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Floor Debate
March 31, 2009

[LB35 LB67 LB136 LB206 LB271 LB280A LB282 LB288 LB292 LB292A LB340 LB396
LB403 LB405 LB419 LB449 LB457 LB458 LB463 LB464 LB471 LB475 LB520 LB532
LB533 LB555 LB568 LB601 LR61 LR62 LR63 LR64 LR65 LR66 LR76 LR77]

SENATOR FISCHER PRESIDING

SENATOR FISCHER: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the fifty-second day of the One Hundred First Legislature, First Session. Our chaplain for today is Pastor Don Owen of the Word of Life Church in Columbus, Nebraska, Senator Stuthman's district. Please rise.

PASTOR OWEN: (Prayer offered.)

SENATOR FISCHER: Thank you, Pastor Owen. I call to order the fifty-second day of the One Hundred First Legislature, First Session. Senators, please record your presence. Mr. Clerk, please record.

CLERK: I have a quorum present, Madam President.

SENATOR FISCHER: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections.

SENATOR FISCHER: Thank you. Are there any messages, reports, or announcements?

CLERK: Madam President, your Committee on Health and Human Services reports LB136 to General File with amendments; LB288, General File with amendments; LB601, General File with amendments; those signed by Senator Gay. Natural Resources reports LB471 to General File, and LB568 to General File with amendments, those signed by Senator Langemeier. And a new resolution: Senator Campbell offers LR76; that will be laid over. That's all that I had, Madam President. (Legislative Journal pages 855-861.) [LB136 LB288 LB601 LB471 LB568 LR76]

SENATOR FISCHER: Thank you, Mr. Clerk. (Doctor of the day and visitors introduced.) We will now proceed to the first item on the agenda, Mr. Clerk.

CLERK: Madam President, LB292A is a bill by Senator Lathrop. (Read title.) [LB292A]

SENATOR FISCHER: Senator Lathrop, you are recognized. [LB292A]

SENATOR LATHROP: Thank you, Madam President and colleagues. Good morning. I'm here to introduce LB292A. You'll remember LB292 was the sports agents bill, that

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

advanced on General File with not a whole lot of discussion. It advanced with a great deal of support as well. That bill necessarily requires that the Secretary of State make a few administrative changes in order to accommodate the new duties that come with the sports agents bill, and you might snicker at this one but I'm going to ask you to pass LB292A, which is about \$1,500 out of a cash account. We just want to make sure that the Secretary of State segregates money from this cash account so that it is available to implement the LB292 as it passed through this body. And with that, I would appreciate your support of LB292A. Thank you. [LB292A LB292]

SENATOR FISCHER: Thank you, Senator Lathrop. Are there senators wishing to speak? I see none. Senator Lathrop, you are recognized to close. Senator Lathrop waives closing. With that, we will vote on LB292A, the appropriations bill on General File. Have all those voted who wish to? Record, Mr. Clerk. [LB292A]

CLERK: 39 ayes, 0 nays, Madam President, on the advancement of LB292A. [LB292A]

SENATOR FISCHER: The bill advances. Mr. Clerk. [LB292A]

CLERK: Madam President, the next bill, LB555 offered by Senator White. (Read title.) The bill was introduced on January 21 of this year, referred to the Revenue Committee. The bill was advanced to General File. There are Revenue Committee amendments, Madam President. (AM367, Legislative Journal 675.) [LB555]

SENATOR FISCHER: Senator White, you are recognized to open on LB555. [LB555]

SENATOR WHITE: Thank you, Madam President. Members of the body, LB555, or as my son called it, the triple nickel, is a bill that is designed for tough times. Right now we're facing economic downturn, but it is in the times of economic downturns that we build the foundations for prosperity. Whether or not we can make a tough decision now to invest will determine how we later, and our children certainly, do financially in the future. LB555 is a bill that ties onto substantial investments we've already made. Our university system and our colleges, both private and public, are one of the greatest assets that we have. They're assets not because of the bricks and mortar but because of the minds, both the mature minds that teach and the young minds that learn and innovate. LB555 seeks to tie those minds, our greatest assets gathered together already because of the investment we've made, with business incorporation by increasing the tax credit in a very specified manner. Now the original bill would have doubled the amount of the tax credit for all investment and increase the investment made in conjunction with the university or a college on property owned by a university or college to 35 percent of the federal tax credit. The fiscal note on that was too high and therefore the Revenue Committee amendment, which I fully support, backs away from that and instead focuses only on investments made by businesses or individuals in conjunction with our universities and our colleges on property our colleges or

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

universities own. The bill then creates a tax credit of 35 percent of the federal tax credit for research and development dollars spent on property owned by universities and colleges. And I want everyone here to recognize what I said is property owned, not on their campuses. Therefore wherever you represent, if it is in Valentine and there is research on the genetics of better beef cattle done on property owned by one of the universities or colleges on that rangeland, they are available, this tax credit is available. There is no part of this state that is excluded from the possibility of additional research and development and economic movement because you don't have a campus in your district or in your town. All that is required you encourage a college or a university to buy some property and have that be the focus of the investment. Therefore Curtis, Nebraska, Valentine, Chadron, Peru, Wayne, Omaha, Lincoln, all are eligible, but so are Columbus, Schuyler, David City, any part of the state can in fact be a research campus that is qualified under this tax credit. You know, the saying that tough times don't last but tough people do, the essence of a tough person is to have the courage and the hope to plant seeds following a drought. The essence of a tough community is they don't despair of themselves or their talent or their people but instead will invest during tough times betting that their character and the character of their neighbors will carry them through these tough times into better times. This bill is essentially that. We have a tough economic time but the bill bets on our universities, our colleges, our young people, our talented teachers, and it invites the world to come here and say, we will bet that if you work in conjunction with our people, together we will really prosper. Now what kind of investments might they be? Already we are a focus for genetic investments on crops, for better genetics in beef cattle but beyond that for pharmaceuticals. We actually have one of the leading programs in the world on alternative energies. Earlier this year I met with a professor who is one of the leading researchers on taking carbon dioxide, CO₂, reputed to have caused all the problems with global warming, capturing it, which is now a waste product, and turning it into energy. How? Through algae, they literally take the carbon dioxide that comes off of an ethanol plant or with cleaning that comes off of a coal-fired power plant, they run it through a pond filled with algae. That increases the growth of algae exposed to light. We need water, we need sunlight, we need CO₂. We have all of those in abundance. How much oil? He's currently working on a strain of algae that when it grows is 70 percent of its weight is oil. We can with our minds take what are problematic wastes and turn them into wealth. But it takes courage, it takes courage for us to plant the seeds after a drought. LB555 is the seed that we can plant during these hard times and we can harvest a better future with it. The fiscal note is dramatically lower than that which is before you because we have gotten rid of doubling the credit on all areas except those where they invest on property owned by a college or university. The new fiscal note will read that in 2009-2010, the cost would be \$186,000; in 2010-2011 if all investments are made the cost would be \$550,000; in 2011-2012 the cost, and again the cost is tax credit dollars that we don't collect, and it ignores new jobs, new income tax, new property tax base. But in 2011-2012, under the amendment, the cost would be \$916,000; in 2012 through '13 the cost, if all investments were made, would be \$1,306,000. So how much investment would it take to generate

