal impact is of the specific reductions that they have proposed. But it, it was taken into account. Absolutely.

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PROKOP: OK.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you, Chair Clements. And good afternoon. Thank you for being here. I've been receiving a lot of emails just around some of your approach and philosophy to what is being transferred out of cash funds, like Ne-- the Nebraska Environmental Trust, for example, cuts to some of the Medicaid appropriations. And as Senator Cavanaugh stated earlier, it would be helpful for me to kind of understand the Governor's philosophy. When I look at the budget, it seems like there is a, a shift from looking at general funds and how we use taxpayer dollars to prioritize some of these things to cash funds, and cash funds and trusts that have been earmarked with a certain and specific intention behind it, which has caused our community-- like, our constituents, right, to a little-- to be more alarm and concerned. And so I'm just wondering the Governor's philosophy on that. Have you all talked through some of those that have been getting a lot more notoriety around what our constituents may be wondering about?

NEIL SULLIVAN: Sure. Yeah. And I will say I believe we had a much more comprehensive review of Cash Fund balances this year than, say, last year [INAUDIBLE]. And we looked at a lot of funds last year too, but we looked at over 900 this year. And that includes cash, federal, revolving, trust, a lot of funds we really hadn't spent a lot of time considering how we can u-- use those excess balances. Because a lot of times, what you find is there's an excess balance on this fund, but it's for a specific purpose, and so you can't just transfer it to the General Fund. You gotta find another way to use it. And if you don't find another way to use it, it just sits there. And that's our goal, is put the money to work. So for instance, the Environmental Trust Fund. This is one where-- it used to be \$40 million. And I remember, you know, talking with people being concerned about a balance of \$40 million. Now it's \$70 million. It grows every single year despite us leveraging it for transfers. So this is one where you can't just take environmental trust funds and give it to the General Fund. You've got to find eligible uses for it, and that's what we're trying to do within the Department of Water, Energy, and Environment and within the Game and Parks departments. So again, try-- if, if we have excess funds that are built up even in these trust funds that have specific uses, if we can't transfer them to just General Fund expenditure to offset that, let's try to find good uses within the eligible uses, like the, like the environmental trusts, that are

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still within the constitutional authorization, use it for that purpose instead.

SPIVEY: Thank you.

CLEMENTS: Senator Prokop.

PROKOP: Sorry. Just follow up on that [INAUDIBLE]. So did you do a constitutional analysis of uses for those, for those funds? Because, for example, I've heard from folks that they've paused grants currently just because of uncertainty around what's happening here. So what-- can you speak to that issue?

NEIL SULLIVAN: So the, the recommended uses for the environmental-- environmental trust funds are within the constitutional provisions, right? Right now, the constitution says this money will be used in, in accordance with the Environmental Trust Act. So everything that we've recommended is within the Environmental Trust Act, right? It still-- and it's, and it's within the in-- with the original intent of the funds as well. Being used for water, right? Making sure our-- we're protecting our water resources throughout the state. And then also going to improve public access and shoreline improvements to the Lewis and Clark Lake. All within the constitutional authorization, all within, you know, the, the grand vision of the Environmental Trust Act. Now, as far as the pausing of the awards, I, I see that as kind of a political action to influence your guys' decisions. When I look at that trust fund, it's \$70 million. If they don't pay out any of the rewards this year, I-- they'll have some obligations they pay out from prior year awards. But they'll still be sitting on probably \$50, \$60 million. I see no reason why those awards would be paused. Our analysis shows they can pay out all obligations and continue to award money. Our fund analysis, we plugged in, I think, \$18 million a year of ongoing expenditures, and it still has a healthy balance of, I think, around \$20 to \$30 million, so. I don't understand that decision to pause the awards.

CLEMENTS: Senator Strommen.

STROMMEN: Yeah. Could you just clarify the \$1.3 billion again? I have the 877. I have the 328.

NEIL SULLIVAN: Yep.

STROMMEN: Trying to figure out where the rest of that money--

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NEIL SULLIVAN: So if you look at the-- let me pull up my status here. If you look in FY27, where it's \$821 million in the Cash Reserve Fund.

DORN: What, what-- and what page are you there?

NEIL SULLIVAN: I'm on page 9 of the red book.

DORN: OK. Because that's the-- this, this is the financial statement that we got just with the preliminary budget. So it's [INAUDIBLE] different.

NEIL SULLIVAN: Gotcha.

STROMMEN: OK.

DORN: OK.

STROMMEN: 821.

NEIL SULLIVAN: 821. On page 9 there. You go back two more pages on page 7.

DORN: OK.

NEIL SULLIVAN: And you're looking at the General Fund balance, 458.

DORN: Yeah.

NEIL SULLIVAN: On line 23.

STROMMEN: 152?

NEIL SULLIVAN: It would be \$458.9 million on line 23.

STROMMEN: OK. I see [INAUDIBLE].

NEIL SULLIVAN: That's the General Fund side of it.

DORN: OK. OK. Those two.

NEIL SULLIVAN: Yeah.

DORN: Thank you.

NEIL SULLIVAN: You bet.

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DORN: I-- we were looking at the wrong sheet over here.

NEIL SULLIVAN: Different statuses. I get it.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you. I kind of wanted to go again. I appreciate having your written testimony-- let me make sure people can hear-- because it's helpful. And kind of, again, just your philosophy. Because I, I do believe in-- since I've been on Appropriations, I feel like our budget reflects our choices as a state, right, our priorities. And I really appreciate all my colleagues. We've been working really hard to try to figure out what are our priorities and how do we make sure Nebraskans have what they need, can live, work, and play. And there was an, an article in the Nebraska Examiner for former State Senator Stinner, who chaired Appropriations. And I wanted to get your philosophy and take on this. We-- he wrote this op-ed just about the state of where we are from a budget perspective. And he talks about specifically the transfers out. And what we're seeing from our financial standpoint is maybe not some of the things that you named in your opening, but it's because of these transfers out and it's due to property tax that we are trying to fill a bucket. And most of our transfers out go to property tax relief. And as-- and we are using it as a savings account. However, we are depleting our savings, and it's kind of like trying to fill a, a bucket with a hole in it and that there are other ways that we can address property tax besides what is being proposed in the Governor's budget with these transfers out. And so I would just love your feedback and philosophy representing the Governor's Office around our state of our financial status. And do you believe the property tax approach that is proposed by the Governor is sustainable and appropriate given some of this kind of critical feedback on where we are?

NEIL SULLIVAN: Sure. You know, I would say that I don't believe that-- I, I don't think there is a solid, clear alternate approach, but there does have to be a combined approach, right? We are setting aside a lot of money for property tax relief, and still when you go out throughout the state, a lot of people care about property tax relief and think we haven't done enough, right, and we need to do more. But the leaky bucket analogy isn't wrong, right? There is still a problem we need to fix on, on that side as well. We probably need harder caps on, on local levy, local government spending growth, and that's got to be in-- combined along with state assistance for relief of property taxes.

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SPIVEY: So just to make sure I'm hearing you correctly, you are saying from the Governor's approach and what we're seeing proposed now that how we are addressing property tax is not the cause of our financial status. You think it's aligned and we're on the right track.

NEIL SULLIVAN: I think we are on the right track. Absolutely. What you see on the-- on this financial status is-- you know, we got to the 471 through a, a forecast revision, but it's, it's spending adjustments is what's going to-- is what's going to fix that. No matter what we had done on the revenue side, any additional revenue we had would have been used for more government spending. And when the forecast goes down, we'd be right back in the same exact situation trying to adjust spending to solve [INAUDIBLE] budget deficit.

SPIVEY: Thank you.

NEIL SULLIVAN: Yeah.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you for being here. I just had some questions from constituents about the property tax issue. And they asked me, where-- where's the lottery money? Why aren't we using lottery money?

NEIL SULLIVAN: Sure.

ARMENDARIZ: Can you explain to the people watching, people in the room, what do we do with lottery money?

NEIL SULLIVAN: Sure. So there is lottery funds-- especially the casino revenue-- that goes to, to the, the property tax relief. Lottery funds specifically, though, are divided through education and to the Environmental Trust Fund. That's where almost all the lottery funds go.

ARMENDARIZ: What percentage goes-- can I follow up?

CLEMENTS: Go ahead.

ARMENDARIZ: What percentage goes to each, the education--

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NEIL SULLIVAN: 45% to education, 45% to the Environmental Trust Fund.
Yeah.

ARMENDARIZ: And in, in your opinion-- and this isn't--

NEIL SULLIVAN: Sure.

ARMENDARIZ: --fact at all-- that was passed in 1993 to get the
lottery legal in Nebraska.

NEIL SULLIVAN: Yeah.

ARMENDARIZ: And in your opinion today, if that were put on a ballot
initiative, would, would your-- would folks vote for environmental
trust or property tax?

NEIL SULLIVAN: It would certainly be interesting to see if those two
are both put on the ballot as competing interests. I mean, I sure
hear a lot about property tax relief.

ARMENDARIZ: Thank you.

CLEMENTS: Senator Prokop.

PROKOP: Thank you, Mr. Chairman. Question about Education Futures
Fund. So there's several cash fund transfers that are going into try
and make good on the, on the obligations that we made as, as a
Legislature a couple years ago on that. And there's transfers out of
the Education Futures Fund too. And, and there's actions that are
being taken as-- around special education and limitations for that
kind of funding based on agreements that were, that were struck as
part of that. Can you speak to the health of the Education Futures
Fund? And, and are we going to be able to maintain our obligations
there? Just based on all of the movements and, and the different cash
funds that are coming in from a variety of sources to, to try and
fund that.

NEIL SULLIVAN: Yeah. So Education Future Fund's one we got to figure
out. [INAUDIBLE] problem there is special education funding has grown
a lot faster than projected. So it has grown by more than \$80 million
just in the last couple years from when we initially projected what
those costs would be. So re-- recommendation: put \$60 million dollars
into the Education Future Fund. That buys us some time, but we've got
some work to do. And we have got to figure out what is driving the
exponential growth of that fund. Wouldn't be an issue if we would

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just level out and have a moderate growth, but just the, the high rates of growth we're seeing cannot be sustained. It-- it's not on a sustainable path, and we've gotta do some more work to figure how to fix that.

PROKOP: And that \$60 million you mentioned, those are General Fund dollars or is that--

NEIL SULLIVAN: From cash funds.

PROKOP: --various cash funds--

NEIL SULLIVAN: From cash funds, yeah.

PROKOP: So those are all separate cash funds that--

NEIL SULLIVAN: Separate cash funds.

PROKOP: Essentially, our-- they're-- we're not going to be able to use those again to--

NEIL SULLIVAN: No.

PROKOP: --to maintain that balan-- so--

NEIL SULLIVAN: It's-- there are a couple of them that tend to build up balances, but, I mean, the biggest swing of it is from Permanent School Fund. So that would be directing more earnings from that school fund to be used for common schools.

PROKOP: So a-- so after we use those, where would you see us turning to, to--

NEIL SULLIVAN: Well-- and that's where-- that's where I say we've got a lot-- we've got some more work that we need to do. One, we need to address the underlying cause of that growth and then figure out a way to make that fund sustainable. Yeah.

PROKOP: Thank you.

NEIL SULLIVAN: You bet.

CLEMENTS: Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you. So the cultural endowment.

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NEIL SULLIVAN: Yeah.

M. CAVANAUGH: What is the intention there?

NEIL SULLIVAN: So the intention is provide a, a more sustainable funding source, a less variable funding source. So right now, the, the grants are awarded based on the investment earnings for each year. The recommendation lapses the balance of the fund and replaces it with an ongoing General Fund appropriation, \$600,000, which is higher than the usual amount of grant awards. That gives the program a steady \$600,000 every single year. There has been years when they really can't award anything because maybe investment earnings are negative for that year. This would resolve that variability. And eventually they'll come out ahead.

M. CAVANAUGH: And have they expressed, those that manage this, that the-- that is something that they desire to have that happen?

NEIL SULLIVAN: You know, I know anytime we have structural changes, there's probably some concern about, well, what if, what if this happens? What happens if that happens? So, so--

M. CAVANAUGH: Did they bring-- I mean, if, if the intention of shifting it to general funds is to create more certainty in the revenue stream for the cultural endowment awards, did they bring it to you and say, we want more certainty in the cultural endowment awards; we'd like you to make a shift?

NEIL SULLIVAN: Did they bring it to us? No. No. This was an idea that we proposed.

M. CAVANAUGH: And then did you bring it to them?

NEIL SULLIVAN: We've had conversations with them.

M. CAVANAUGH: And what was their response to this?

NEIL SULLIVAN: Some hesitancy, to be fair.

M. CAVANAUGH: I'm sorry?

NEIL SULLIVAN: Some hesitancy, to be fair. Yes.

M. CAVANAUGH: And what are they-- what are their concerns?

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NEIL SULLIVAN: What are their concerns? Well, they would like to preserve the, the \$15 million cash funds they-- yeah.

M. CAVANAUGH: And the intention is to take the \$15 million cash funds--

NEIL SULLIVAN: And replace it with an ongoing General Fund appropriation. Yes.

M. CAVANAUGH: So what about the fact that there have been donations to this fund?

NEIL SULLIVAN: This fund is primarily funded through General Fund transfers. This is where-- initially, \$5 million from the General Fund was put into the fund, and we've been doing a million dollars into the fund thereafter each year.

M. CAVANAUGH: But there's-- there is a philanthropic aspect to this.

NEIL SULLIVAN: It's my understanding the philanthropic aspect is that when they award grants, there is a philanthropic match associated with the grant. But the fund balance is all General Fund transfers and investment earnings.

M. CAVANAUGH: So when we create these types of funds, the, the idea behind them is, is the certainty that the government-- the state won't take them.

NEIL SULLIVAN: Mm-hmm.

M. CAVANAUGH: So how do we have any reassurance that that's-- I mean, essentially you are taking it. So how do we respond to the philanthropic community that says, we can't trust the state to enter into public-private partnerships because, when we do that, you erode our trust by taking funds and sweeping them into the General Fund for-- to balance the budget?

NEIL SULLIVAN: Well, I would say that this is replacing that fund with something better, an ongoing, steady appropriation funding source. Absolutely willing to have continued conversations with the agency to work with them, understand their concerns, and have more discussion about the issue.

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M. CAVANAUGH: But there's nothing-- once we take this money and close down that fund, there's nothing stopping the Legislature, the administration from no longer funding--

NEIL SULLIVAN: Like a future Legislature.

M. CAVANAUGH: Yes.

NEIL SULLIVAN: Yeah. I guess along that same vein of thought, there's also nothing stopping a future Legislature from just closing the whole thing without an appropriation. Whether the funds and-- whether it's a cash fund in place or a General Fund appropriation. We can speculate about any kind of scenario that may happen brought upon by a future Legislature, but I think this is the best--

M. CAVANAUGH: So essentially, when we're being inundated by emails and phone calls from constituents who have participated in public-private partnerships with the state in the past that have given-- contributed to these public-priv-- whatever they are-- there's lots of them-- and they say doing these kinds of things is eroding the trust of the philanthropic community, we can't trust the state, we're not going to enter into these pro-- what are we-- what are we to say to those people?

NEIL SULLIVAN: Well, I-- is there an example of us taking money and not giving them something in exchange? I, I don't think that we've betrayed that trust.

M. CAVANAUGH: LB1071 and LB1072 are an example of us doing that and-- a lot of levels. There's a lot of cash funds that we're taking money out of that were created for a specific purpose, that were funded by specific fees or contributions, that are eroding the public trust. Those two bills are the example. And we're hearing from the public that this is an erosion of trust. So I'm asking, what, what do you expect us to say if we're going to move forward with the Governor's intended budget proposal? What are we to say to the public to convince them that this isn't an erosion of the trust that we have built over generations with them with pa-- past Legislatures?

NEIL SULLIVAN: LB1071 and LB1072 have a number of transfers that use funds, put them to work for, for the public, for the taxpayer.

M. CAVANAUGH: But they don't put them to work in the way that they were initially intend-- intended.

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NEIL SULLIVAN: In most cases, they do. For instance, Environmental Trust. That is using them for the intended purpose. What I don't think the public intends us to do is to just sit on the money and leave it in a bank account gathering dust.

M. CAVANAUGH: That's not what I'm hearing from the public.

NEIL SULLIVAN: They want it to just sit there? I don't believe that.

M. CAVANAUGH: I don't think that they consi--

NEIL SULLIVAN: I think most Nebraskans want us to put the money to work.

M. CAVANAUGH: --would con-- qualify it as it just sitting there. It's there to be utilized for a specific purpose. And I'm asking you, how can we build that trust back if we're taking the money for a specific purpose?

NEIL SULLIVAN: I believe we are honoring the purpose of these funds that we're--

M. CAVANAUGH: Thank you.

NEIL SULLIVAN: --using in another way. Mm-hmm.

CLEMENTS: Senator Dover.

DOVER: Yeah. Don't you think really that the endowment's just concerned about the promise of future funding? I mean, if you look at the funding over the years, whether it was Speaker Scheer was there [INAUDIBLE] there's just no money, that there's no General Fund so there isn't any money to give out. So, I mean, don't you think they're in a more secure position to maintain this fund and take the interest off of it? And isn't it the purpose of an endowment really to grow so you're spending the interest and not, and not affecting the, the base of the fund?

NEIL SULLIVAN: So with this one specifically, though, you are going to be able to grant less money in years where you have less investment returns. So yes, the endowment philosophy is an alternative perspective. Whether-- which one's better with-- than the other one? I think it's better to have year after year consistency in the amount of money you're able to award for grants to the communities.

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CLEMENTS: Senator Dover.

DOVER: I guess, but do you think that relying on General Fund appropriations is a more secure position than what the, the, the endowment currently has?

NEIL SULLIVAN: Yes, I do. I think it's more secure because it is an ongoing base appropriation that will continue.

DOVER: Like the Education Future Fund?

NEIL SULLIVAN: Well, the Education Future Fund is a cash fund.

DOVER: OK.

NEIL SULLIVAN: So that would be similar to the endowment situation.

DOVER: Do you ever see where perhaps that-- someone is guaranteed general funds to fund something and then over the years that just disappears or it goes down?

NEIL SULLIVAN: It's-- I've seen General Fund appropriations decrease, but I've also seen cash fund balances decrease. It's-- to me, it's the-- similar, same situation here.

DOVER: Yeah. I guess my question is, why do you think then they would like to maintain the current, the current fund as opposed to being guaran-- guaranteed \$600,000 a year in general funds?

NEIL SULLIVAN: Well, because that's what they're used to. That's the way it's been. That's the way this fund has been since it's created. And, and, you know, change causes hesitancy. Yeah.

DOVER: But my question to you is-- I mean, I think these people that are involved here are probably intelligent people.

NEIL SULLIVAN: Sure.

DOVER: So why do you think-- why do you think they don't want to switch from the current-- their current fund now to general funds?

NEIL SULLIVAN: So-- I think the point you're trying to make is that they're afraid that there will be future General Fund appropriation reductions. Is that right? And, and I suppose-- I think they have the same concern on their-- keeping it in a cash fund. I don't understand how that concern is any different under a cash fund as it would be

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under a General Fund appropriation. I believe that a General Fund base appropriation is a more consistent, stable source of funding. And if someone wants to come in and reduce General Fund appropriation, I think you're going to hear from that same exact crowd coming and making their cases just like they are for the case of the-- that cash fund transfer.

DOVER: Great. Thank you.

NEIL SULLIVAN: Yeah.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you. So to kind of piggyback on that and maybe a different example.

NEIL SULLIVAN: Sure.

SPIVEY: So-- around, like, the intent of cash funds and how they're used. So there is within the Governor's proposal to take from NDE the fees that teachers pay for their recertification, a million dollars from that fund. That was also action taken last year. And so when you look at that fund, for example, teachers are paying into that. NDE has built up a balance and hopes to drop the fee. They've already dropped it down by \$5. We know that we're in a teacher shortage.

NEIL SULLIVAN: Yep.

SPIVEY: But the Governor's proposal has it-- taken a million dollars from that fund. So-- I mean-- so kind of-- I know the Cultural Endowment Fund maybe feels a little bit more complex example, so maybe let's use that.

NEIL SULLIVAN: Sure.

SPIVEY: Like, what is the reasoning behind taking from a cash fund to go to the General Fund if a consumer or a constituent is paying fees with an intended purpose?

NEIL SULLIVAN: Mm-hmm.

SPIVEY: And for that fund, it's the recertification for teachers.

NEIL SULLIVAN: Sure. Let me say it-- I, I think that is a good example to talk about. So the Teacher Certification Fund, that money

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is actually being transferred to the Education Future Fund. So it is being used for education purposes, similar, similar in-- to the intent of the original fund, right? There are other funds where there is-- there are fees that come into the fund that are used for the General Fund. And I think there is a long, long precedence for that type of activity. For instance, bankers and insurers all pay assessments into the banking fund and the insurance fund. These are what we typically refer to as the usual and customary transfers. So every single year, even though this isn't money just coming from anywhere-- this is money paid by bankers and insurers and the ca-- and the funds-- that excess fund balances are used to go directly to the General Fund. That has happened for a very long time. And there are other fund examples similar to that.

SPIVEY: So for, like-- using that example, you feel then it's appropriate instead of, like, lowering the fees, for example, or putting that back into something explicitly with teachers, the Governor feels as if it is an alignment to transfer out the balance that is there to go to something that is related to education, maybe that is not squarely around the fees that the teachers are paying. Is that what I hear you say?

NEIL SULLIVAN: True. Yes. So in that example, it would be a more broader alignment of the intent-- of the original fund intentions, right? But it is not going straight to the General Fund. So we did try to find ways to use the funds in excess balances as closely aligned to their purpose as we could.

SPIVEY: OK. Thank you.

NEIL SULLIVAN: Yep.

CLEMENTS: Senator Cavanaugh.

M. CAVANAUGH: Thank you. Another fund that I'm concerned about in this proposal is the Victim's Compensation Fund.

NEIL SULLIVAN: Sure. Yeah.

M. CAVANAUGH: Why was the language changed from "shall" pay for Sexual Assault Payment Program Cash Fund to "may?"

NEIL SULLIVAN: Sure.

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M. CAVANAUGH: And why also is it being shifted to be used for the administration instead of the direct payments to victims exclusively?

NEIL SULLIVAN: So the, the "shall," the "may--" now, that's kind of a technical language. I think there is a way to reword that, and I support that to say, shall go to either this fund or this fund. The, the reason it was changed from "shall" to "may" was an interpretation when we were working with the agency. They were concerned that it says you have to use this fund, can't use any other fund. So the intention was to be this or this.

M. CAVANAUGH: So-- bu-- right.

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: But the, the Sexual Assault Payment Program--

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: --Cash Fund is specific for the paying full, out-of-pocket costs or expenses that may be charged to a sexual assault victim in connection with a forensic medical exam.

NEIL SULLIVAN: So we would like to--

M. CAVANAUGH: So why would we use the compensation fund--

NEIL SULLIVAN: Right.

M. CAVANAUGH: --which is funded by the people who have been incarcerated and we garnish their wages such as-- they aren't really very good wages-- but we garnish those wages. And those go into the compensation fund.

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: Why would we use the compensation fund-- which is supposed to compensate the victims--

NEIL SULLIVAN: Yeah.

M. CAVANAUGH: --to pay for these forensic medical examination when we have a fund specific for that?

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NEIL SULLIVAN: Mm-hmm. So this is another example of a fund with an excess balance, the Victim's Compensation Fund. The intention was to broaden it to be used for related purposes. So to be able--

M. CAVANAUGH: Why is there an excess balance in the Victim's Compensation Fund?

NEIL SULLIVAN: Why is there an--

M. CAVANAUGH: Yes.

NEIL SULLIVAN: --excess balance? I'd have to get back to you on that. I don't recall exactly how the balance developed other than there is an excess balance. And it, it, it, it-- I believe it is tied to the amount of requests that come in, but I'd want to maybe touch base with the agency to be sure I'm talking about that correctly. I believe it is related to the demand on the funds.

M. CAVANAUGH: So is there a-- is there education to victims that this fund exists?

NEIL SULLIVAN: Sure.

M. CAVANAUGH: And are we taking money that should be going directly to victims and giving it to offset the General Fund so that we can have property tax relief? Because that doesn't seem like that's something that the people are going to get behind. When you say that it's just sitting there and the people would rather it go to work for them in property tax relief, I think that most people would agree that what we would like to see is that victims of sexual violence or just crimes writ large get the compensation that they are owed that is coming from the garnished wage of incarcerated people who, if those wages were not garnished and put into that fund, they likely would be going to pay child support to their families that they are supposed to be supporting and they're only being paid \$1.25 an hour. And we're taking about a quarter of that every hour and putting it into this fund. And now we're going to be funding the General Fund and property tax relief on the back of people who are incarcerated, who are supposed to be paying into a victims fund, who also have responsibilities outside of the prison. So can you see how this could be problematic?

NEIL SULLIVAN: I think that the excess balance in the Victim's Compensation Fund, I think a good use for that is for sexual assault victims' support and for juvenile justice and for violence

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prevention. I think those are good uses of an excess balance in the Victim's Compensation Fund without compromising the ongoing aid.

M. CAVANAUGH: Who are you or me to decide what victims need to do with those resources? They might not need to have those programming that you want to pay for. With this, they might want to just pay their rent.

NEIL SULLIVAN: Victims resources are not being taken away. There's no change to the ongoing aid to this program.

M. CAVANAUGH: They are being taken away. They're very specifically being taken away. Whether they're being utilized or not does not-- is not the question. The question is, are we taking them away to offset other things so that we can then diminish the General Fund responsibility? And that's what we're doing with this fund. We're taking a General Fund appropriation and we're shifting it to a cash fund. And we are taking away money from the Victim's Compensation Fund in doing that.

NEIL SULLIVAN: We are taking--

M. CAVANAUGH: And that is morally questionable for me personally. And when I ask you why the money is sitting there, you don't even have an answer, yet you put it forward in a very serious document which is the state budget. You should have an answer as to why you're taking that money.

NEIL SULLIVAN: We are taking idle Victim's Compensation money and using it to help victims--

M. CAVANAUGH: So why is it idle?

NEIL SULLIVAN: --instead of, instead of just-- I believe it is-- I believe it is underutilized because of a-- of-- underdemand for the services, no-- lack of requests that would fully obligate it.

M. CAVANAUGH: I guess I will put forward a request to either our Performance Audit Committee or the State Auditor to audit that statement. Thank you.

CLEMENTS: Are there any other questions?

DOVER: Could the lack of, lack of requests due-- be due to the, the way that you file for a request to request those funds or use of

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those funds? Is it-- do you know-- is, is there a problem with the process?

NEIL SULLIVAN: I-- I'm, I'm not aware of a problem with the process, and I'm not aware of a lot of complaints about the process. That may be a good technical question for the agency when they testify about the bill. They would probably have more details about that.

DOVER: Yeah. Thank you.

NEIL SULLIVAN: You bet.

CLEMENTS: Thank you. That's what I was thinking. We'll also ask the agency at that time. Seeing no other questions. Thank you, Mr. Sullivan.

NEIL SULLIVAN: Thank you.

CLEMENTS: Are there additional proponents for LB71-- LB1071, LB1072? Additional proponents. Seeing none. We'll now switch to opponents. If you're going to be in opposition, please move to the front chairs. And have your green testifier sheets filled out, please. And we'll have a three-minute timer. Good afternoon.

BOB KRIST: Good afternoon. Afternoon, Chairman Clements and members of the Appropriations Committee. My name is Robert J-- I go by Bob-- Krist, K-r-i-s-t. I served ten years in the Legislature. And I come with a little bit of a concern about the GAP and the Gamblers Assistance Fund as it exists today. Before I continue, because I'm employed by the University of Nebraska Aviation Institute, my lawyer says I have to-- our lawyer says I have to read this. The views I am sharing today are my own and do not represent the official position of the University of Nebraska. So. The doctor will be happy that [INAUDIBLE]. I came into the Legislature at a time when we had absolutely no money. And if you go back in history into the 2000 time frame, 2000, 2000 to 2004, you'll see that there was no money to be had. This Gamblers Assistance Program existed. And to Senator Cavanaugh's point and Senator Dover's point, General Affairs don't always give you the best opportunity for continued support for a program that you have. We found that out with the Gamblers Assistance Program early. It was my bill, LB6, in 2013. And I put the executive summary on the right-hand side on the top. About three paragraphs down, the historical oversight of the governance-- originally housed in the Department of Revenue to align gambling activity and consumer

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protection-- was moved to DHHS in 1995 and reduced to an advisory role, weakening the oversight and the number of people who were involved with therapy for gambling assistance. Administrative dilution of gambling-specific funds occurred during this period, and it is during this period that we were in the worst situation Nebraska had ever been in with our budget. LB6 in 2013 restored the GAP to the revenue, and it reestablished the Nebraska Commission on Gambling. The Commission on Gambling, the long version is right underneath it. You'll see that it is-- it, it is a, a non-per diem-type commission. That means you spend no money. And in fact, the money that's being spent on this program is coming out of the revenue produced by gambling. It is not general funds. So you're not saving any money by moving this anywhere. OK? There will be others who speak after me who will tell you exactly the, the numbers, the dollars and cents, and how this makes sense to them and what it's meant to individuals who have been-- who have suffered the affliction, the addiction of, of gambling. I understand that you may not include this in your budget. I have talked to several other members. I hope you continue to do that. And I applaud your efforts to do that.

CLEMENTS: Are there questions? Senator Spivey.

SPIVEY: Thank you. Thank you so much for being here. And it's nice to meet you in person.

BOB KRIST: Thank you.

SPIVEY: I just want to just give some sentiments that I share some of your concern with the move and also have legislation looking at the impact of other types of wagering that we have, like skilled games, and how we can better regulate them as we think about the impacts that they have on gambling and addiction and how that really then ripples into communities, especially like mine navigating extreme poverty, which then cost taxpayer more dollars to start to address. So I appreciate your advocacy and just wanted to thank you for being here and providing that context.

BOB KRIST: Can I add to that?

SPIVEY: Yes.

BOB KRIST: Your district and my old district-- we could go across the Mormon Bridge today and watch the cars parked along the side on a gambling Saturday or Sunday and see the cars that are parked on the

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other side. The cell phone, the electronic devices have made it so easy for people to, to bet, to put online wagers. You can just-- you can witness that every day to see the cars that are parked across doing that. So we have gambling all around us. We have it in our midst. We have the ability to gamble even at our come-and-go stores on a daily basis. And there is addiction that follows it. And that's why this is so important to me.

SPIVEY: Yes. Absolutely. Thank you.

BOB KRIST: Thank you, Senator.

CLEMENTS: Any other questions? Seeing none. Thanks for your testimony.

BOB KRIST: Nice to see you again.

CLEMENTS: Good to see you, Mr. Krist. Next opponent. The plan is-- that was from that side. Then we'll switch to this side. We'll switch back and forth, if you would. Welcome.