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

those costs? It would take in excess of \$42 million invested in conjunction with our colleges and our universities, invested in the future of our young people, working with our teachers who we are already paying. I can tell you without any hesitation that the cost could, and I pray, it would be double. If we can generate \$42 million of new investment for cutting-edge actual new products, and I mean solving the energy problem, the next generation of antibiotics, the genetics that will push corn harvest per acre to the 300 bushel mark, if we can do this our futures, our economic futures, our children's futures are assured. All it takes is courage in tough times. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator White. (Visitors introduced.) As the Clerk stated, there are amendments from the Revenue Committee. Senator Cornett, as Chair of the committee, you are recognized to open on those amendments. [LB555]

SENATOR CORNETT: Thank you, Madam President and members of the body. The Revenue Committee recognized that the fiscal note for LB555 as introduced was very steep. Steep, although not as steep as some fiscal notes we have seen this year. Senator White brought the committee an amendment that more specifically targeted the direction of the Nebraska Advantage Research and Development Act should be taking, and that is encouraging research that can be done in cooperation with our colleges and universities. This narrowing of focus and purpose resulted in the fiscal...projected fiscal impact that Senator White has already discussed. I feel that this is a very important bill and a very important amendment to the bill. And I would urge the body to adopt this amendment. Thank you. [LB555]

SENATOR FISCHER: Thank you, Senator Cornett. You have heard the opening on the amendment. We have a number senators wishing to speak. Senator Nantkes, you are recognized. [LB555]

SENATOR NANTKES: Thank you, Madam President. Good morning, colleagues. I rise in strong support of AM367 and the underlying legislation contained in LB555, introduced by Senator White. Colleagues, you've heard my frustration on the mike during the course of this session about the lack of attention to positive, proactive solutions to deal with our impending and current economic uncertainties that exist in this state and across the country. Well, finally, apparently patience is a virtue. And we finally have in front of us this morning a true, concrete, proactive, positive way to deal with the difficult economic conditions that we're operating under. Just as a point of reference for the record, I wanted to let the body know that I introduced a legislative resolution, LR329, last session to bring together people from the universities, the community colleges, and private industry, and the chamber of commerce to talk about ways that we could improve Nebraska's position in terms of economic development. And research and development enhancements to our current economic development programs are really where it's at, colleagues. Those who have expertise in this area from the learning

Floor Debate
March 31, 2009

institutions, from the private sector, from the chambers are all telling us that this is where all signs are pointing to. If Nebraska can do more in terms of recruiting and retaining all of the efforts that and endeavors that go into private entities research and development capacities, it will move our state forward in the short-term and in the long-term. Many of you also had the chance to visit a pre-session meeting that our friend, Senator Harms, convened this year where he talked about setting up long-term planning for the state of Nebraska in order to ensure that we can continue to progress and move forward. Well, one of the key findings in those initial discussions was that new economy states that are doing more in terms of harnessing new technologies, addressing the brain-drain, and leveraging federal dollars that particularly come with research and development kinds of activities within their states are the states that are moving forward, are the states that are experiencing a more robust local economy. We in Nebraska have the opportunity to start taking steps down that path with this legislation. I introduced a similar bill this year, it went through the Revenue Committee, and I want to thank Senator White for working together to advance an idea, to advance an idea whose time has come, Nebraska. This legislation is critically important to addressing a myriad of public policy dilemmas that we face. It's critically important in terms of our educational institutions. It's critically important in terms of the private sector. And it helps us to continue down the path of promoting research, development, science, and innovation. This is what will move Nebraska forward. I am so proud to support this legislation and I hope that you will do the same. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Nantkes. Senator Mello, you are recognized. [LB555]

SENATOR MELLO: Thank you, Madam President, members of the Legislature. I rise today in strong support of LB555, a bill that I believe focuses on the innovation economy that's coming around to our state as well as aligning our existing state resources in a more efficient manner. I'd like to thank Senator White and Senator Nantkes for introducing, both had bills in regards to research and development tax credits with Nebraska advantage. And I think this version of LB555 does what Senator Nantkes just mentioned, which it takes an idea and it aligns what we're currently spending in state appropriations through higher education and it allows us to leverage more money. I don't want to go on too much. Senator White gave a very great overview of the bill in regards to the economic impact. Obviously, being a member of Appropriations Committee, I look at all A bills that come across our way as well as all revenue bills and see how that might impact the bottom line in regards to where we're going to be at as a budget. But as Senator White mentioned as well as Senator Cornett in the committee amendment, that for us to meet the first fiscal note in this biennium that's a \$10.3 million investment. Now that doesn't mean that we're going to get there and that doesn't mean the fiscal note will be that at the end of the biennium, because once again it's all dependent upon investment. But even the out-year, the out-year fiscal note means that we're looking at millions and millions of dollars, roughly almost \$43 million of new