DAVID POTTER: Good afternoon. Happy Groundhog's Day. I hope this isn't a repeat as we go through all this. Chair Clements, members of the committee, my name is David Potter, D-a-v-i-d P-o-t-t-e-r. And I'm the general manager for Lower Platte South Natural Resources District based here in Lincoln. The district covers more than 1,500 square miles and serves over 350,000 people across Lancaster, Cass, Butler, Saunders, Seward, and Otoe Counties. I'm here today to testify in opposition of LB1072 based on two provisions of the bill that would significantly impact our district and the communities and people we serve. First, LB1072 proposes a sweep in the Nebraska Environmental Trust, as we've heard. These funds are essential to supporting water quality, wildlife habitat, soil conservation, outdoor recreation, community-driven environmental projects across Nebraska. Lower Platte South NRD currently has an approved environmental trust project that is now in limbo due to this proposed transfer of funds. This city NRD project is critical to the flood reduction effort on Deadman's Run in Lincoln between 48th Street and Cornhusker Highway. The approved \$687,000 of trust funds are key to designing and constructing a wetlands complex and a detention basin on UNL's East Campus necessary for the overall \$30 million Dead Man's Run flood reduction project, which will remove nearly 480 properties from the mapped floodplain and benefit public safety. Construction on this project is expected to start later this year. Without this state

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investment, the project-- which has consumed much time and resources-- is now at risk. The second and most significant concern for the district is the sweep of trail funds designated for the MoPac East Trail Connector. Lower Platte South NRD has been working diligently on this trail connection project since the Legislature allocated funds for it in 2022. And many aspects are actively underway. These are not future expenses but rather dollars we are spending now. Currently, we are developing 2.25 miles of trail, advancing construction and design activities, and coordinating key connections in Cass County. In addition, Lower Platte South NRD has multiple existing contracts and agreements in place related to MoPac Connector Project. These commitments were made in good faith based on the availability of the appropriated funds. A sweep of these dollars would jeopardize not only the project but also our ability to meet existing obligations. Our district experienced a similar sweep of funds last year. And while we worked through those challenges, we cannot afford to lose the remaining funds or risk the momentum that we have built. Over the past couple months-- past couple years, this project has hit some roadblocks. However, after we lost cooperation at Cass County, we have discovered new opportunities that may provide a great benefit to the state, specifically our partnership with Nebraska Game and Parks to explore connections at Platte River State Park, Louisville State Rec Area, and the city of Louisville. This new option has the opportunity to do more than just connect the trail but can open up recreational opportunities and tourism for thousands of parkgoers and trail enthusiasts. For all of these reasons stated, the Lower Platte South NRD respectfully suggests that the committee not sweep these funds as proposed in LB1072. Thank you.

CLEMENTS: Are there questions from the committee? Seeing none. Thank you, Mr. Potter.

DAVID POTTER: Thank you.

CLEMENTS: Next testifier. Good afternoon.

KATIE TORPY: Good afternoon, Senator Clements and respected members of the committee. My name is Katie Torpy, K-a-t-i-e T-o-r-p-y. Here today representing The Nature Conservancy. Also in opposition to LB102 and L-- LB-- sorry-- LB1071 and LB1072. The fund sweeps represented in those bills are a systemwide swipe at programs that protect Nebraska's wildlife, water, air, parks, and public lands. They are too expen-- extensive to fully catalog in the time allotted here, but their collective impact is unmistakable. They pushed

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Nebraska's entire conservation system into crisis to solve a short-term budget problem that this approach does nothing to fix. The damage would not be temporary. LB1072 compromises the agencies we rely on to manage these resources. Worse, it strikes at the heart of the Nebraska Environmental Trust, a voter-created institution that has for decades powered conservation work in all 93 counties. The most devastating hit is that 47-- 4-- \$40.7 million sweep of the trust. This is not General Fund money. These are constitutionally directed lottery dollars, dollars that Nebraska deliberately re-- reserved for conservation. Diverting them is not just unwise; it's a fundamental breach of public trust. Eliminating NET's funding effectively dismantles an institution that has invested \$422 million statewide and leveraged nearly \$1 billion across-- in matching funds to deliver cleaner water, healthier soils, and stronger wildlife habitat and out-- outdoor uses for Nebraskans every day. You can't pull that financial cornerstone out from Nebraska's conservation infrastructure and expect the system to stand. This bill also raids the Wildlife Conservation Fund, a fund made up of donations, license plate purchases, and tax checkoff gifts from Nebraskans who give voluntarily to protect nongame wildlife and threatened and endangered species. These are charitable dollars entrusted to, to the state for a specific purpose. Sweeping them is indefensible. Taken together, these drain nearly every major fund that underpins conservation, wildlife protection, and environmental health. Some of these sweeps, like the NET raid and the Wildlife Conservation Fund sweep, are so clearly contrary to voter intent and Nebraska's long-term interests that they should be dismissed outright. Others demand an honest account-- accounting of what Nebraska stands to lose not only today but in the years ahead. Because once these funds are gone, the projects they support don't pause; they disappear. I've passed out a, a listing of projects sorted by your district. A little trickier in the Lincoln and Omaha area community, so it's a bit more comprehensive. Those are projects that would not have happened were it not for the Environmental Trust Fund. And I'd like to take a moment to address a couple of things that have come up in terms of whether or not Nebraskans would opt for environmental protection over property tax relief. In 2022, we did polling of Nebraskans on whether they thought more needs to be to-- done to protect the environment. Four out of five Nebraskans said that more does need to be done, and that was across party lines. Over 60% approved of the Nebraska Environmental Trust and what it does. Furthermore, there's been reference by the Governor's budget representative of a \$70 million balance. I've done multiple public information requests from the

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Administrator of the Nebraska Envir-- Environmental Trust, and she would not be pausing the 2026 grants if that-- if those funds were available. I suspect that the things that were not taken into consideration were year two and three obligations of 2024 and 2025 awards. With that, I'll let you ask any questions if you have them. Thank you.

CLEMENTS: Thank you. Are there questions? Seeing none. Thank you for this information, for your testimony.

KATIE TORPY: Thanks.

CLEMENTS: Next testifier, please. Good afternoon.

JUSTIN HUBLY: Good afternoon, Senator Clements and members of the Appropriations Committee. My name is Justin Hubly, J-u-s-t-i-n H-u-b-l-y. I'm the executive director of the Nebraska Association of Public Employees, NAPE/AFSCME Local 61. Our union represents more than 8,000 frontline state employees who perform more than 400 frontline jobs at 43 different state code and noncode agencies in all 93 counties across our state. And I'm here with you today to share the thoughts of our union members on the proposed midbiennium budget adjustments with you. Our members are deeply concerned that the budget presented to you will negatively affect the frontline services that our members provide to our fellow Nebraskans. When state employees are constantly asked to do more with less, please know-- when we're asked to do more with less, please know that it's our fellow Nebraskans who bear the brunt of the decrease in quality of services. It's a nice talking point, but it's not possible to constantly do more with less. With that said, you have our commitment of our members to do their very best to service our fellow Nebraskans. We understand that you have an unenviable task of balancing a budget with a \$471 million deficit, but please do not do so on the backs of a frontline state employee. Doing so is a policy choice that you'll have to wrestle with. Some state agencies have already laid off state employees to try to make your decisions easier. These preemptive layoffs were unnecessary and have a negative effect on all of us. For example, the Department of Revenue laid off its entire individual income tax collections unit this fall. With more than \$100 million in back taxes owed to the state of Nebraska, this was a penny-wise and pound-foolish decision. Not only did the department raise the white flag on collecting revenue it is own, it closed the Scottsbluff Taxpayer Assistance Office, leaving the next closest office in North Platte. The layoffs of these dedicated state

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employees and the closure of the Scottsbluff office have a direct negative impact on all Nebraskans. The Department of Economic Development has reduced its force significantly by attrition, and its leaders will ask you to approve a budget that closes more frontline vacant economic development consultant jobs. DED has an important mission: to grow our economy. We should be laser-focused on growing and selling the good life. We cannot cut our way to prosperity, but we can certainly strategically make investments in the state workforce to help us grow. These are just a couple of examples why your oversight and your leadership as a coequal branch of government is vitally important now and crucial to our future success as a state. There is no group of people more passionate about serving our fellow Nebraskans than our members who provide frontline services to their neighbors in all 93 counties. It's our hope that you make the best of the difficult choices that you have to make this session. We encourage you to take a balanced approach, looking at all options, including increasing revenues, and not just cutting expenses. Cash fund sweeps are not a long-term successful plan to balance our state budget. We support your efforts to find operational efficiencies, but those efficiencies are almost never found by cutting the frontline employee providing a direct service to the public. And just an invite throughout this session: if I can be helpful to help you gather information or provide feedback on what state employees do each day, most of you know me and know how to get ahold of me. Please don't hesitate to do so this session. Thank you.

CLEMENTS: Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. Explain a little bit again, I, I call it-- tell us about the number of people you represent and what exactly whi-- which group will, I call it-- workers.

JUSTIN HUBLY: Yes.

DORN: You know, is it, is it our, our custodian here or, or what? Yeah. [INAUDIBLE].

JUSTIN HUBLY: Yeah. It's a great question. It's a super diverse group of 8,000 state employees. They're in eight different bargaining units, custodians, frontline office assistants that start at \$15 an hour, professional engineers, health care professionals making well into the six figures. Very diverse group in different bargaining units, but we represent all of them.

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DORN: All of them. And about-- you said about 8,000 right now.

JUSTIN HUBLY: Yeah. It's over 8,000. Correct.

DORN: Thank you.

JUSTIN HUBLY: You bet.

CLEMENTS: Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thanks for being here. So in the budget, there's also legislation about [INAUDIBLE] shifting of the Y-- youth rehabilitation treatment centers and then a facility-- correctional facility in the Omaha area. We had a briefing over the lunch hour about this. And I was informed at that time that there's going to be savings. And the savings is because they're going to have 77 FTEs cut. So is that something that you could speak to at all and how that's going to impact-- mostly my concern is that if we do this, we're moving a population-- a high acuity population when we shut down Whitehall to Hastings. And how are we going to be able to have those state employees that are appropriate?

JUSTIN HUBLY: Yeah. It's really disappointing to hear that you were briefed today that there'd be 75 FTEs cut--

M. CAVANAUGH: 77.

JUSTIN HUBLY: --77 FTEs cut, because I was briefed this morning at 9 a.m. by DHHS for the first time, even though we'd asked for information, and I was told they weren't sure what numbers it would be and they just didn't have enough information.

M. CAVANAUGH: I think I did get that number from Director Jeffreys.

JUSTIN HUBLY: Yeah. It's just dis-- well-- and Corrections has provided different and conflicting information to us from DHHS. And I guess I'll just say this. It hasn't always been this way, and we're gonna keep working really hard to work with every agency [INAUDIBLE]. We want to have a great relationship because we're all here to serve Nebraskans, at the end of the day. That's our purpose. But it's frustrating when information is not given. It's frustrating to know that that many state employees might lose their job. That just doesn't serve the youth that well. Obviously, I think our first-- for all of us, our first threshold should be what is best for the youth that we're serving and go from there. So obviously, I'll have to ask

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some more questions because the questions I asked this morning apparently have changed over the lunch hour.

M. CAVANAUGH: That spurs a, a follow-up question as far as timeline goes because they said July 1 would be the timeline of starting the transition. Is that similar to what you have been told?

JUSTIN HUBLY: I was told this morning there wasn't a timeline because the Legislature would have to take action when I asked for a specific time, which, which the Legislature does, but I have not been provided with a timeline.

M. CAVANAUGH: OK. Well, then, I guess the timeline-- they said obviously the Legislature-- if the Legislature takes action that the timeline would be starting the shift in-- on July 1 and concluding it-- it sounded fair-- fairly quickly-- by mid-August. So I guess we can all take--

JUSTIN HUBLY: I would just share this with the, the Appropriations Committee. Many of you have been in the Legislature for a while and have seen HHS testimony at that committee regarding the YRTCs over the years. And respectfully, we just don't have a whole lot of faith in the plan because in the past when there have been plans that haven't been shared or were half-baked, bad outcomes happen for kids. And we just want to avoid that. And so we'll work with whoever, each and every one of you to make sure that doesn't happen.

M. CAVANAUGH: Thank you. Appreciate it.

CLEMENTS: Other questions? Seeing none. Thank you for your testimony. Next testifier. Good afternoon.

TRACI BRUCKNER: Good afternoon, Chairman Clements and members of the committee. My name is Traci Bruckner, T-r-a-c-i B-r-u-c-k-n-e-r. And I'm with Audubon Great Plains. On behalf of the National Audubon Society and our 12,000 members in Nebraska, I'm here to testify in strong opposition to LB1071 and LB1072. Trying not to sound repetitive of-- repetitive of others, but of all the funds being raided in these two bills, really the most egregious one we see is the treatment of the Nebraska Environmental Trust. The trust was created by a will of the people. Nebraska voters chose to support community-based conservation projects when they voted to adopt the lottery. They did not choose to subsidize a single project in a single county, which-- if I could correct the Governor's Office-- is not in line with the

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trust. Recreational purposes is not in line with the Nebraska Environmental Trust. It was neither created to support ongoing government operations or close short-term budget gaps. Diverting trust dollars away from grants undermines voter intent and erodes public confidence in how conservation funds are managed. And for example, you heard about one project that now is on pause, but there are a total of 53 projects that have been put on hold that were just approved. And that's for a total over \$18.4 million. So the other budget cuts in LB72 [SIC: LB1072] also affect a wide range of conservation and recreation programs that do support wildlife conservation, trails, parks, infrastructure, and water resources. From Audubon's perspective, these cuts have real consequences. They threaten projects that improve habitat for birds and other wildlife, reduce flood risk, protect water quality, and strengthen rural economies. They also jeopardize the public-private partnerships that make conservation funding so effective in Nebraska. We recognize the difficult decisions that you are facing. However, as, as you lay this all out, we think it's important for you to consider how using dedicated conservation funds as a backdrop or a backstop for general funds is really not a sustainable solution. We'll be here next year doing this as well. For these reasons, that's why Audubon Great Plains respectfully urges the committee to reject the conservation funding raids in LB1071 and LB1072 and to uphold the original purposes and integrity of those funds. Thank you for the opportunity to testify. And I'm happy to answer any questions.

CLEMENTS: Are there questions? Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thanks for being here. Is there any specific or current public-private partnership that you're concerned about?

TRACI BRUCKNER: Well, yeah-- I don't want to-- I'm not speaking on behalf of anyone here, but I was at a meeting last week where I heard the Lewis and Clark Natural Resource District, their funded project is on pause. And it will affect other funding. It will affect the project in total. Audubon Great Plains has a, has a project that's on hold as well that is about doing prairie restoration along the Platte River. So that project likely-- and that-- you know, we gotta think about the match dollars that that affects too. Those match dollars then just won't come into the state to support that locally led conservation.

M. CAVANAUGH: And the Prair-- sorry. The prairie restoration, that's on pause now because--

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TRACI BRUCKNER: Because of what's happening--

M. CAVANAUGH: Last--

TRACI BRUCKNER: The executive director of the Nebraska Environmental Trust sent emails out to all the p-- approved grants that were just approved earlier this year--

M. CAVANAUGH: I see. OK.

TRACI BRUCKNER: --saying that they are all on pause, given--

M. CAVANAUGH: OK.

TRACI BRUCKNER: --the nature of what's happening in the Legislature.

M. CAVANAUGH: Until the budget is decided.

TRACI BRUCKNER: Yep.

M. CAVANAUGH: OK. Thank you.

TRACI BRUCKNER: Yep.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

TRACI BRUCKNER: Yeah. Thank you.

CLEMENTS: Over here, next testifier.

SPIKE EICKHOLT: Good afternoon, Chair Clements and members of the committee. My name is Spike Eickholt, S-p-i-k-e E-i-c-k-h-o-l-t. I'm a lobbyist for Education Rights Council, and I don't think I've ever testified in that capacity before this committee. But we are concerned regarding LB1071, specifically Section 9 and 10, the language in the bill that prohibits sort of any appropriation money going to any sort of DEI project. Education Rights Council is an organization-- it's a nonprofit that works to help children and families attain educational equity. We do not seek and we do not receive General Fund money, but we do receive a grant through the legal services-- Legal Aid and Service Fund, which is a, a court fee that goes into a fund, and the Legislature authorizes the appropriation of that fund to certain organizations that provide direct legal representation to educational-- or, to, to people who are income-eligible. So Education Rights Council provides direct

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representation to children and families, primarily children with special needs, to make sure they get their educational needs met. I'm talking about IEPs, Section 504 plans. In addition to providing direct representation, Education Rights Council does provide training to attorneys, teachers, school staff with respect to federal civil rights law, education law, and certain rights and systems that are available for children in need of services in schools. That is-- and we talk about disparate impact. We talk about concepts of social justice, the things that Section 9 and 10 of LB1071 bar appropriated money going to. I wanted to raise that so this committee would contemplate simply striking that. I understand it was-- I suspect it was inserted in the bill for political purposes, but it is going to have real consequence both for direct appropriations and the indirect appropriation that Education Rights Council does receive, particularly in the rural parts of the state. We provide se-- services statewide, in Scotts Bluff, in Hall County, throughout the state, particularly in areas where there are not a lot of lawyers and parents don't have access to legal help de-- dealing with the schools for their children with special needs. So I would encourage the committee to strike those two sections. I'll answer any questions if you have any.

CLEMENTS: Questions from the committee? Seeing none. Thank you, Mr. Eickholt. Next testifier, please.

ALEX McKIERNAN: Thank you, Chair Clements--

CLEMENTS: Good afternoon.

ALEX McKIERNAN: --and Appropriations Committee. My name is Alex McKiernan, A-l-e-x M-c-K-i-e-r-n-a-n. My family owns Robinette Farms in Martell, Nebraska. We farm and graze livestock in Lancaster and Pawnee Counties. LB1071 and LB1072 will hurt farms, ranches, and rural communities by gutting important natural resource and conservation funding. I very much appreciate our Unicameral system, but unfortunately rural, agricultural working areas are underrepresented compared to the massive impact our working lands have on the economy and the environment. So I'm here today doing my best to represent the second house responsibilities I have. My business experience has taught me that you can't starve a profit into a business, and I think the same is true for the state. Yes, we need to be frugal and thoughtful about the spending we make, but you can't cut your way to a sustainable profit. These bills cut from nearly every natural resource fund, many of which are focused on rural

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working lands through partnerships and state agen-- with state agencies and, and conservation groups. The best example of these-- the danger these cuts pose has been brought up quite a bit already, the investment in our working lands made by the Nebraska Environmental Trust. NET's constitutionally allocated dollars have made huge, matched investments in the environmental health of rural working lands. In the 13 most rural legislative districts-- not urban areas but truly rural counties-- NET has funded well over 700 projects. These projects total over \$135 million in NET investment, and the kicker is that those NET dollars were matched with over \$238 million in outside funding from federal, private, and other partners. This is nearly \$420 million of total investment that has flowed into rural counties and working lands all across the state, and two-thirds of it is matching dollars that disappear when you sweep the NET funds. To, to add to the clarifier's comments-- or, the, the introducer's comments, NET has \$70 million in its accounts now. Approximately \$30 million of that is based on grants that have already been awarded and contracted. Another almost \$20 million is grants that have been awarded and approved but not yet contracted. They're on pause. And it's good to hear from his perspective that the, the, the grant pause on NETs is unnecessary based on the funds they have, and, and perhaps political in nature. And of course, all the funding doesn't stop at rural areas. Every NRD, every county, every legislative district has benefited from NET investments and the matching dollars they attract. But these two bills would decimate those constitutionally appropriated funds and shut down the matched-dollar pipeline that brings more cash into the state every year. These bills may save dollars today, but, again, you can't starve a profit into a business. I feel like these are short-sighted cuts that short-change our natural resources, with rural and working lands bearing the brunt. My wife and I pay-- will pay over \$28,000 in property taxes this year. Do I want that to go down? Yes. I would love to see that drop. But not by ignoring the constitutional process or destroying investments made in natural resources that farmers, ranchers, and, and rural Nebraskans depend on. So please reconsider how these are-- these-- we can re-- responsibly balance the budget and, and vote no on these, these cuts. Thank you for your time.

CLEMENTS: Are there quest-- Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. You, you mentioned that over the last so many years, \$135 million in NET project investments and a match of almost two to one, or \$283 million. Where does most of that \$283 million come from?

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ALEX McKIERNAN: A lot of it is federal. They are also private organizations. I'm not the expert on exactly the, the detailed sp-- funding, but most of that comes in, I think, federally. And, and those--

DORN: He's asking him too.

ALEX McKIERNAN: He probably-- fiscal analyst is a better title than farmer-rancher. Yeah. But-- and I just wanted to point out that that's just the spending in those 13 sort of most rural legislative districts. There's obviously a lot more spending.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

ALEX McKIERNAN: Appreciate it. Thank you.

CLEMENTS: Good afternoon.

CRAIG BECK: Good afternoon, Chairman Clements and members of the Appropriations Committee. I'm Craig Beck. That's C-r-a-i-g B-e-c-k. And I'm the research director at OpenSky Policy Institute. We are here today to testify in opposition to LB1071 and LB1072 because of the continued growth and transfers out and sweep of cash funds to balance the budget. First, the projected budget shortfall the Legislature faces is not a result of General Fund spending growth but rather extraordinary growth in transfers out. With projected bienni-- biennial revenues of \$13.75 billion and General Fund appropriations of just over \$11 billion, Nebraska has more than enough revenue to cover General Fund spending. It's the growth in transfers out which predominantly fund the state's property tax spending that is driving the shortfall. In fiscal 2019, transfers out totaled \$230 million, or 4.7% of the state net tax receipts. Fast forward to fiscal '26, transfers out total more than \$1.7 billion, or 24.7% of projected tax receipts. That's an increase of nearly 650% over seven years. General Fund appropriations, on the other hand, did not grow near as fast, with the cumulative growth from fiscal '19 to '26 totaling about 23%. In fact, when adjusted for inflation, fiscal 2019 General Fund appropriations were more than \$100 million greater than fiscal '26 appropriations, which effectively means that General Fund appropriations for the current fiscal year have about \$100 million less purchasing power than they did in fiscal 2019. And the budget as introduced would slash fiscal '26 General Fund spending even more-- by \$94 million, to be exact. And fiscal '27 would take an even bigger

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hit. OpenSky does not support General Fund spending cuts in order to free up revenue to pay for transfers out. We also oppose the budget as introduced because it continues to rely on cash funds to balance, which, prior to 2024, had been utilized for General Fund purposes in the event of a fiscal emergency, apart from several funds that are utilized for usual and customary transfers. The state is not in a fiscal emergency now, nor has it been in recent years. Finally, we are happy to see the introduced budget push the Cash Reserve transfer to the out years. However, unless the accompanying legislation the proposal relies on to balance is enacted-- which I will note some of that appear-- does appear to face an uphill battle, especially given that sales tax base broadening has been introduced three times in the last two years and not been successful-- the budget is likely to remain out of balance. This would make Cash Reserve utilization a more expedient option to balance the budget. And with changes to the automatic transfers during the 2024 Special Session and subsequent legislation passed last year, it will be increasingly difficult to replenish the reserve and maintain best practices of 16% of revenues or expenditures in the fund. That's why OpenSky urges the committee to avoid drawing down reserve funds now and save them for future economic crises. It's for these reasons that we oppose the budget. Thank you. And I'm happy to answer any questions.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you, Chair Clements. Thank you so much for being here. I asked this question earlier when we were presented with the, the Governor's budget for LB1071 and LB1072 around, like, do you think this is the right approach? How are we addressing property tax? And they feel like that they are aligned-- like we're going down the right path, but it sounds like, from your point of view, we're not. So then what, what are we supposed to do? Like, if there was a poli-- policy decision to be made about how we are addressing property tax versus transferring from cash funds, what would you all suggest for us to consider within that?

CRAIG BECK: Sure. That's a really great question, Senator. Thank you. I, I think in-- for this committee-- you know, we're, we're certainly in front of Revenue Committee talking about policy options for property taxes a lot. For purposes of this committee, I, I think the, the intent of our testimony is to say, you know, we're looking at General Fund growth. We picked fiscal 2019. It was the last year that was not impacted by the pandemic. And we're-- you know, cumulative growth in General Fund expenditures since that time is about 22.6%.

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That's just adding up growth year over year. When we look at growth in General Fund transfers out, again, we're seeing that nearly 650%. From our perspective, we have to look at those two. And, and, to us, it makes sense to look at the, the, the number that has grown substantially by 650% rather than the number that has grown only by 23%.

SPIVEY: And so that number-- just to make sure I'm tracking with you, the transfers out from General Fund that has grown to 646% is property tax is what you're saying.

CRAIG BECK: The bulk of that-- the bulk of the transfers out do go to the, the property tax programs that have been created in recent years, yes.

SPIVEY: And I know that you stated that you talk about this in front of Revenue, but I would love to hear, like, what is that conversation? So-- because again, we are still grappling in this committee with what is appropriated. And so when you are in front of Revenue or if you think about us addressing this 646%, is that a policy change for property tax relief? Is that a different type of model for property tax relief? Like, what is that conversation or recommendation from your expert point of view?

CRAIG BECK: Sure. You know, I-- it's certainly-- OpenSky has been in front of this committee and others for a very long time addressing the property tax issue. It's certainly one that is not going to go away overnight, as we've seen. I, I think, from our perspective, we want sustainable revenue sources to be able to pay for that property tax relief. You know, I, I, I think looking at that 650% growth in transfers out is, is pretty eye-opening. I-- you know, our, our recommendation would be to find sustainable revenue sources that, that are able to support the state's goals, along with supporting our General Fund spending.

SPIVEY: Thank you.

CLEMENTS: All right. Thank you. Any other questions? I see a gentleman-- first chair in the second row. Anyway, thank you for your testimony. I'm going to call him up if you're ready. Then-- would you people move to the center? Anybody else testifying can come to the end seats in the front row.

MIKE SCIANDRA: Thank you, Senator.

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CLEMENTS: Just a minute as we get settled here. All right. Welcome.

MIKE SCIANDRA: Hello. My name is Mike Sciandra, M-i-k-e S-c-i-a-n-d-r-a. I'm the executive director of the Nebraska Council on Problem Gambling. And I'm here in opposition to the proposed elimination of the Nebraska Commission on Problem Gambling and movement of the Gamblers Assistance Program into DHHS as well as proposed cuts to casino gaming tax allocated to problem gambling treatment. At a time when gambling has significantly increased within Nebraska, surrounding states, and in the entire country, it is highly illogical and irresponsible to tear apart a program that has given thousands of Nebraskans a new outlook on life. I have a unique perspective on this topic. Beyond my work with the nonprofit I represent, I am a problem gambler in recovery. And I'm proud to say that the Nebraska Commission on Problem Gambling saved my life. Without the treatment I received through the Gamblers Assistance Program, I believe I would either be in prison or dead. And my story is similar to the hundreds of problem gambling clients that I know. Many of you are aware of the normalization of gambling behavior in this state. Many of you have watched the development of five casinos, heard debate over mobile sports betting, and found out about the large number of Nebraskans driving to surrounding states to make sports bets. Many of you've heard debate about cash devices, which make gambling available in nearly every Nebraska community. Many of you are aware of this sudden growth and lack of regulation around prediction markets, which allow Nebraskans to make risky financial decisions from their phone. And I'm sure all of you have heard the many ads promoting gambling platforms. These moves have normalized gambling so that every single Nebraskian is aware of opportunities to wager. This has led to predictable increases in disordered gambling. The Nebraska Commission on Problem Gambling has navigated these increases in a fiscally responsible and effective manner. This is accomplished through a full-time commitment to building a team of disordered gambling counselors trained on the specific needs of a problem gambler. The National Council on Problem Gambling estimates that problem gambling causes \$14 billion in annual social costs in the United States, including increased health care spending, criminal justice involvement, job loss, and bankruptcy. Nebraska is not immune to those social, social costs. NCPG also estimates that one in five individuals with a severe gambling addiction will attempt suicide-- a rate higher than any other addiction. Research indicates that problem gamblers are 15 times more likely to die by suicide. These stats convey one overarching concept: problem gambling is not just a bad

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habit. It is a public health crisis that affects all Nebraskans. Individuals and families struggling with gambling behavior need specialized and extensive treatment. My mission is to reduce gambling-related harm amongst all Nebraskans, and I am blessed to lead an organization committed to that same cause. Today, I speak for those who have found a new lease on life made possible by the Nebraska Commission on Problem Gambling. It is our duty to ensure that hope can be given to the next generation of problem gamblers in our state, and we can ensure this by opposing a-- the destruction of the Nebraska Commission on Problem Gambling. Thank you for your time. I yield to the floor.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

MIKE SCIANDRA: Thank you.

CLEMENTS: I'm going to go back over to this side. Sir. Good afternoon.

MATTHEW MARTIN: Good afternoon, Chairman. Chairman Clements, members of the Appropriations Committee, my name is Matthew Martin. I'm the director of programs with the Nonprofit Association of the Midlands. As the largest nonprofit association in the state of Nebraska with over 300 organ-- 800 organizations, has members serving tens of thousands of Nebraskans every month across the state, I come before you today to urge you to oppose LB1071 as introduced-- in particular, Sections 9 and 10, which would prohibit state funding for any programs identified as for the purpose of diversity, equity, and inclusion. Would cause significant harm to many local nonprofits and the communities they serve. The Nonprofit Association of the Midlands supports and advocates to strengthen diversity, equity, and inclusion in social and fiscal policy by supporting inclusive public policies that include the voices of those who have been historically underrepresented or marginalized and promoting equitable economic and workplace practices for nonprofits. As nonprofits exist to fill gaps unable to be adequately addressed by either the market or government, it is no surprise that nonprofits frequently focus their activities on those who have been historically underrepresented or marginalized-- the poor, the LGBT community, the sick, the elderly, legal immigrants and refugees, those with disabilities, BIPOC and children, among others. As written, it is difficult to imagine how many programs and services could continue to operate under the broad, vague prohibitions of this bill language, and its imposition would

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likely leave thousands of Nebraskans without support and open up the potential for lawsuits and other legal action against many no-- Nebraska nonprofits. Consider these activities that could be at risk. A nonprofit provides job training for legal immigrants and refugees. A nonprofit provides mental health counseling for LGBT youth in crisis. A nonprofit provides affordable housing options in neighborhoods with a high population of BIPOC individuals and families. A nonprofit hosts a class on the U.S. Civil War or the Civil Rights Act of 1964. Nebraska's charities rely on a diversity of funding streams to carry out their important work. Prohibiting state funding to nonprofits working with our most vulnerable and unrepresented populations would have serious negative consequences for our communities and our state. Senators, Nebraska gained statehood in 1867 only after agreeing to accept Congress's demand that it remove a whites-only voting restriction from its state constitution. Unique among the 50 states, the state motto "equality before the law" reflects Nebraska's willingness to extend suffrage to black Americans in the 19th century. Within this bill language on DEI, would state-funded programs even be able to discuss our own proud heritage? We have come far in the last 159 years, and yet there are still populations in our state that are marginalized and upro-- underrepresented. Nebraska's nonprofits will continue to be uplift and be in community with all Nebraskans for the benefit of our community and our state. Rather than prohibiting state funding, the state should be supporting and enlarging this critical work. And so on behalf of our state's nonprofit community, I urge you to oppose LB1071 as introduced. Thank you for your time and consideration. Happy to answer any questions.