Floor Debate
March 31, 2009

investment in high-wage jobs in this state for us to reach that fiscal note. So I always have a little trepidation in regards to looking at fiscal notes and making sure that they fit within our current budget process and our current budget situation. And I feel this one does. But more importantly, this bill, I believe, takes us in a new approach. I believe everyone has seen the letter from the Nebraska Chamber and the Omaha and Lincoln Chamber of Commerce which talks about competitiveness and it talks about the new innovation economy that's starting to pick up in Nebraska. And ultimately what this does is that it provides, I believe, new opportunities all around the state, whether that's a wind turbine research idea that's starting to ferment at the Western Nebraska Community College, whether that's the Innovation Park here at the Lincoln campus of the University of Nebraska, or the Peter Kiewit Institute in Omaha, there are numerous higher education institutions that will benefit from this new collaboration and this new partnership. So I'd like to rise once again and thank Senator White, Senator Nantkes, the Revenue Committee for bringing this great idea to the floor. I believe it's the future of Nebraska's economy. I believe it's going to be the future of higher education in their collaboration with private enterprise. And I encourage all colleagues to support LB555. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Mello. (Visitors introduced.) Senator Avery, you are recognized to address AM367. [LB555]

SENATOR AVERY: Thank you, Madam President and colleagues. I think this is a good bill. And let me share with you a little bit about the experience in North Carolina, a state that has a similar law in effect. They passed the first one in 2004. And the...it expired in June of '06. And they quickly came to the conclusion that they ought to renew it. And here are some of the reasons: Just at the...at North Carolina State University in Raleigh the tax credits were responsible for generating \$325 million in research expenditures. It allowed for a ranking of third in industry-supported research in the entire United States among public universities without medical schools. North Carolina State University found that over 70 percent of their faculty were engaged in sponsored research, over 2,500 graduate students were supported on research and teaching appointments. And I just saw this weekend on the Internet that Raleigh, where North Carolina State is located, is now ranked number one in the entire country in positive business climate. By the way, Lincoln was ranked number five. I think we could use something like this to perhaps overtake Raleigh. North Carolina State discoveries have resulted in more than 550 patents and dozens of companies that employ more than 13,000 people. Let me just list some of the recent research developments that have come as a result of the North Carolina law. They developed the world's first synthetic aorta; they developed lighter fire-resistant and biological agent-resistant turnout gear for first responders; they also developed a blood cholesterol test that more accurately measures the risk of heart disease; and they developed the prototype for the artificial retina. Now these discoveries, some of which may have come about if this law had not been in effect, but I suspect that they may not have. These discoveries did not arrive in a vacuum, they

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

came about from collaboration and partnership of great minds and leaders and good state policy that encouraged the development of these things. So I think that we ought to look at the potential for the state of Nebraska. Think of the potential that could be reached by our nationally-recognized University of Nebraska Medical Center. These research and development programs greatly lessened the tax burden and lower the overall costs for companies who are locating and doing business in our state. There's more that we can say on this bill. I'll probably speak on it again. I urge you to pass this onto Select File. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Avery. Those wishing to speak are Senators Campbell, Stuthman, Dubas, Carlson, Hadley, and others. Senator Campbell, you are recognized. [LB555]

SENATOR CAMPBELL: Thank you, Madam President. Colleagues, I took an interest in this bill because of a discussion that I had with the local chamber, the Lincoln chamber, and some of its leadership. And they felt that this bill was very important for the future. And I, too, would like to stress that the economic times we are living in will not last forever and that we need to be ready to be competitive with the states around us and really all across the nation. I believe that we are often called upon to put into place tools that will enable us to be ready for the future. Obviously, LB555 is important to the University of Nebraska and to Innovation Park. This body and the university were visionary last year when it began to look at what this could mean for our state. But I think the true key of LB555 is that it will reach across the entire state of Nebraska and that this bill enables the incentive for research and development projects entered into under contract by the private sector which is so important to this state that we have public and private partnerships with Nebraska postsecondary education institutions that can reach across the entire state of Nebraska. A quote that I have used in teaching in junior high schools and high schools, when I was a county commissioner, and that unfortunately for all of my colleagues in this body you are going to hear very often because it is my favorite quote, the purpose of government is to represent the interests of the future to the present. LB555 does exactly that. It represents the interests of the future of the state of Nebraska for our business sector, for our higher institutions, and for all of our citizens, and therefore I urge your support of AM367 and the underlying bill, LB555. [LB555]

SENATOR FISCHER: Thank you, Senator Campbell. Senator Stuthman, you are recognized. [LB555]

SENATOR STUTHMAN: Thank you, Madam President and members of the body. I truly support this bill. I think there is a real opportunity for research. You know, Nebraska is an ag state and we all agree upon that. But the fact is there are so many things that we need to do yet as far as the research is concerned and the availability of private industry to get in cooperation with the University of Nebraska or the colleges that they can do

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

some research. I think some of the things, there is the beginning of research being done on methane digesters. There are a lot of waste products that are going into landfills. There are landfills that are being used at the current time, you know, to generate methane that runs other businesses. I think we're just beginning to realize, you know, that there are so many opportunities for us in this ag state to generate wealth. I think the fact is that we need to be very aware, you know, that we need to allow these private industries, you know, to establish agreements with these universities to get this research. I think that's very important because of the fact that we do need to continue to raise food for the rest of the world. It has been said time and time again that, you know, in 20 years, 20, 30 years from now, you know, we're going to have to double our food production. And that's possibly very true. But the fact is, you know, we need to have research, you know, so that we can get to that point of raising that amount of food for the people. And it has to be profitable for the people producing the food. I think that's very important. So I'm in total support of this. I think it's a good idea. I think it's something that we have to be doing. And because, you know, yes, there's going to be a tax credit on this, but the fact is it's going to generate wealth, it's going to generate income, and it's going to create employment in the state of Nebraska. So with that, thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Stuthman. Senator Dubas, you are recognized. [LB555]

SENATOR DUBAS: Question. [LB555]

SENATOR FISCHER: The question has been called. Do I see five hands? I do. The question before the body is, shall debate cease? All those in favor vote aye; all those opposed vote nay. Has everyone voted who wishes to? Senator Dubas, for what purpose do you rise? There's been a request for a call of the house. All those in favor of going under call vote aye; all those opposed vote nay. Record, Mr. Clerk. [LB555]

CLERK: 34 ayes, 0 nays, Madam President, to place the house under call. [LB555]