CLEMENTS: Thank you. Are there questions? Seeing none. Thank you for your testimony.

MATTHEW MARTIN: Thank you.

CLEMENTS: Next testifier, please. Good afternoon.

MEGAN KUMPULA: Good afternoon. Chairman Clements and members of the Appropriations Committee. For the record, I am Megan Kumpula. It's spelled M-e-g-a-n K-u-m-p-u-l-a. I'm here to testify in opposition of LB1072, specifically Sections 37 and 140 through 147. I am asking that you keep the Gamblers Assistance Program separated from DHHS and do not cut funding. If anything, GAP should see an increase in funding. When Nebraska legalized the lottery in the '90s, part of the agreement was that a percentage of revenue would be set aside

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specifically for a gamblers assistance program. Gambling is making hundreds of millions of dollars in the state of Nebraska alone. Our leaders who are pushing to cut funds and/or move funds to DHHS do not have their constituents' best interests at heart. Unfortunately, our state welcomes gambling with open arms because it's about the almighty dollar. Our state government needs to provide for those that gambling preys upon and their families who are negatively affected as well. Gambling can be an evil addiction, and it is destroying lives. Is money more important than the lives that this evil affects? Please give these people the assistance they so desperately need. Do not move the GAP funding to DHHS and do not decrease its funding. Someone very close to me has been battling a gambling addiction for over five years. At first, I thought I could help them, but the disease and addiction had gotten worse. They were to a point where they had lost their job, all of their savings, many of their friends, and the will to live. They were a shell of who they used to be. Less than a month ago, I found this person barely alive. They had tried to take their own life because they saw no other way out from this addiction. I immediately researched and by the grace of God found a GAP provider in Lincoln. She and her team have been instrumental in trying to help this person get the assistance, therapy, and counseling they need to right their wrongs, fight this awful addiction, and recovery. When it comes time to vote on LB1072, I ask you all to imagine this. You have a loved one with a gambling addiction whom you are trying to help. You go to check on them and walk in to find them nearly dead because they saw no other way out except to take their own life. These are the people that the GAP funds help. These are the people who can benefit from these funds. Please work to keep the services and agencies intact that help problem gamblers and their families receive the help and treatment they need. Thank you for your time.

CLEMENTS: Thank you. Are there questions? Seeing none. Thank you for your testimony.

MEGAN KUMPULA: Thank you.

CLEMENTS: Next testifier. Good afternoon.

DAVID SALAK: Good afternoon, Chairman Clements and distinguished members of the committee. My name is Dave Salak, D-a-v-i-d S-a-l-a-k. I am a retired naval officer who's served more than 30 continuous years of active duty service. I am here today to testify in opposition to LB1072. The intent of the Nebraska Veterans Aid Fund was extremely specific from its origin: to assist veterans in need.

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There has been talk that a precedent has already been set in that moneys were taken from this fund to assist other projects in recent years. This is a half truth. Yes, millions were taken in recent years to help with the veterans cemem-- cemetery. And I do not have issues with that because, after all, these moneys were still being used in some fashion for veterans. But what is going on in this bill is certainly unprecedented. The \$2.5 million being taken in 2026 and again in 2027 are not going to veteran-related projects but instead to the whims of the Department of Administrative Services. This is the issue that the veterans in my circles are most concerned with. I am blessed that I have not had the-- to apply for the monetary assistance through the Nebraska Veterans Aid Fund, but I am also told that the process is more deffi-- more difficult than need be. The application is long and unwieldy, and there is no online application that a veteran can download, as the department-- as the Nebraska Department of Veteran Affairs deems it necessary that the veteran must go to a state service officer, county veteran service officer, or a post service officer to complete the application. Why the unnecessary obstacle? If the veteran needs the assistance of a service officer to fill it out, it's great that there are people out there to provide that service. But for the majority of us, being able to complete it online and send it in for consideration should not require a middleman. Lastly, this is not a slush fund, as some in this administration claim. The fund has always had a specific and defined purpose. If the administration feels the fund is getting too large, then why not ask existing veteran-related committees or organizations to produce additional avenues that these funds can be distributed to veterans? Nebraska has a large number of homeless veterans. Surely this money can be better spent housing veterans currently living in parks, underpasses, or bus stops than tossed into a General Fund to be used for God knows what. Again, I would ask that you not support this bill as currently written unless more clarity is used to define exactly how moneys from the Nebraska Veterans Aid Fund are going to be spent to better the quality of life for Nebraska veterans. Thank you for your time and consideration.

CLEMENTS: Are there questions? Thank you-- Senator.

M. CAVANAUGH: Thank you. Thank you for being here. Thank you for your service to our country.

DAVID SALAK: You're welcome.

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M. CAVANAUGH: What would you say in response to the statements made by the Governor's representative earlier today about these funds being-- sitting idle and people wanting them to be put to use?

DAVID SALAK: Well, again, Se-- thank you for the question, Senator. But again, you know, if these funds are idle, then why aren't we looking at ways of, of dishing out more funds to, to the veterans that need it? You know, as I said, I just pointed out homeless veterans, but I, I wrote down a couple other notes about-- you know, there's, there's other things that we could do. You know, we could do more-- purchase more vans to get veterans to and from their appointments, you know, for those that don't have that, that capability. You know, tuition assistance. I, I don't know. I mean, it-- there's got to be other things that we can do to use this money more wisely than, again, just throwing into a general account to be used for whatever.

M. CAVANAUGH: OK. Thank you. I appreciate it.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

DAVID SALAK: Yes, sir. Thank you.

CLEMENTS: Next testifier. Good afternoon.

ELE NUGENT: Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Ele Nugent, spelled E-l-e N-u-g-e-n-t. I'm a wildlife biologist based in Grand Island for Ducks Unlimited. And I am here today to express my opposition-- or, all-- our opposition to LB1072. Ducks Unlimited is the world's largest private waterfowl and wetlands conservation organization. Our ability to deliver high-impact conservation work in Nebraska relies on strong public and private partnerships, including with the Envi-- with the Nebraska Environmental Trust. Through these partnerships, Ducks Unlimited has helped restore and protect thousands of acres of wetlands and grasslands in Nebraska's Rainwater Basin, Platte River Corridor, and the Sandhills, which are some of the most im-- critical habitats in the Central Flyway. Recent projects have leveraged Environmental Trust dollars alongside federal and private funding to restore degraded wetlands, improve water quality, enhance flood-- sorry-- enhance flood resilience, and expand public access for hunting, bird watching, and other outdoor recreation. These are cost-effective, locally di-- driven projects that would not move

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forward without the trust funds and, importantly, match provided-- or, federal and other grant source funds that we use those trust funds to receive. LB1072 presents a significant threat to conservation efforts and to the collective partnerships that make those efforts possible. The bill proposes transferring \$40.7 million from the trust to fund the Lewis and Clark marina project and other state agency programs. The Nebraska Environmental Trust was created specifically to conserve, enhance, and resto-- restore Nebraska's natural resources. It fulfills this mission by awarding grants to individuals, private organizations, and public entities whose projects align with the trust's priorities. Transfers proposed under LB1072 undermine the trust's core principles and the vital work it enables. Each year, grants funded from the trust serve as essential matching dollars to expand public-private partnerships and generate cost-effective conservation outcomes. This long-standing model has protected and enhanced one of Nebraska's greatest assets-- its natural resources-- and redirecting these funds would effectively eliminate the board's ability to fund projects, dismantle key conservation partnerships, and compromise the trust's mission in favor of a single project in state agency operations. We respectfully urge the committee to reject the proposal to transfer environmental trust funds and allow the trust to continue to support projects that can serve Nebraska's most nal-- valuable natural resources. Thank you for your service to mera-- Nebraska and for allowing me to speak today.

CLEMENTS: Thank you.

ELE NUGENT: I'm happy to answer any questions.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

ELE NUGENT: Thank you.

CLEMENTS: Next testifier, please. Good afternoon.

BUEY RAY TUT: Good afternoon, committee members. I just got to point out: as a proud immigrant to this country, this is kind of my third language. So as I read through this, you got to hang in there with me, so.

CLEMENTS: Would you start with your name and spell it, please?

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BUEY RAY TUT: Absolutely. Chairperson Clements and member of the Appropriations Committee, good afternoon. My name is Buey Ray Tut. That's B-u-e-y R-a-y T-u-t. And I serve as the CEO of Spark, a nonprofit organization based in Omaha, Nebraska, focused on "revalatizing" disinvested neighborhoods. While our roots are in Omaha, Spark's impact is growing statewide. This year, we'll be hosting three developer academies across Nebraska in Fremont, Norfolk, and in Omaha to help train and equip local developers across the state. Spark is neutral on LB1072. We appreciate the bill's broader intent to support Nebraska's affordable housing ecosystem and to ensure the efficient use of state housing resources. However, we, we have concerns regarding the provisions that would transfer un-- unobligated balances from the Rural Workforce Housing Investment Fund and the Middle Workforce Income Housing Fund into the Affordable Housing Trust Fund. While Spark supports the mission of Affordable Housing Trust Fund, these proposed transfers would undermine the pro-- purpose and design of the workforce housing programs, which the Legislature's simultaneously seeking to expa-- extend and strengthen through LB8-- LB819 and LB1067. These bills recognize that Nebraska's workforce housing funds are not one-time opp-- appropriations. They are revolving funds intentionally structured to recycle repayments, loan proc-- proceeds, proceeds, and interest backs into housing projects year after year. That revolving nature is critical. It means that every dollar invested continues to generate impact long after-- generate impact long after its initial allocation, funding new developments, rehabilitations, and infrastructure extensions without requiring additional state appropriations. We-- redirecting unobligated balances now would break the cycle of reinvestment and weaken the sustainability of model-- of a model that is already producing measurable results. In addition to these, workforce housing funds require local matching funds. Every dollar of state investment unlocks money in local investments in housing. The Affordable Housing Trust Fund is consistent, does not have matching requirements, meaning this transfer waters down the potency of these funds. Since 2020, Spark has used the Middle Workforce Housing Fund to help finance 35 units that are built under construction or approved, representing \$6.9 million in loans approved and \$11 million in total project costs. And I'll end it with that.

CLEMENTS: All right. Are there any questions? Was that-- that was in opposition?

BUEY RAY TUT: Yes.

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CLEMENTS: Is that-- I'm just clarifying that.

BUEY RAY TUT: Yes. I'm sorry. Yeah, in opposition to LB1072.

CLEMENTS: Very good. Other questions? Seeing none. Thank you for your testimony. Next.

AL DAVIS: Good afternoon, Senator Clements, members of the Appropriations Committee. My name is Al Davis, A-l D-a-v-i-s. And I am the contract lobbyist for the 3,300 members of the Nebraska Chapter of the Sierra Club. And I'm here today to make a strenuous objection to the passage of LB1072 in its current form. The bill will have a profound impact on the state and its ability to support and strengthen many of the programs and projects which the Legislature has developed over the years to make Nebraska a place where people want to live and raise their families. Worse yet, the bill is only a temporary fix to a nagging revenue problem. Eventually, there won't be any cash funds to raid. What will you do then? Of particular concern to the Sierra Club are the significant cuts to projects developed and administered by the Nebraska Game and Parks Commission, an agency which is funded largely by fees it charges for its endeavors or by other arrangements which do not affect funds raised through income and sales tax. This seems like an egregious overreach on the part of the administration, especially when agencies like Game and Parks are also dealing with rising costs and the question of affordability which is plaguing the nation through high inflation and stagnant wage growth. We will return on Wednesday with specific observations about the agency cuts. The real problem facing the Legislature is the continual drumbeat for sales tax exemptions, income tax exempts, and the additions of more and more tax gimmicks for economic development, which drains the pool of resources available to the state to meet the bugaboo of high property taxes, which is a very real problem. The old jalopy called the three-legged stool, if it were a car, is out of gas. Temporary solutions like this cash fund raid aren't going to fix the crisis but will just damage the machine further-- akin to pouring the remaining fuel in your gas can into a car with flat tires. When the gasoline is gone, you're still in the same place. This bill just guts the multiple really good things which these cash funds were established for, but it isn't solving problems. You face a dilemma ahead. You know this budget has fatal flaws, but the Legislature will look to you for leadership on the issue. Get out your scalpel and put away the hammer. Thank you.

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CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

AL DAVIS: Thank you, Senator.

CLEMENTS: Next testifier. Good afternoon.

RYAN McINTOSH: Good afternoon, Senator Clements, members of the committee. My name is Ryan McIntosh, R-y-a-n M-c-I-n-t-o-s-h. And I appear before you today to testify on two small portions of each bill. I appear before you on LB1071 in opposition on behalf of the Nebraska Bankers Association and on LB1072 in opposition on behalf of both the Nebraska Bankers Association and the Nebraska Pharmacists Association. I just finished my testimony as a proponent on LB867 in Business and Labor Committee, which seeks to extend the sunset of both the rural workforce housing and middle income workforce housing programs and increase the maximum cost for housing under the rural workforce housing program. I'll, I'll skip the background. Buey from Spark CFID-- CDFI ga-- gave a nice background into both of those programs, but I will briefly mention that the initial \$7 million fund in the Rural Workforce Housing Program has, has turned into a \$113 million investment across the state. So \$7 million into \$114 million, a 16-to-1 return. Updated information from the Department of Economic Development indicates that that initial funding-- not the subsequent funding, but the initial funding-- has resulted in over a thousand units being built in the state of Nebraska. Housing prices continue to skyrocket, and the only way that those are going to be coming down is with the building of new homes across the state. The Middle Income Workforce Housing Program has been met with similar success and had a similar impact in providing housing in, in urban areas. Together, these two programs seek to solve perhaps our biggest issue to workforce housing. With regard to LB1072, the Nebraska Pharmacists Association administers the Nebraska's medication disposal program, has done so since 2016. I contacted several of you on this committee when that ho-- that funding was purported to be cut earlier this year. And thankfully that funding was restored. A portion of that program is funded from the Nebraska Environmental Trust. So the Pharmacists Association is concerned about the sweep of the environmental trust funds. For nearly a decade, this program has provided Nebraskans with a safe and accessible disposal for unused or expired medication. This goes towards environmental protection, public safety, and comes with statewide accessibility, being able to bring in those drugs to your local pharmacy. Nebraska's Constitution specifies how these funds are to be used, and I do not believe that

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this sweep is appropriate in, in Nebraska's Constitution. With those small changes, our opposition would be removed on these bills. Thank you for your consideration. Be happy to answer any questions.

CLEMENTS: Are there questions? I wasn't sure about the housing transfers. You're opposing the transfer of rural and middle to the affordable?

RYAN McINTOSH: Yes, Senator. Sorry if I did not specify. Yes, that is the Nebraska Bankers Association's only comment on LB1071, is the transfer to the Affordable Housing Trust Fund. While we do appreciate the goals of the Affordable Housing Trust Fund, those programs should not be ended.

CLEMENTS: They want to keep them separate, where they are now.

RYAN McINTOSH: Yes, they are. Yeah. Each program has been used differently. And what's worked under the middle income workforce housing and what's worked under the affordable housing has worked very differently in the rural workforce. We have, obviously, as you know, vast difference in sizes.

CLEMENTS: Thank you. I just wanted to clarify that.

RYAN McINTOSH: Yes.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony. Next testifier. Good afternoon.

CHRISTON MacTAGGART: Good afternoon, members of the committee. My name is Christon MacTaggart, C-h-r-i-s-t-o-n M-a-c-T-a-g-g-a-r-t. I'm the executive director of the Nebraska Coalition to End Sexual and Domestic Violence. We are-- have concerns about several provisions of LB1071 and LB10-- LB1072. But for purposes today, I'm gonna specifically talk about our opposition to the recommended language around DEI in Section 9 of LB1071, including the language of preferential treatment and many of the words contained in subsection D. We actually believe the provisions contained here are in violation of federal law as it relates to our work. Our network of 24 programs-- including 4 tribal programs-- are all funded primarily through federal funds. Some of these funds are awarded directly from the federal government, and others are passed through state agencies. Our programs also receive state-appropriated funds, as they're providing statutorily mandated services. None of these programs could comply with both federal law and also the-- this provision in LB1071

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should it pass. The Federal Violence Against Women Act, the Victims of Crime Act, and Family Violence Prevention and Services Act have for over 30 years had very specific requirements to serve underserved communities and to, quote, provide or enhance population-specific outreach to those underserved populations, which are all defined in federal law. In addition, the variety of words included in Section D appear to have a variety of themes. Some of the words are legal standards. Some appear to have no clear meaning as, when I tried to look them up, I couldn't find any definition or reference to them. And some of them have a wide variety of meanings that change depending on the context but that in our work would mean specific requirements under federal law. The state of Nebraska passes through over \$11 million to our network of agencies as well as to law enforcement, prosecutors, the courts. child abuse serving organizations, and others who work with victims of crime. They would also be impacted. Importantly, this bill would also, in theory, prevent state employees who administer these funds to continue to do so because of the federal laws attached to the funding. It feels as though in a year with such a large budget shortfall and after a significant amount of domestic violence-related homicides in 2025, it's not a year to turn back millions of dollars in federal funding. This was-- there-- I would also just note there was an effort to make similar changes via administrative executive orders at the federal level in 2025. However, those attempts have resulted in court injunctions placed on all of them because of the same reasons. It was found to be a violation of the same federal law. There are some other state laws that conflict with this language that I won't outline. I have included a list of activities that we-- that would fall under current federal requirements that we believe we'd be prohibited from doing if this was to pass. We ask you to oppose LB1071. I would be happy to answer any questions that you might have.

CLEMENTS: Questions? Seeing none. Thank you for your testimony. Next testifier.

HANNAH YOUNG: Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Hannah Young, H-a-n-n-a-h Y-o-u-n-g. And I am the public policy manager and lobbyist at Nebraska Civic Engagement Table, which is informally called the Tab-- Nebraska Table. We are a statewide, nonpartisan nonprofit that ensures communities are connected and engaged with civic engagement issues year-round. In addition, we serve over 50 member organizations around the state that provide the communities with various services, from aiding in food insecurity to making child care more accessible

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to advocating for LGBTQIA-plus issues. We strive to build community power through collaboration, leadership, and advocacy. Nebraska Table is here today to oppose LB1071, specifically Sections 9 and 10, that would prohibit state funding from going to nonprofit organizations that provide programming that may fall under the vague definitions of LB1071. It would hurt critical nonprofit programs, the communities they serve, and the entire state of Nebraska. There are nonprofit organizations across the state with missions centered around ending racism, fighting gender-based violence, helping immigrants, and advocating for allies for those living with disabilities. It is less about the organization's ability to raise money and more about the community's need continuing to be met. Without these programs in place, the people of Nebraska would ultimately be the ones paying the price for LB1071. Federal executive orders rolling back DEI funds have caused loss of employees and decline of recruitment, causing Nebraskans to suffer directly as a result. If we want to keep young Nebraskans here and competitive, we should be making it a safe state to work and play, not rolling back years of work addressing clear needs and forcing them to move states that take commonsense approach to supporting its residents. We've already seen firsthand what the turbulence created by the federal government's sweeping changes did to nonprofits, ofterring tur-- often triggering lawsuits, forcing programs to close, and needs to be unmet, and, at the bare minimum, massive confusion on what organizations could and could no longer do for their communities. Why would we replicate that chaos in Nebraska? There's a reason, to our knowledge, why no other state in the country has incorporated DEI bans into their state budgets like this. They don't work. Not only do they direct-- cause direct harm to community members and they stunt economic prosperity. We should not be using state budgets to create policy change in Nebraska, and we shouldn't-- most certainly shouldn't be doing it to the detriment of people with disabilities, people of color, and women. For these reasons, the Nebraska Table is opposed to LB1070 [SIC: LB1071]. And we thank you for your time. And happy to as-- answer any questions.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony. Good afternoon.

CRYSTAL GARCIA: Good afternoon. Greetings, representatives. My name is Crystal Garcia, C-r-y-s-t-a-l G-a-r-c-i-a. I have a PhD, and I'm an associate professor in educational administration at UNL, though my views are my own. I'm here to strongly urge you to oppose LB1071. Representatives, Nebraskans are struggling right now. They need support with increased costs of living, affordable health care,

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accessible transportation, and so many other things. And yet we are here discussing a budget bill that includes allocating funds to school choice-- essentially moving public school dollars to private schools-- which Nebraskans already voted against-- and banning spending on DEI work. Is this really what Nebraskan's need right now? Absolutely not. And in light of the language around DEI, this bill is nothing more than the continuation of a bizarre obsession with identity politics, one that creates problems where problems do not exist. Let's break down each of the words diversity, equity, and inclusion to ensure we all know what has been targeted as a threat. Starting with diversity. Representatives, I want each of you to ask yourselves if you really want to be noted in Nebraska history as a legislator who banned supporting diversity. Our Nebraskan communities are diverse, full of people with different backgrounds and identities. That's a wonderful thing, and we're stronger for it. We don't need legislation to ban recognizing and celebrating that. Next, equity. Simply recognize that-- recognizing that we all experience this society differently and we should address those inequities to ensure fairness. As a higher education researcher, I am well-aware that educational disparities exist by race and other identity factors. It is our moral obligation to address these disparities to ensure every person can earn the education and opportunities in life they deserve. And finally, inclusion. Ensuring people are meaningfully included within a space or community. Is that really such a vile concept that we should prohibit funds that support inclusivity? Many believe diversity, equity, and inclusion efforts in schools only pertain to race. And yes, they play in a ro-- an important role in addressing racial inequities. However, what many fail to realize is that DEI work supports all students and people-- students of color, students from poor and working class families, rural students, students with disabilities, LGBTQ-plus identifying students, first-generation students, the list goes on. These efforts support the first-generation student from a farming family in rural Nebraska just as much as they help the student from a low-income family in Omaha. As Nebraskans, we should be celebrating diversity, ensuring people are included, and addressing ine-- inequities so that we can all thrive together. As an educator and someone who cares deeply about the state and my communities, that's the kind of future I want for us, and I hope that you do too. So I urge you to vote against LB1071. Available for questions as well.

CLEMENTS: Thank you. Are there questions? Seeing none. Thank you for your testimony. Next testifier.

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DUSTIN ALLEMANN: Good afternoon, Senator Clements and the rest of everybody else. We're getting-- we're, we're putting time in today. My name is Dustin Allemann, D-u-s-t-i-n A-l-l-e-m-a-n-n. I'm with the Nebraska Sportsmen's Foundation, which-- I don't even think I have to explain the organization. Most of you we know. You know, a lot of the partners that have come before me have done a great job in discussing what's going on with the NET. And so instead of covering a lot of those things again, which-- nobody wants to hear me talk over something that's already been discussed. I'll fol-- I'm just going to keep it quick and touch on a few things that we haven't heard about yet. 97% of the state is privately owned. And the NET is a very diverse supplier of funds to all different kinds of programs through the state. One of those programs is the Nebraska Community Access Partnership, which allows hunters and anglers to access private lands through a payment program through the Game and Parks. But we look at all these different projects, all of these different areas that are, that are affected, whether it be in Omaha, whether it be in Lincoln, whether it be out through the, the rest of the state. There are sportsmen that have been reaching out to us concerned about some of those, those changes that are going to happen and where the money is going to come to backfill some of those. That's one of the questions we haven't really talked about today, is, if, if we're going to drain the NET, are all of these other projects going to go away? Because we have all the nonprofits, a lot of different programs with the Game and Parks. The NRDs rely on the NET tremendously, as the gentleman had talked about before me. But, you know, we, we talk about what's not going to happen now, but we're not thinking about what's going to happen down the road. So with that being said-- like I said, I would keep it brief, but I'm definitely here to answer any questions that maybe I can shed light on with specific programs or different directions to go.

CLEMENTS: Thank you. Senator Spivey.

SPIVEY: Thank you, Chair Clements. Thank you so much for being here. And appreciate you just highlighting the additions, not repeating, even though it's Groundhog's Day. So one of the questions that I just kind of have for you is the explanation around this transfer out into some of the projects that it is going to, is that the Governor feels like it's aligned to the constitution. And so I just would love to hear your point of view, given that that was a question that I asked around, hey, does this fit? There-- I've been getting a ton of emails. So just-- if you could kind of help ground us in why do you think it's not appropriate.

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DUSTIN ALLEMANN: Yes, Senator. It's a great question. Thank you for asking it. So the way I look at it-- and I'm going to be very blunt-- and we're taking money from the NET. We're moving it to the, the Nebraska Game and Parks Commission. And then we're taking money from the Nebraska Game and Parks Commission, and we're dumping it into the General Fund. So we're not robbing the NET for things that don't qualify. We're just paying it-- we're taking money in our right hand, we're putting it in our left hand, and then we're paying somebody else with the left hand is my observation and feeling on it.

SPIVEY: Thank you for that.

DUSTIN ALLEMANN: Yup.

SPIVEY: Appreciate it.

CLEMENTS: Senator Prokop.

PROKOP: Thank you for being here. Good seeing you again.

DUSTIN ALLEMANN: Yeah, you as well.

PROKOP: Question, are you aware of any other states that have anything similar to the Nebraska Environmental Trust in terms of its scope and--

DUSTIN ALLEMANN: No.

PROKOP: --just impact?

DUSTIN ALLEMANN: Senator, that's a great question. And I will look into this more. And I will follow up with you. To my understanding, the, the size and breadth of the NET and how they are so diverse in their projects-- because you-- you've got green projects and you've got outdoor projects, right, that are funded through lottery money. This is not a tax, you know. This is, this is lottery money. Not that I know of, to answer your question. But if I do find one, Senator Prokop, I will let you know.

PROKOP: I, I-- thank-- I appreciate your answer. And I would, I would agree with you. I think it's, it's paid great dividends since we've originally made that decision to commit that money to the program. Thank you.

DUSTIN ALLEMANN: Thank you.

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CLEMENTS: Any questions? Seeing none. Thank you for your testimony.

DUSTIN ALLEMANN: Thank you, Senator Clements. Have a great day.

CLEMENTS: Next testifier, please. Good afternoon.

JAREL VINDUSKA: Hi. Senator Clements and members of the Appropriations Committee, my name's Jarel Vanduska, spelled J-a-r-e-l; V-i-n-d-u-s-k-a is the last name. I'm going to keep it even-- I was going to keep it brief, but I was going to-- it's going to even be briefer now because the previous testifier covered most of what I was going to say. And maybe I'll say it a little less respectfully than he did. From the outside looking in, it does look like a-- well, I'm referring to the Environmental Trust. I should just state that upfront. It does look like kind of a shell game where the justification and the assertion that some of these projects that the NET money is going to be shifted to fit the definition of environmental projects, which, which they do, but the problem is a lot of those projects were already funded by the General Fund. And when you shift the money out of the-- to-- from the Nebraska Nat-- Trust Fund, now all of a sudden there's less money in there for the kind of projects that the trust fund was intended and originally made for. They wa-- they wanted it to be available to the general public in general and gotten by a competitive bid process. So if you keep setting precedent that it's OK to shift that money over to the General Fund for things that the General Fund was-- used to do, now there's less money in that fund and you're really getting rid of the intent of it. And-- so-- like I said, the previous testifier did, did a good job of explaining that. And, and I hope for that reason you'll oppose that language in LB1071 and LB1072 that deals with the Environmental Trust Fund.

CLEMENTS: All right. Thank you. Are there questions? Seeing none. Thank you for your testimony.

JAREL VINDUSKA: Thank you, guys.

CLEMENTS: Next testifier. Good afternoon.

DEXTER SCHRODT: Good afternoon, Chairman Clements. I've been holding that piece of paper for so long and didn't even realize I forgot to fill out a part of it. I'll do that after. My name is Dexter Schrodt, D-e-x-t-e-r S-c-h-r-o-d-t. I am president and CEO of the Nebraska Independent Community Banker Association. We are, of course, the only

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trade association in the state exclusively representing community banks. And I'm glad that-- oh, and I'm here to specifically oppose the elimination of the Rural Workforce Housing Fund and the Middle Income Housing Fund and merging into the Affordable Trust Fund. And I'm glad that Senator Cavanaugh-- who is in another committee right now-- started off this hearing discussing what's a policy change and what's a budget change. And I don't think there's a better example than this change. What I do know is these two programs are set to sunset next year. Why they were sought for elimination this year, I'm not sure. What I do know is there is a bill pending in a-- before another committee to extend the sunset date that was actually heard this afternoon in Business and Labor. I do know that there is a bill to seek funding for those funds that is not property taxes and not state revenues. It is a separate funding source. Currently pending before the Revenue Committee. And I do know there is a bill out there to move these funds from DED's administration to NIFA's administration, which I think everybody involved agrees would be a, a great thing to do. So I remain perplexed on why this was in the budget to begin with, having all those factors now known to you. And-- yeah, I guess I'll stop there in the interest of time. You heard from the bankers, you heard from Spark on the effectiveness of these programs. Just-- you've heard it year in and year out. Absolutely phenomenal return on investment for the state. The asks from our communities continue to outpace the funding available, and I think that says all we need to know. These funds need to stay. The need is still there. Thank you.

CLEMENTS: Senator Prokop.

PROKOP: Thank you for being here. Question along that same, same thread. What is, what is the magic number that you see, or is there an indicator as to where we need to be, whether it be public funds, private funds, public-private funds mixed together to meet our housing challenges in Nebraska?

DEXTER SCHRODT: As far as the exact number out a number of years, Senator, I don't know that off the top of my head. I do believe DED or NIFA just had a report on what their end goal is by 2030 for the number of housing units in particular. What I do know is in the latest round of funding, there was \$30 million in acts, and I believe only 12 went out. So that should tell you right there that we're not even covering half of the, the demanded funds currently. And as I said, the stakeholders involved are seeking other solutions instead

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of using state funds in order to continue to invest in those funds and invest in housing in Nebraska.

PROKOP: And that's across all housing types?

DEXTER SCHRODT: So the-- that one in particular is just for the rural workforce housing and the middle income housing.

PROKOP: OK. Thank you.

DEXTER SCHRODT: Yep.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you, Chair Clements. Thank you so much for being here. Kind of two-part question. The first: with the housing component, have you all been working with other folks around workforce too? Some of the conversation around subsidizing housing is that people also don't have the wages to keep up, right, with the type of housing. And so we have to address people being underemployed. And so I have-- or-- like, within your network of folks looking at this housing, which I think is important. I'm not saying that. Are you also talking about workforce?

DEXTER SCHRODT: Thank you for that question, Senator. The two primary areas that we've looked at currently that I hear from my community bankers that needed address in their communities are housing and child care. So we do focus on those spaces, but I, I do understand what you're saying, and it's not something that we have participated in yet, but I would be interested.