SENATOR FISCHER: Thank you. The house is under call. Senators, please record your presence. Those senators outside the Chamber please return to the Chamber and record your presence. All unauthorized personnel please leave the floor. The house is under call. Senators Janssen and Lathrop, please report to the Chamber. The house is under call. Senator Dubas, all senators are accounted for. How would you like to proceed? Senator Dubas, I believe you can take call-ins. There has been a request for call-ins. [LB555]

CLERK: Senator Avery voting no. Senator Loudon voting yes. Senator Rogert voting yes. Senator Mello changing from no to yes. Senator Cornett... [LB555]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR FISCHER: Record, Mr. Clerk. [LB555]

CLERK: ...you had voted yes, Senator. 25 ayes, 13 nays to cease debate. [LB555]

SENATOR FISCHER: Debate has ceased. Senator Cornett, you are recognized to close on AM367, the committee amendment. [LB555]

SENATOR CORNETT: Yes, thank you, Madam President. I urge the body to support this very important amendment and the very important underlying bill. This will do more for our state in regards to research and development than we...you can imagine. With that, I would yield the remainder of my time to Senator White. [LB555]

SENATOR FISCHER: Senator White, you are recognized. [LB555]

SENATOR WHITE: Thank you, Madam President. Thank you, Senator Cornett. This is only the amendment, folks. This is an important bill. I know many people have many observations. I would very much like to have the conversation with you and I invite any questions all the time that you want. This is only the amendment that reduces the fiscal note from the number in front of you to those that I read below. And as such, I hope it's noncontroversial. The underlying bill certainly is an important step for the state. And it certainly deserves full and fair consideration and I invite that. Therefore, I do ask your support for the amendment because it drops the number to a number we can rationally talk about. And then we can have the debate, and I stand ready to answer any questions that I am able to answer. So with that, I'd also like to thank Senator Mello for making this his priority bill. I very much appreciate his thoughtfulness. Thank you, Madam President. [LB555]

SENATOR FISCHER: You have heard the closing on the amendment. The question is, shall the amendment be adopted? All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk. [LB555]

CLERK: 46 ayes, 0 nays to adopt committee amendments. [LB555]

SENATOR FISCHER: The amendment is adopted and the call is raised. We will now go back to debate on the advancement of the bill. Those wishing to speak are Senators Carlson, Hadley, Haar, Gay, and others. Senator Carlson, you are recognized. [LB555]

SENATOR CARLSON: Madam President and members of the Legislature, I'd like to address a question to Senator White, if he would yield. [LB555]

SENATOR FISCHER: Senator White, will you yield? [LB555]

SENATOR WHITE: Yes, of course. [LB555]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR CARLSON: Senator White, this may be something I just can't see and it's pretty simple and if so, you can enlighten me. But we're changing...now that we passed the amendment and change the percentage of tax credit from 30 to 15, and you went through the effect that this would have on the A bill, and it's much less than 50 percent. We've cut the percentage here by 50 percent, but those expected results are much less than that. Tell me why. [LB555]

SENATOR WHITE: Well, what we've done, Senator, is the bill as originally drafted doubled the credit for all research. The credits you see now are the law now, okay? The only thing this bill does is increase now, from existing law, the credit for work done on property owned by a college or a university to 35 percent. So if the bill does not pass, the credits you see of 15 percent, those are the law now, that changes nothing. So in terms of the fiscal note is now limited only to research, it increases if you do research in conjunction with one of our colleges or universities on property the college or university owns. And there's a good reason for that in terms of the benefit for the state. What it does is, in my opinion, ties the industries that are doing the research to people who are deeply committed here. If a lot of your money is being invested for...with a professor who has tenure here on a place owned by the state with often equipment owned by the state or perhaps owned by the company, but the minds that you are doing the work with are tenured professors tied to universities and colleges here, you're not likely to pack it up and move it. It adds a stability, a sense of place, also gives credit to the state that it is an institution identified with the state that has helped develop this research. [LB555]

SENATOR CARLSON: Okay. Thank you, Senator White. I'd also like to address a question to Senator Mello. He and Senator Avery both brought about similar remarks, but I'd like to address a question to Senator Mello, if he would yield. [LB555]

SENATOR FISCHER: Senator Mello, will you yield? [LB555]

SENATOR MELLO: Yes. [LB555]

SENATOR CARLSON: Senator Mello, you may have to repeat a little bit of what you said. You talked about, I think that if it was up to a \$10 million additional investment in the state, that that is what would happen in order for the A bill to reach a certain point in a certain year. Kind of repeat that, would you? [LB555]

SENATOR MELLO: With the revised fiscal note, now that the committee amendments were adopted, to reach the fiscal note for the biennium of \$735,000 it would be an investment of \$10.3 million. [LB555]

SENATOR CARLSON: Okay. Now I think there's an assumption in there. And I don't know if you can answer this. It would take \$10.3 million of additional investment in order

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

to recognize \$735,000 of tax credits. How much of that \$10.3 million investment would occur anyway, regardless of the tax credit? [LB555]

SENATOR MELLO: You know what, that's a great question, Senator Carlson. And I don't have that exact number on me. I would believe since we are facing, I think, at least the research I've seen shows Nebraska, in regards to private businesses, in regards to their public-private partnership relationship with higher education, research, and development is...does not fare well... [LB555]

SENATOR FISCHER: One minute. [LB555]

SENATOR MELLO: ...amongst the other 50 states. So I couldn't tell you exactly what amount of research is being currently done at institutions of higher education that would qualify for this at this moment in time. [LB555]

SENATOR CARLSON: Okay, thank you for your answer. I think it probably can't be determined. But certainly there is some investment that would probably take place regardless of the bill. That's hard to discern. You know, when it comes up to my priority bill I'm going to be making some estimates as well. We need to be cautious on that so that we can be as accurate as we can possibly be. With the remaining seconds, I'll be interested in...I know that on the committee statement there were some senators who voted against the bill. I'll be interested to see what they have to say concerning it. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Carlson. Senator Hadley, you are recognized. [LB555]