SPIVEY: Absolutely. And I think that's a, a great point just to ping because I think this committee, along with some bills in other committees, are looking at child care across the state. So I appreciate that. And then because I'm eye-deep in budget, I didn't realize that there was a bill for a sunset. You said that was in front of Revenue?

DEXTER SCHRODT: To extend the sunset?

SPIVEY: Yeah.

DEXTER SCHRODT: That was in front of Business and Labor this afternoon.

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SPIVEY: OK.

DEXTER SCHRODT: And it is to extend it out another ten years. It is scheduled to sunset in 2027--

SPIVEY: OK.

DEXTER SCHRODT: --which makes--

SPIVEY: So then it'll go to '37.

DEXTER SCHRODT: That-- that's the aim of the legislation. It's up, up to the Legislature whether it'd be 10, 8.

SPIVEY: OK. Thank you. I just wanted to--

DEXTER SCHRODT: 20? Can I put 20?

SPIVEY: If I could do it here, I would just ding a bill, so. Thank you.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

DEXTER SCHRODT: Thank you, Chairman.

CLEMENTS: Next testifier. No? OK. Over here.

DANIEL RUSSELL: Afternoon, Chair Murman [SIC] and members of the Appropriations Committee. My name's Daniel Russell, D-a-n-i-e-l R-u-s-s-e-l-l. I'm here testifying today on behalf of Stand For Schools, which is a nonprofit organization devoted to advancing public education in Nebraska. We recognize the complexity of midbiennium budget adjustments and appreciate the committee's responsibility to balance short-term fiscal pressures with long-term obligations. Testimony today raises concerns about how the proposed adjustments affect education funding stability, predictability, and long-term system capacity. Previous testifiers have more eloquently and knowledgeably than I talked about some of the tra-- cash transfers, so I'll skip a little portion of my testimony and point out that the budget does not include increases or growth in K-12 state aid or formula supports despite clear evidence that district costs continue to rise faster than baseline funding. For school districts currently finalizing budgets, flatter declining real dollar support effectively functions as a reduction. The result is

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predictable: deferred maintenance, constrained staffing decisions, and reduced capacity to respond to student needs without increases in property taxes. These outcomes have downstream fiscal implications, including higher long-term remediation and support costs. Next, we have concerns about the introduction of new education expenditures within this budget framework without corresponding adjustment to the broader education finance system. The proposed Education Savings Account appropriation-- that's in Section 11 of LB1071-- illustrates this issue. Regardless of policy intent, establishing a new General Fund obligation midbiennium without integration into existing accountability or forecasting models raises questions about sustainability, comparability, and long-term fiscal alignment. Taken together, these decisions risk predictability and-- for public education, which serves approximately 90% of Nebraska students and functions as a core delivery system for multiple state priorities, including workforce development, child well-- welfare coordination, and behavioral health supports. Budget instability at the state level is directly transmitted to local districts, increasing levy pressure and widening disparities between communities with differing local capacity. From an appropriation perspective, the key issue is not a single line item but the cumulative effect of structural choices that shift education funding towards short-term balance rather than long-term adequacy and stability. So on behalf of Stand For Schools, we respectfully urge the committee to reconsider budget elements that increase structural risk, priorisk-- prioritize predictable formula-aligned support for Nebraska's public schools. Thank you for your time and consideration. I'm happy to answer any questions as best I can.

CLEMENTS: Thank you. Are there questions? Seeing none.

DANIEL RUSSELL: Thank you.

CLEMENTS: Thank you for your testimony. Next testifier. Good afternoon.

RACHEL GIBSON: Good afternoon.

CLEMENTS: Thank you for your patience.

RACHEL GIBSON: Oh, gosh. Yeah, not a problem. I'm not chasing a kid, so that makes it a lot easier to sit. My name is Rachel Gibson, R-a-c-h-e-l G-i-b-s-o-n. And I am the vice president of action for the League of Women Voters of Nebraska. We are here in opposition.

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Since the 1920s, the League of Women Voters of Nebraska has registered voters, educated the public, and organized Nebraskans to be active participants in their government. 100 years later, we're still doing it with more than 550 members from across the state. Our working values have not changed, and it's based on some of those that we oppose this budget. The state budget and how taxpayer dollars are spent are foundational to good government that truly serves its citizens. At its very base, the League opposes this midbiennium budget adjustment because it is in contradiction with our tax policy. We support adequate and flexible funding through an equitable tax system that's progressive overall. Nebraska specifically we have watched with concern as income taxes for the highest earners-- highest earning brackets have been reduced year after year, and we have yet to see the, the property tax relief manifest. We also are concerned that this-- the state revenue has stagnated and-- however con-- high our concern is about the budget and the dollars and the cents, we're most concerned about the process itself. Fiscally, this tool-- the tools used in the past few years to make the budget work on paper are questionable at best. The budget has been balanced by sweeping cash funds that are already earmarked for specific programs, slow-walking project approval, tapping the state's emergency account, and transferring millions of dollars across funds that they were not initially intended for. These-- we don't feel these are appropriate, sustainable, or truly transparent ways of managing our state finances. Practically, the budget should not be used to set policy, especially when done from the executive branch. The Nebraska Constitution outlines legislation and appropriation as two different sections, and unequivocally both are under the jurisdiction of the Legislature. The structure laid out in the constitution entrusts the government officials closest to the people-- you all, our state senators-- to set policy based on your community needs and then determine how we make those funds work. The Legislature has demonstrated that they can always make the money work. It is a matter of who and what they choose to make it work for. This is not a partisan issue. This is not a urban-rural issue. The budget proposed here cuts, eliminates, and manipulates programs and funds regardless of party or geographic location. Finally, this re-- this budget is reflective of a larger problem that we see. It's hard to capture in words the dismay, sadness, and anger that some of my members have shared with me regarding the responses that they receive from elected officials when they reach out to share their concerns. Their legitimate que-- questions and concerns about a budget that has real implications for them and their families and their communities have

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been met with belittling and sometimes name-calling. They have left those interactions feeling like the decisions have already been made based on priorities of a specific group of powerful people. And if they disagree, they are wrong and stupid. Nebraska will never thrive if everyday folks who make our state run can't and don't feel like they can share what is working and what is not. And I'll stop there because I am, I am committed to the red light whenever I testify, so.

CLEMENTS: OK. Thank you. Are there questions? Senator?

M. CAVANAUGH: Would you like to finish?

RACHEL GIBSON: Sure, just because this is the part that warms my heart, so. Thank you, Senator. In the past six years, I have followed the Legislature as part of the League. I have seen very contentious bills, debates that threaten the ab-- the body's ability to function, power leveraged by other branches of government or the lobby, personal attacks, hard-fought wins and losses. My friends and family often ask how I do this day-to-day in what, what-- following what looks like could be chaos. And my answer is because I have also seen creative approaches to real, real problems. I've seen senators who stand up for their communities even if it's just an issue that affects them. I have seen honest to God, genuine compromise. And one of my favorite things, which is when the President asks you all to stand and recognize folks from across the state. You're part of the 49 that are entrusted to speak for the 2 million of us. So we ask that you look at this budget and, and walk away with that in mind of what really is best for all communities involved. Thank you. Thank you, Senator.

CLEMENTS: All right. Seeing no questions. Thank you for your testimony.

RACHEL GIBSON: Your name tag is skewed. Do you want me to come-- I can come-- OK. Just trying to keep you look sharp, Senator Clements.

CLEMENTS: Thank you.

RACHEL GIBSON: Thank you.

CLEMENTS: Next testifier. Good afternoon.

ALEX DeGARMO: Good afternoon, Senator Clements and members of the Appropriations Committee. My name is Alex DeGarmo, A-l-e-x D-e-G-a-r-m-o. And I am the State Government Relations Director for

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Nebraska for the Alzheimer's Association. The Alzheimer's Association is dedicated to leading the fight against Alzheimer's and other dementias by advancing global research, promoting risk reduction and early detection, and enhancing quality care and support to those affected. We are opposed to LB1071, specifically the removal of the \$99,326 appropriation to the Dementia Advisory Council. That's in Section 52(6). When we created this position via the budget in 2023, the intent was for this person to act as the dementia service coordinator. This person would be coordinating resources between the state, local public health departments, area agen-- are-- area agencies on aging as well as giving caregivers and those living with the disease a specific contact point at the state. Unfortunately, the person that currently holds that position has not carried out those duties to our expectation. So we worked with Senator Guereca to introduce LB913, which directly outlines the roles and duties of that position in order to fix this, this issue that we're currently having. So yeah, we would like to keep this appropriation in place. This funds one employee. So we'd like to keep that in place, allow LB913 to go into effect. We already had our hearing on that. No opposition. And show what, what good we can do for the state with that. Our investment, our investment for this in the state has made for that position will bring great benefit in terms of federal dollars in terms connecting resources with those, so. Thank you for your time. I'd be happy to answer any questions.

CLEMENTS: Are there-- Senator Dover.

DOVER: What was the cost of the one employee?

ALEX DeGARMO: So we have appropriated \$99,326 to the council. Some of that money funds just ongoing office operations for the council, but we have one employee. Her salary's less than that.

DOVER: All right. Thank you.

ALEX DeGARMO: Yep.

CLEMENTS: Could you give the name of the council again? What is that?

ALEX DeGARMO: It's the-- well, in the budget bill, it just says it as the Dementia Advisory Council. The official name is the Alzheimer's and Other Related Dementias Council.

CLEMENTS: Advisory council.

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ALEX DeGARMO: Yes.

CLEMENTS: All right. Very good. Are there questions?

ALEX DeGARMO: All right.

CLEMENTS: Seeing none.

ALEX DeGARMO: Thank you for your time.

CLEMENTS: Thank you for your testimony. Are there other testifiers in opposition? Seeing none. Is anyone here in the neutral capacity? There we go. Good afternoon.

ANNE BOATRIGHT: Good afternoon. Good afternoon, Chairperson Clements and members of the Appropriation Committee. My name is Annie Boatright, A-n-n-e B-o-a-t-r-i-g-h-t. And I am the State Forensic Nursing Coordinator and Sexual Assault Payment Program Administrator at the Nebraska Attorney General's Office. I'm here today to testify on behalf of the Attorney General in neutral capacity on LB1072. I would respectfully like you-- to ask you to amend the language in LB1072, Section 211, line 36 back to the statutory language in 81-1429.03, from "may pay" to "shall pay." This statutory-- this statute currently ensures that the full out-of-pocket cost for a forensic medical exam of a sexual assault victim is paid from the Sexual Assault Payment Program Cash Fund and that a victim never receives the bill regarding that examination for their rape or sexual assault. Right now, survivors are guaranteed an exam at no cost, a foundational part of trauma-informed care, and best practice nationwide. These exams not only provide essential evidence for criminal justice processes but also connect victims with health care and advocacy at a moment when fear, stigma, and financial barriers can and do prevent them from seeking help. If the statute is amended to say "may pay," this guarantee becomes effectively discretionary. Without a clear obligation, victims could be left unsure whether their exam will be paid, potentially reinstating bills, denials, or confusion at one of the most vulnerable moments. This change risks undermining public trust, discouraging reporting, and retraumatizing survivors who've already faced immense obstacles. The certainty of payment is not just statutory language; it's a lifeline for people who have experienced one of the most intimate and traumatic crimes. I also want to emphasize a critical finding from historical data of this fund. The highest percentage of victims that we are paying for that are receiving reimbursement for those sexual assault exams are

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children between the ages of 0 to 12 years old. It's really crucial we're able to provide families with support as they navigate some of the worst moments in their lives dealing with the sexual assault of their child. Ensuring that payment shall be made from the fund protects victims and aligns Nebraska's broader commitment to victim support and recovery. And I respectfully ask you to retain that current language that guarantees payment and would welcome any questions you may have.

CLEMENTS: Are there questions? Senator Cavanaugh.

M. CAVANAUGH: Thank you. Thank you for being here, and thank you for all of your work. You do such an amazing job and keeping us all informed, but more importantly keeping victims informed of the status, so.

ANNE BOATRIGHT: Thank you.

M. CAVANAUGH: Just wanted to acknowledge that. Can you tell us-- this, this Sexual Assault Payment Program-- SAP I guess is what it's been called--

ANNE BOATRIGHT: Yeah.

M. CAVANAUGH: --how, how, how much is that utilized annually?

ANNE BOATRIGHT: So current data, I'm not exactly sure what's being expended. Those figures are managed by the Crime Commission specifically. Historically, we've expended about a million, million and a half dollars out of that fund to pay for both the sexual assault physical kits themselves and then reimburse the hospitals. So we reimburse each hospital or child advocacy center, \$500 reimbursement. So it's a \$300 facility fee and then \$200 provider fee to any of those providers who are physically caring for that person.

M. CAVANAUGH: And how-- do you know how that fund is funded?

ANNE BOATRIGHT: It was funded through-- mostly primarily VOCA dollars, the Victims of Crime Act dollars, which has in recent years taken a significant decrease in it. So there is much less in that fund coming to various states.

M. CAVANAUGH: OK. And so if those funds continue to diminish coming to our state, do you think that it's more appropriate to use the Victim's Compensation Fund or should it be General Fund funded or-- I

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guess what would be-- and if you can't take-- if that's too much of a policy stance, I understand.

ANNE BOATRIGHT: I, I would say from my experience in this job, I would hope that both funds were funded appropriately because CVR-- so Crime Victim Reparation-- does pick up any additional medical costs that survivors need related to assaults. So CVR will fund-- let's say if someone's hit in the head badly and they need a CAT scan. CVR actually will pay for that medical bill associated with that, and our health care entities are then able to get reimbursement for that. So-- I, I don't mean to not answer your question--

M. CAVANAUGH: That's OK.

ANNE BOATRIGHT: --but I would hope that both of them would be funded appropriately so that we can, you know, support victims while also support these critical health care providers who are providing this really important service all across our state.

M. CAVANAUGH: Thank you. And just one further note for my colleagues that might not be aware that you really are the, the mastermind behind creating the dashboard and tracking, the sexual assault kits that-- being tested and helped to make sure that that backlog was eliminated. So you are definitely a superstar in my mind, and I want everybody to know it.

ANNE BOATRIGHT: Thank you for the kind words. I try and do good work for victims, so.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

ANNE BOATRIGHT: Thank you.

CLEMENTS: Are there additional neutral testifiers? Good afternoon.