SENATOR HADLEY: Madam Chairman, members of the body, I did vote no on this bill. And the exact reason I voted no was because of the fiscal note. At that point in time it was \$2.8 million. We did not have an estimate of what the new fiscal note would be, so I voted no. I think the new fiscal note, which will be approximately \$735,000 which is about one-fourth of the old fiscal note, does seriously...does change the bill a lot. So I think at this point in time I would rise in support of LB555 because of the change in the fiscal note. A couple things I would like to urge. First, I would like to urge that the universities and colleges of Nebraska that are working with companies, the more they can do to help industries in Nebraska by their R&D work, the more it will make this kind of bill successful. We need help in our roads, we need help in our agriculture, we need all kinds of help in Nebraska. So I know you can't tell a professor what they need to do research on and what they shouldn't do research on. But any areas that would help the state of Nebraska in this kind of program would be greatly appreciated. Secondly, I know at times how hard it is to recruit professors to the state of Nebraska. If they can come with some assurances that their research will dovetail with R&D of companies in Nebraska, and that funding can be available from the companies, I think this will serve a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

purpose of recruiting good professors to Nebraska as time goes on. So again, I was opposed to the bill because of the fiscal note of \$2.8 million. I think the \$700,000 fiscal note is much more realistic, so I rise in favor of LB555. [LB555]

SENATOR FISCHER: Thank you, Senator Hadley. Senator Haar, you are recognized. [LB555]

SENATOR HAAR: Madam President, members of the body, I rise in support of LB555. I'm a strong believer that R&D, research and development, go hand in hand with Nebraska economic development. The area I'm very interested in, of course, is renewable energy, wind energy and this same...I'm sure this would apply as well to that area. And the same goes, if we want to develop wind energy, we're going to have to...we greatly enhance that by also providing research and development in that area. So I see this also is leveraging money from the private sector, which is always a good deal. And I think that, again, research and development is an important part of building the future for our children and grandchildren. So I support this bill and I want to thank Senator White. [LB555]

SENATOR FISCHER: Thank you, Senator Haar. As we continue our discussion on LB555 senators wishing to speak are Senators Gay, Sullivan, Harms, Hansen, and others. Senator Gay, you are recognized. [LB555]

SENATOR GAY: Thank you, Madam President. I, too, rise...there's a lot of support for this bill, and I rise in support of the bill. But also I just wanted to make a few comments on the idea of the tax credits. I commend the Revenue Committee and Senator White for reducing the fiscal note with the amendment. As we look at these tax credits that are granted for five years here, it's important that we make that commitment. Senator White brought up in his opening comments about how, you know, we're in difficult times, which we all understand that. But also the point he made, and I would agree with, is at this point you can't just say, hey, stop all activity and kind of freeze. And I think what he is doing is being thoughtful into the future, giving us some great opportunities here to possibly take care of our own future here. And this bill will be helpful with that. So I commend him on that. I do want to talk a little bit, though, on the...when we talk about these tax credits. I have some other bills coming as well, same thing. I know at the end of the day we're going to look down on these A bills and have to make some tough decisions later in the session. But when we do that, I hope we do remember when we get to that point that, you know, although times are very difficult now, we need to be smart about what we're doing in the future and not just thinking of the two-year cycles here. So I think he does a good job with this bill. Also I'd like to ask Senator White a few questions, if he'd yield. [LB555]

SENATOR FISCHER: Senator White, will you yield for questions? [LB555]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR WHITE: Absolutely. [LB555]

SENATOR GAY: Thank you, Senator White. Senator White, one thing on the...I looked at the proponents of the bill. And I know the universities and the colleges are all supporting it. Is there a particular focus though that we're working on, on our research in Nebraska? [LB555]

SENATOR WHITE: Well, certainly different schools have different things. For example, University of Nebraska Medical Center is a world leading cancer research facility. So what that means for business is if I really want to get leverage and I want to look right now as they are, Pfizer, for example, is trying to buy Wyeth. They're making decisions right now on where to invest for the next generation of drugs to treat cancer. They will look there because already there's a huge investment in knowledge, and equipment, and people. And that make...and this will make it more attractive to bind them there. So on the other hand, Curtis, Nebraska, has a lot of research on the next generation of how ranching should be done and what done. And you might see companies that want to invest in Curtis for different reasons and different industries. [LB555]

SENATOR GAY: Okay, thank you. You had mentioned this would require on the out-years, 2011 and '12, a \$42 million investment to reach this. And then you said, I hope we not only meet that but exceed that. And I would agree. What are the average sizes, do you know, of the...I mean can they vary, of the projects that are being brought to us now existing? [LB555]

SENATOR WHITE: Absolutely. The basic restraints on this bill are, one, it is a percentage of the federal tax credit. And so we rely on the IRS to enforce that this is really legitimate research and development. If it doesn't qualify under federal law it will not qualify under Nebraska law. That's one. And second, of course, universities have to agree that it's worthwhile research and participate in it. Not only the University of Nebraska but again it could be any college, it could be anyplace in the state that is an institute of higher learning. [LB555]

SENATOR GAY: And you mentioned that these would probably be projects already being originated here to apply for it, obviously, so they're not going anywhere. I like that concept of this whole...of the whole bill. So and then when you talk about you got to go through the federal...there's a federal...could you talk about the federal tax, how that works. [LB555]

SENATOR WHITE: Right. Well, I can't give you the specific details. But the Internal Revenue Services obviously has a lot of regulations about what qualifies as legitimate research and development. In order to qualify... [LB555]

SENATOR FISCHER: One minute. [LB555]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR WHITE: ...for our tax credit you have to first satisfy the IRS that that's a legitimate deduction. If you lose the federal tax credit, you automatically lose ours. Therefore, we get the enforcement and the expertise of the federal system, but trying to encourage people to come to Nebraska to do it. [LB555]

SENATOR GAY: All right. Thank you, Senator White. Thank you, Madam Chairman. [LB555]

SENATOR FISCHER: Thank you, Senator Gay and Senator White. Senator Sullivan, you are recognized. [LB555]

SENATOR SULLIVAN: Thank you, Madam President and members of the body. I rise in support of LB555. But I do have some questions and I'd like to know if Senator White would yield for some. [LB555]

SENATOR FISCHER: Senator White, will you yield? [LB555]

SENATOR WHITE: Yes, Madam. [LB555]

SENATOR SULLIVAN: First of all, I should preface my comments by saying we have some...a wonderful example of how this concept that Senator White is introducing works in the land grant university and the work that's been done at their experiment stations and the Cooperative Extensive Service. You only have to look at the concept of hybrid seed corn to see why...how that research that got its start at this institution then spawned tremendous economic development and new businesses in this state. So it is a concept that works. But, Senator White, I wondered if, as I said, we've got experiment stations all across this state under the guise of the University of Nebraska. Will this bill impact the relationship that the land grant institution and its experiment stations have had with private companies? Will this bill impact that relationship at all? [LB555]

SENATOR WHITE: Absolutely. I mean, if it does not then it didn't do what I hope and intend. Let me give you some of the just many examples. Drought-resistant corn genetically engineered, research can be done here, it can be done on the land grant university at the extension site. And in my opinion, it qualifies for the tax credit. More efficient center-pivot irrigation or irrigation systems. Putting one of those on, experimenting with the use of different methods to more efficiently utilize water so the uptake into the crop is better and the waste is less would qualify. Essential kinds of things that drive our economy across the state. It could be the genetics of sugar beets, it could be a better method to refine them using lower energy. It literally, as Senator Stuthman observed, it can be better methane digesting which, to me, is one of the great problems and opportunities. We can get rid of flies, smell, fecal matter in our water anywhere in the state if it is owned by...the land is owned by a university and they agree

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

to cooperate in the research to handle it. [LB555]

SENATOR SULLIVAN: Those are all good examples. And I think probably they're all examples of current research that's being done at the university. So my question is, is the idea for the research initiated by the institution or is it initiated by the private company coming to the institution asking them to use their facilities to conduct this research? Who drives the research topic, I guess, is what I'm asking? [LB555]

SENATOR WHITE: Well, ultimately the university has to accept it and work with them and allow it to occur on their property, otherwise it won't happen because this is tied to property. So the final decider would be the college or university. In terms of who originates the idea, I'm hoping nobody cares. I'm hoping that if it's a good idea and it makes sense to the university and it makes sense to industry, they'll do it. So...but in terms of who's the ultimate decider of who gets to play, it has to happen on university property or college property, therefore they will. [LB555]

SENATOR SULLIVAN: I notice that the only one for the University of Nebraska system that testified was, I believe, Mr. Kotsiopules from University at Kearney. Have you been in contact or had you heard indication of support from the Extension Service and the Research Division of IANR? [LB555]

SENATOR WHITE: I can't specifically tell you who has. But the universities and the colleges have given broad spread support. I cannot tell you this person individually has. What I can tell you is a number of academic personnel have contacted us and said, this is helpful, we can really do some good things with this. [LB555]

SENATOR SULLIVAN: Okay. And then finally, have you or is there any consideration, I would assume you're not limiting this to private companies who are just Nebraska companies... [LB555]

SENATOR FISCHER: One minute. [LB555]

SENATOR SULLIVAN: ...there's no limitation on that? [LB555]

SENATOR WHITE: No. I mean, the only limitation is if they have income that would be taxable under the state of Nebraska, they can qualify for this credit. And therefore, they have to make money here, they have to hire people here, they have to spend money here. If they do that, they qualify. [LB555]

SENATOR SULLIVAN: Thank you very much. [LB555]

SENATOR FISCHER: Thank you, Senator Sullivan and Senator White. Senator Harms, you are recognized. [LB555]

Floor Debate
March 31, 2009

SENATOR HARMS: Thank you, Madam Chairman and colleagues. I rise in support of LB555. I wonder if Senator White would yield to a couple of questions for me, please. [LB555]

SENATOR FISCHER: Senator White, will you yield to questions? [LB555]

SENATOR WHITE: Yes, I will. [LB555]

SENATOR HARMS: Senator White, as I read through this bill it brought to my attention quickly my thoughts about the innovative campus that the University of Nebraska, we debated last spring and approved. When you drafted this legislation did you have in mind this innovative campus? Because it looks like to me it really might jump-start that particular program. [LB555]

SENATOR WHITE: Well, as you know, one of my real concerns and criticisms of the innovation campus was that they did not come to us with existing business partners, either as anchor tenants or even as prospects. I felt that was a serious impediment for it being successful. So, yes, I want that to work. It's incredibly important, not just to Lincoln, but the concept is important to the whole state. And if there can be an innovation campus in Scottsbluff, Senator, I will, in accordance with the junior college out there, I'd support that. But yes, we cannot do research successfully of the type that will drive our economy unless business is a close partner. And this bill is designed to fill that gap and it is designed to make that successful or help. [LB555]

SENATOR HARMS: Thank you, Senator White. I'd also like to know on the green copy, on page 2, line 22, we talk about 35 percent. Why 35 percent? [LB555]

SENATOR WHITE: Well, that 35 percent is 35 percent of the federal tax credit. It is a number that tries to balance what is a fiscal reality and what is a legitimate economic incentive. Is there a magic to 35 percent? No, other than it's a balancing act between what we can afford and what we have calculated will be enough to attract international and large businesses to investing here. [LB555]

SENATOR HARMS: In other words, 35 percent is what we can afford. Is that correct? [LB555]

SENATOR WHITE: Yes, and also what we think will...I don't want to spend more than necessary to get the high-quality research. But on the other hand, I certainly want that high-quality research because it will drive economic prosperity in other areas. [LB555]

SENATOR HARMS: Okay. Let's talk a little bit now about research and maybe experimental activities, if we could for a second, Senator. [LB555]

Floor Debate
March 31, 2009

SENATOR WHITE: Sure. [LB555]

SENATOR HARMS: At what level of research are we referring to? [LB555]

SENATOR WHITE: Well, actually this particular stuff is anything that will qualify under the federal regulations as legitimate research and development. That is a complicated area, Senator, as you can imagine, well developed by the IRS. I am not an expert in it nor can I tell you. But what I can tell you is this is the kind of stuff that I can give you examples that would qualify. Clearly, if you had, for example, one of the new ethanol companies that are looking at buying some of the ethanol plants, there's currently proposals with them to work with the concept of this genetically altered algae that will, when it's grown, contain 70 or more percent of oil in its mass weight. Okay? Those kinds are indeed projects on property owned adjacent to an ethanol plant, would certainly qualify. Genetically modifying corn, research and development, so it is more drought tolerant or uses less irrigated water would certainly qualify. The next generation of cancer drugs done at UNMC in Omaha would certainly qualify. I would believe in my opinion research on the most efficient way to use groundwater and apply it to the surface through center pivots, either through Lindsay or Valmont, both Nebraska companies, would certainly qualify if the university says, yeah, this is something we want to do. The tractor lab, next generation of tractors that reduce soil compaction or more fuel efficient would certainly qualify. Herbicide... [LB555]