JEFFREY BAKER: Good afternoon. I don't know if it's fair to go after a superstar, but I do also say she does great work as the husband of a former SANE nurse, so. Kudos to her. Chairman Clements and members of the Appropriations Committee, for the record, my name is Jeffrey Baker. And I'm here on behalf of the Veterans of Foreign Wars of the United States. The VFW appears today in a neutral capacity on LB172-- LB1072. LB1072 is a wide-ranging Appropriations bill with many unrelated components, and the VFW does not take a position on how-- most of the provisions. However, we do take specific exception to

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Sections 127, 128, which direct the transfer of a total of \$5 million out of the Nebraska Veterans Aid Fund over the next two years. Section-- over the next two years. And Section 19-- 198, which permanently enshrines in statute the ability for future transfers out of the fund, which violates the very promise that the fund was created for. The Nebraska Veterans Aid Fund is one of the oldest and most important commitments our state has made to its veterans. As outlined by the Nebraska Veterans Council letter that is attached to my testimony, the fund was created in 1921 from federal money originally set aside for World War I bonuses. When those programs were re-- restructured, the remaining dollars were placed in an-- to a permanent endowment dedicated to emergency assistance for Nebraska veterans. For more than a century, this fund has helped veterans with rent, utilities, food, medical travel, and funeral expenses at moments when no other support was a viable-- was available. These funds were never general state revenues. They have always existed as a dedicated trust for the benefit of Nebraska veterans. Historically, the principle of the NVA Fund has been preserved. On the rare occasion it has been used for nonemergency purposes, it has supported-- supported one-time capital improvements that served all Nebraska veterans, such as the establishment of the Nebraska Veterans Cemetery in Grand Island. Using the NVA Fund's principal to fill out ongoing budget shortfalls, however, is something very different. It repre-- it represents a departure from more than 100 years of practice and creates a precedent and provides future unconceived opportunities to raid the NVA Fund whenever fiscal pressures arises. A one-time sweep will not resolve long-term budget challenges, but it will permanently reduce the earnings available to support veterans in crisis. In addition, by purposefully leaving the door open for future raids, this provides a window into the future that is not a one-time sweep but instead a proposed long-term solution that is inconsistent with historical norms and not in the best interest of Nebraska's veterans. In recent years, applications for assistance have increased significantly with the Nebraska Department of Veterans Affairs, reporting a 33% increase compared to prior norms. That trend underscores the need to protect, not diminish, the fund's capacity to serve veterans in hardship. At this point in my testimony, I wish to be extremely direct. I want to express clearly and unequivocally that the VFW does not support the transfer of funds out of the Nebraska Veterans Aid Fund nor does any other recognized veterans service organization whose mission is to support Nebraska's heroes. This position does not place us in opposition to LB1072 as a whole. We remain neutral on the broader bill.

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CLEMENTS: Go ahead and finish, please.

JEFFREY BAKER: Thank you. But we must firmly oppose these three sections because they affect a program that is central to the well-being of Nebraska's veterans today and in the future. Nebraska has always honored its commitment to those who served. Protecting the NVA Fund ensures we continue to uphold this commitment in the decades ahead. Thank you for your time and for your continued support of Nebraska's veterans. And I'm happy to answer any questions you may have.

CLEMENTS: Any questions? Senator Prokop.

PROKOP: How, how many veterans are there currently living in Nebraska?

JEFFREY BAKER: Currently, Senator, there are approximately 119,000 veterans.

PROKOP: And I, I understand there's lots of things that the state has done in recent years to try and make Nebraska a more veteran friendly state and, and have people move here. Do you see this as counter to those efforts?

JEFFREY BAKER: We are unique in Nebraska with the Nebraska Veterans Aid Fund. If you go to our neighboring state, Iowa, they fund their fund-- their emergency fund using lottery dollars or scratch tickets. We had the foresight to be able to do this in 1921. And so yes, I would say that long term it could impact veterans in a negative way.

PROKOP: Thank you for your service. As a son of a Navy veteran, I appreciate your sacrifice very much.

JEFFREY BAKER: Thank you, Senator.

CLEMENTS: Seeing no other questions. Thank you for your testimony.

JEFFREY BAKER: Thank you, Chairman. Senator Cavanaugh, I did send an email just to give you some updates on the NVA Fund and, and the [INAUDIBLE], so you could just have that information.

M. CAVANAUGH: OK. Thank you very much.

JEFFREY BAKER: Thank you.

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CLEMENTS: Thank you. Next testifier. Good afternoon.

ERIC MARTIN: Good afternoon, Senator. Senator Clements and members of the Appropriations Committee. Thank you for hearing my testimony. Initially today, I was just coming just to support others that were opposition or neutral to this bill. But through other testimony, Mr. Baker-- I'm not going to cover a lot about the veterans aid. I think the details are there. I just want to put something in perspective, I guess. First, my name's Eric Martin, E-r-i-c M-a-r-t-i-n. I work for the American Legion Department of Nebraska as the department adjutant. So I kind of represent 20,000 members of, of the American Legion here in the state of Nebraska. Through some conversations, there have been some concerns about the veterans aid and how it's being used. Just want to put something in perspective. So the-- as Mr. Baker stated, there's about approximately 119,000 veterans in the state of Nebraska. Currently, veterans aid is around \$47 million. If there was a chance every veteran was to file a claim for aid, Nebraska veterans aid, that would be roughly-- I use 120,000 veterans. So that'd be about \$391 available per veteran for a claim. So when you think about the, the overall amount in this, in this Veterans Aid Fund, seems like there's a large amount-- it's \$47 million-- but when you put it in that perspective it is, is not as large as we think it is. So we, we do have the concern that-- with, with the proposed budget taking some of the Veterans Aid Fund away that it does limit possibility of providing services for our veterans. So I-- that-- I kind of end my testimony. And I'd be happy to answer any questions that the committee may have.

CLEMENTS: Are there questions? Seeing none. Thank you for your testimony.

ERIC MARTIN: You're welcome. Thank you.

CLEMENTS: Anyone else here in the neutral capacity? Seeing none. I think-- do we have letters? All right. We have position comments on LB1071: 1 proponent, 124 opponents, 2 neutral. On LB1072: 1 proponent, 490 opponents, 5 neutral. With that, I believe that concludes the, the hearing for LB1071 and LB1072. Next, we have LB772. Senator Cavanaugh. Those of you who need to leave, you may go there-- you may go. We'll let the room clear for a minute.

M. CAVANAUGH: Are you ready?

CLEMENTS: Just one second. Couple more people--

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M. CAVANAUGH: It's gonna be a long one, everybody. Just get ready.

PROKOP: You sure know how to clear a room [INAUDIBLE].

M. CAVANAUGH: I do. It is one of my specialties. Sure you don't want to take a bathroom break? I'm going to be here a while. If I take up the vice chair's suggestion, we could be here for a while.

ARMENDARIZ: We could use the lights.

M. CAVANAUGH: What?

ARMENDARIZ: We can use the lights.

M. CAVANAUGH: Not on the introducer, you can't. Oh, well. I don't want to test those waters.

CLEMENTS: We'll now open the hearing for LB772. Welcome, Senator Cavanaugh.

M. CAVANAUGH: Thank you, Chairman Clements and members of the Appropriations Committee. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h. I represent District 6 in west central Omaha, Douglas County. And I am here today to introduce LB772. And our lovely page has passed out a handout, which probably is redundant considering everything else that we have from our fiscal analyst, but it is a list of the, the cash funds that are in LB772. So I, I always kind of joke when people say "simply put" at the start of something because you could just take that out, but really, seriously, simply put, this just removes the language to transfer cash funds to general funds. Should we do it? We could go into exec. We can vote, do it right now. I have another bill that this is sort of a companion with that-- about-- requires an evaluation of our cash funds, and we'll be hearing that one later. That one is a little bit more substantive in matter, although this one is much longer. But this was kind of to go with those-- that together, to have a discussion as a committee about cash funds, the utilization of cash funds, the overutilization, the original purposes, et cetera, et cetera, et cetera. So that was pretty much it.

CLEMENTS: OK. Are there questions?

ARMENDARIZ: [INAUDIBLE] question.

CLEMENTS: Senator.

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ARMENDARIZ: [INAUDIBLE]. So I've been thinking about what would be the most efficient way to do this. So these are all government agencies drawing in-- let's just say they're only drawing in general funds or have set aside cash funds. Would it be more efficient for any excess money to be held in a central location for agencies that might have an urgent need or a coming need instead of all the agencies holding their own cash funds on their own and deciding? Or, or as a Legislature, should we be managing that-- the bucket better?

M. CAVANAUGH: I, I think we certainly could be managing the bucket better. I think-- to, to use a more simple analogy than the budget, when I was on the Transportation Committee, we kept having bills-- and I believe they still keep having bills-- around license plates. And they just keep happening and growing. And my second year here at the committee, we made a, a decision to go through all of the license plate statute and clean it up so that it wasn't so haphazard and, and sort of hodgepodge. And I think that the cash funds, that would be a much heavier lift, but that's kind of what I wanted to start the conversation, is we have all these cash funds, and some of them are created for a specific purpose and-- a funding source, whether it's fees or, or, or a tax or whatever it is. And then some of them are for specific projects within an agency, and that is probably more to your question about, do we centralize that? I think an argument could be made that that's what the rainy day fund is, or the-- you know, is-- that-- that's where that should exist. So should we, instead of having cash funds that just sort of exist for nebulous purposes, should we shut those down and, and transfer it all to the rainy day fund? I do think that it's-- I understand we are faced with balancing a budget, but I do think that it is problematic to balance a budget on one-time cash transfers instead of having stronger policy decisions made about how we can have a sustainable budget moving forward. And so the cash funds have been the crutch that we've essentially been using for a couple of years now. And, you know, the old saying of leave a place better than you found it. As some of us are going to be exiting the Legislature at the end of this year, I thought it was prudent to bring the-- these legislations so that we can start having those conversations so that those that are here after us can carry it forward, and hopefully we can have a stronger budgeting process as a result. So. Not really answering your question, but it's more of a philosophical conversation.

ARMENDARIZ: Yeah. I agree, I agree with the, the, the thought that there's a lot of cleanup and all of these-- what did he say, 900?

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M. CAVANAUGH: Yeah. Cash funds.

ARMENDARIZ: 900 that might all have their own little pocket of money for a rainy day.

M. CAVANAUGH: Well-- and some of them we--

ARMENDARIZ: I mean, we could probably manage that better if it was in one place, and 35 over here have a new software--

M. CAVANAUGH: Let's create an agency for cash funds. Just kidding.

CLEMENTS: Senator Spivey.

SPIVEY: Thank you, Chair Clements. Thank you for bringing this. I think just to kind of add to the philosophical conversation. Like, in my mind, cash funds work like discretionary funding, right? So these cash funds are set up so that there is more intention and oversight versus it becomes subjective whether it's a new political office that comes in or a group of senators that maybe don't align that it provides some sort of protection and guardrails. And so what is your thought, like, around that? Again, just given your tenure and what you hope to achieve with this. Do you feel like the cash funds do provide that? Do you feel like it is now too convoluted because we have so many?

M. CAVANAUGH: I think that there's probably a different way that we can all think about this in that-- like, there's cash funds that are funded by fees that do something. So, like-- what is it-- the corn checkoff is then used for advertising or something? Like, it's, it's an industry fund. It's basically administered by the state. That should not be something that we have any purview over those dollars. We are the administrator of those funds. So we have the funds that we're-- we are the administrator of. Then we have the funds that are protecting, like, the Medicaid excess cash fund or the Health Care Cash Fund that we are the administrators of, but there's policy decisions for us to make about how those funds are utilized. So that's a different sort of category. And then there's just-- I don't even know the funds that are old, that are lapsed, that we don't know why they exist that we should be looking at. And I think those are more the funds that Senator Armendariz is speaking about that, like, maybe existed for certain purposes that no longer exist or have value and we should be reevaluating them. So it's hard because we call them

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all cash funds, but we still need to think about them in different ways. I don't know if that's really--

SPIVEY: That's helpful. Thank you.

M. CAVANAUGH: Yeah.

CLEMENTS: All right. Any other questions? Seeing none.

M. CAVANAUGH: I think Senator Lippincott had a lot of questions for me. He told me that he did. He said he was going to grill me.

CLEMENTS: Are there any proponents?

M. CAVANAUGH: I'd like to stay and close.

ARMENDARIZ: You got one guy in the room.

CLEMENTS: Seeing none. Any opponents? Seeing none. Anyone neutral? Senator, would you like to close?

M. CAVANAUGH: I just-- thank you all. I appreciate you humoring me this afternoon. And we'll have a-- another conversation about this when we get to my other bill. But I, I appreciate serving with all of you. And this has been a really interesting experience for me this, this year and last year. And I like, as you know, digging into things a lot. I'm, I'm a nerd. I'm 100% a nerd and I love information, and so this was just an opportunity to explore another one of my nerdy obsessions, which is cash funds.

CLEMENTS: Thank you, Senator Cavanaugh. That will conclude the hearing for LB772. We'll next go to LB992. Senator Dover. Good afternoon, Senator. We now open the hearing for LB992.

DOVER: My thank-you will be briefer than my statement of the bill intent. Thank you, Chairman Clements. And good afternoon, committee members. My name is Robert Dover, R-o-b-e-r-t D-o-v-e-r. I'm the-- represent District 19, which is Madison County, south half of Pierce County. LB992 was introduced as a shell bill. It-- I introduced this to make sure that I had an option if I needed to appropriate funds. Thank you for your time and attention. I would be happy to answer any questions.

CLEMENTS: Are there any questions from the committee? Do you have any specific use for it at this time?

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DOVER: No, I do not.

CLEMENTS: Just waiting to see? All right.

ARMENDARIZ: I didn't know we could do that.

DOVER: We just-- we-- you know, the discussion we had, that would be a--

CLEMENTS: All righty. Are there any proponents? Seeing none. Any opponents? Seeing none. Anyone neutral? Seeing none. Would you like to close? Waives closing. That concludes LB992.

ARMENDARIZ: [INAUDIBLE] stay there.

M. CAVANAUGH: You, you got, you got another--

CLEMENTS: You're up again for LB1105.

DOVER: Thank you, Chairman Clements. And good afternoon, committee members. My name is Robert Dover, R-o-b-e-r-t D-o-v-e-r. I represent District 19, which consists of Madison County and south half of Pierce County. LB-- oh, shoot-- LB1105 was introduced as a shell bill. I introduced this to make sure I had an option if I needed to appropriate funds. Thank you for your time and attention. I would be happy to answer any questions.

CLEMENTS: Any questions? Senator Cavanaugh.

M. CAVANAUGH: Do you have any thoughts on what you might use it for?

DOVER: No, I do not.

M. CAVANAUGH: Oh, I look forward to finding out what you decide.

DOVER: Thank you.

CLEMENTS: Any other questions? Seeing none. Are there any proponents? Seeing none. Any opponents? Seeing none. Any neutral? Seeing none. Would you like to close? He waives closing. That concludes the hearing on LB1105. And I'll turn the chair over to Senator Armendariz.

ARMENDARIZ: We'll now open the hearing for LB1209. Welcome, Senator Clements.

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CLEMENTS: Thank you, Vice Chair Armendariz. My name is Robert Clements, R-o-b-e-r-t C-l-e-m-e-n-t-s. I represent Legislative District 2: Cass County and rural Lancaster County. LB1209 is a shell bill to provide contingencies if we have budget adjustments needing to be made. This would-- regarding General Fund appropriations. I have no earmarks or uses for it at this time, but occasionally some last-minute fixes come up to budget items, and that's what this would be for.

ARMENDARIZ: Thank you, Senator. Any questions? Seeing none. Any proponents? Any opponents? Any neutral? With that, we will close LB1209 and move on to LB1210. Senator Clements.

CLEMENTS: LB1210 is another shell bill. Oh, excuse me. My name is Robert Clements, R-o-b-e-r-t C-l-e-m-e-n-t-s. Legis-- I represent Legislative District 2: Cass County, eastern Lancaster. LB1210 is a shell bill to provide for contingencies in case we need some adjustments which would be regarding fund transfers. And we have no need for it at the present time. Occasionally, some last-minute changes need to be made which would require a bill such as this. And that's the purpose of this bill. Currently, there is no intended use.

ARMENDARIZ: Thank you, Senator. Any questions for the senator? Seeing none. Are there any opponents? Seeing none. Are there any proponents? Seeing none. Are there any neutral? Seeing none. That closes our hearing for LB1210.

CLEMENTS: And I believe that concludes our hearings for the day. There weren't any online comments on any of those, were there?

CORI BIERBAUM: So there was for one of the shell bills. And then I-- LB772 had online comments.

M. CAVANAUGH: Ooh, should we exec on LB772?