SENATOR FISCHER: One minute. [LB555]

SENATOR WHITE: ...research would qualify. [LB555]

SENATOR HARMS: Thank you very much, Senator White. This is pretty comprehensive and I think it's the right move for this great state because I think it will stimulate our economy. I think it has great opportunities for us to attract business. I really believe that it will really truly jump-start the innovative campus, because that's the very thing that we were short when we debated this thing a year ago. And I think this will help us move forward. And I believe that you'll find that it will add to the economy greatly. So thank you very much, Senator White, for this introduction. Appreciate it. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Harms and Senator White. Those wishing to speak on LB555: Senators Hansen, Dubas, White, Schilz, Dierks, and others. Senator Hansen. [LB555]

SENATOR HANSEN: Thank you, Madam President and members of the Legislature. I just want to take just a little bit of different approach toward the bill. I think the underlying bill is okay. We just need to make some clarifications on what is happening. Our ranch

Floor Debate
March 31, 2009

has been working hand in hand with the University of Nebraska since before 1920 on feeding trials, grassland trials, everything until about I think the early 2000s, when we did a cooperative study with XY Company in Colorado. And that was a semen experiment. So we've done a lot of experimentation on our place with the University of Nebraska. I want to remind people that you still probably have an opportunity to catch Dick Cavett on ETV. He has a special on now about the early days of the university. And they go back into history and they find out what the things that they were doing in the early days of the university. They were doing agronomy on corn, of course, and some grass, but mostly just corn, see if we could grow corn in the state of Nebraska. He also had a segment that was very interesting, during the thirties they did homemade wind power. The plans for your own homemade wind power and so that circle seems like it's come around again too. But one of their biggest groups of experimentation and research was on nutrition. And when they had all this research done at Lincoln, here at Lincoln and the various surroundings part around Lincoln, they needed a way to get this out. They needed to extend their knowledge. They didn't know for sure how to do that, but it was at the same time that the federal government passed the Extension Service Act. So the University of Nebraska now and for a long time does the research, turns it over to Extension, and the Extension Service gets those products and ideas, the new research out to the people who have the businesses. Businesses, whether it be in town or be on the farms and ranches in the state of Nebraska. We have a university right now, the University of Nebraska at Lincoln that the Extension Service is a little bit of a threat of being downsized. There are Extension Service Offices open or at least serve every county in the state of Nebraska. We've had some consolidation, which was fine because the population in those counties is small. But still the people out in the country, in the towns need the Extension Service. The Extension Service is extremely important to extend that knowledge that the university has. I just want to make that point. I think that the underlying bill that Senator White has brought, especially with the amendment to cut down the A bill, is going to help the state. It will help agriculture, it will help the people in town, it will help the businesses in the urban areas too. But we still need that extension component that gets that to the people. And finally, I want to make a reminder that if you want to see the extension at its best, tomorrow night is the first night of Backyard Farmer. Thank you, Madam President. [LB555]

SENATOR FISCHER: Thank you, Senator Hansen. (Visitors introduced.) A number of senators wishing to speak, including Senator Dubas, White, Schilz, Dierks, and Friend, among others. Senator Dubas, you are recognized. [LB555]

SENATOR DUBAS: Thank you, Madam President, members of the body. I rise in strong support of LB555. Development of renewable energy affords vast economic development opportunities for our state, rural, urban, across the whole spectrum. And I think this bill is an important component of developing a comprehensive approach to renewable energy development. Renewable energy is our next new frontier. But it takes more than just putting up a windmill or a solar panel to make that development happen.

Floor Debate
March 31, 2009

States that are ahead of us in this arena look at more than just producing the energy. They look at job training, they look at education, and they're looking at more than just the obvious, they're looking at more than just putting up a windmill or putting up a solar panel. They are looking at the future technology. They are looking down the road and what does it take before we're able to even put up that windmill or that solar panel. They are investing in research. Research is the starting line for any future development in anything, whether it's renewable energy or livestock or grain production. In anything that we're talking about, research is that starting point. We're looking at developing energy from algae, methane capture from livestock production or landfills, cellulosic production, geothermal. I mean this is just the beginning. I mean there are things out there that we don't even know anything about yet. Novozymes is an enzyme plant that is in Blair, Nebraska. These enzymes are an important component for the development of ethanol. And ethanol has been the leader in our state as far as renewable energy. Ethanol has provided us huge economic impacts. Now we need to look at how do we take ethanol production and take it to that next level. So we already have a company, a Danish company that has come into Nebraska and they are using cutting-edge technology in developing these enzymes. Research and development is our foundation. Whenever you build a house you immediately notice the aesthetics, you notice the colors, you notice the architecture, you notice everything about that house. But if that house is built on top of a foundation that has been poorly constructed, the future existence of that house is questionable. If you don't have a solid foundation, everything else crumbles. Well, without strong research and development, our renewable energy development will continue to lag behind other states. So it is with a great deal of pleasure that I'm able to support this bill. And I encourage the rest of the members of the body to do so also. Thank you. [LB555]

SENATOR ROBERT PRESIDING

SENATOR ROBERT: Thank you, Senator Dubas. Those wishing to speak: Senators White, Schilz, Dierks, Friend, and others. Senator White, you are recognized. [LB555]

SENATOR WHITE: Thank you, Mr. President. I would also like to just appreciate some other folks. Senator Nantkes was incredibly helpful throughout this process. Her understanding of the university is, at least in my experience, unmatched. And I would ask if she'd be kind enough to yield to a question. [LB555]

SENATOR ROBERT: Senator Nantkes, 4:41. [LB555]

SENATOR NANTKES: Thank you, yes. [LB555]

SENATOR WHITE: Senator Nantkes, could you please describe what kind of support this bill has among the university and explain that to our fellow senators? [LB555]

Floor Debate
March 31, 2009

SENATOR NANTKES: Yes. Thank you, Senator White. Thank you for your kind words and also for the opportunity to clear up the record. I had a chance to visit with Senator Sullivan off the microphone in regards to her questions previously. But to be clear, senators, each of you should have received a letter, some correspondence, from John Owen, the Vice Chancellor of IANR which, as you know, is the agricultural and natural resource component of the university system in full support of this legislation. Additionally, Mr. Pete Kotsiopules has transitioned into a broader role as a representative of the university. And really, I'm sorry, I don't have his, I think, official title is External...Vice President of External Relations, I think, and particularly targeted towards the business and industry side of things. I can clear that up for the record as we move forward. But instead of just testifying on behalf of UNK, we may have to correct that in the committee statement, he really was speaking for the university system and community as a whole. This legislation enjoys wide support amongst all aspects and sectors of the University of Nebraska and colleagues, please note as well, amongst our friends and partners in the private sector as well, as Creighton University is a strong supporter of this legislation. So this is really one of those bills where people have come together to focus on the common ground and the common sense included in this exciting, innovative piece of legislation. So I'm happy to answer any additional questions in terms of university support. And I know they have some representatives here as well. But make no mistake, it is crystal clear they are fully united across departments, across campuses in support of this legislation. Thank you, Senator White. [LB555]

SENATOR WHITE: Thank you, Senator Nantkes, I appreciate that response. I won't belabor this any further than I have. I will stand ready to answer any questions anyone may have. Thank you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator White and Senator Nantkes. Senator Schilz, you are next and recognized. [LB555]

SENATOR SCHILZ: Thank you, Mr. President and members of the body. Shocking. Good morning, everyone. Just...I don't want to belabor this, just like Senator White said. But I think it's a great bill. I think it does some of the things that we've needed for quite awhile. I mean, these are the types of programs we need for rural Nebraska, it's the type of programs we need for urban Nebraska, it's the type of programs that will work for all of Nebraska. And we should all stand up and support this. Research brings investments. Research brings jobs both today and into the future, and research will bring vitality back to rural Nebraska and create more economic development, more economic vitality for the whole state. So I would just stand, you know, as a person that's been through some economic development experience, I would stand in great support of this. And would just urge everybody to vote for it. And that's really all I have to say. So thank you very much. [LB555]

SENATOR ROBERT: Thank you, Senator Schilz. Senator Dierks, you are next and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

recognized. [LB555]

SENATOR DIERKS: Thank you, Mr. President, members of the Legislature. I, too, stand in support of LB555, recognizing the economic benefits available to the research and development industry. I want to discuss something that hasn't been discussed yet and that has to do with the R&D licenses that they used for this research. Over the years I've observed and had concerns about research projects undertaken, especially by land grant universities or institutions and the loss of the intellectual property rights that should have been retained by these land grant institutions. Usually when asked this question, and I've asked it at committee a year ago when we were talking about the State Fair movement and the adaptation of the new research park over here in Lincoln. When I asked that question they'd always say, well, yes, we keep those intellectual property rights. I still have questions about that. I think over the years that corporate America has come in and paid for the research and then taken all of the research advice that they've gotten and the universities have not kept up with the intellectual property rights. I think it had great potential for economic benefits for our state if those property rights are maintained in the university or anyplace else that does this research. So we're providing tax credits to these people. And I wonder if we shouldn't be also asking for some retention of intellectual property rights to...just to satisfy our position there. Senator White, I wonder if I could ask you a question? [LB555]

SENATOR ROBERT: Senator White, will you yield to a question? [LB555]

SENATOR WHITE: Yes. [LB555]

SENATOR DIERKS: Senator White, I guess you probably heard what I asked about intellectual property rights. Do you have any concerns about that or have you visited with anybody at that level about that issue? [LB555]

SENATOR WHITE: That's an excellent question, Senator Dierks, and an area that we hadn't explored. Yes, I do concern it. But I would tell you here is the gray aspect of this bill. In order for this tax credit to be earned, the university, the college, whoever is doing the work has to agree that it can be conducted on their property. And so what this does is empowers the various institutions to negotiate the best deal they need. What I'm often uncomfortable with is that I can tell them from here what's the best deal they can get four years from now in a different place. Nobody can get this credit unless the university agrees. Therefore they are absolutely in the position to ask for a share or ownership of different aspects. I hope that they do utilize that. I urge them to and I know you are. But rather than say they must give it, it just gives them the right to negotiate for it. [LB555]

SENATOR DIERKS: Thank you. Thank you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator Dierks. Senator Friend, you're recognized to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

speak. [LB555]

SENATOR FRIEND: Thank you, Mr. President and members of the Legislature. I've said on a couple of occasions that I'm having difficulty. Maybe it's an old dog in the new...an old dog and new trick type of thing. But I'm having difficulty getting used to this Legislature. And here's what I mean by that. It's understandable, it's a new Legislature, it's a new phenomenon to me. Three years ago, two years ago, last year this bill would have 20 amendments on it and it would have a kill motion waiting at the end of the rainbow. Now I'm not saying that's right and that's what should happen here. But I'm going to rain on the parade a little bit. I've heard I think 12 speakers, short of maybe Senator Dierks, Senator Hansen, and Senator Carlson, this is a huge lovefest. Let me throw a blanket over that lovefest for a minute. I voted for this out of committee because we narrowed the focus. We narrowed the cost. This isn't a tax cut. This isn't relief for taxpayers and Senator White knows that. I'm not telling him anything he doesn't know. LB520, LB282, LB419, LB271, LB405, these are all tax credit bills. They would all provide really, really good things for the people that are going to use them and for a society that really needs that type of work. Let's talk about what...another thing that those do. LB67, by the way, provide a lot of good things for folks that need that type of help. Let's talk about something else that these bills do. The argument against everyone of these, the argument against LB555, if you want me to give you one, Legislature, I apologize, Senator White, I'm not trying to hand out arguments, but here is one and here is a good one, you're diverting funding, you're diverting tax dollars to entities that could either go for a tax cut to individuals...oh, by the way, I know that's unpopular right now. President Obama would like to socialize the auto industry. The federal government...we are socialist, it's coming. If we're not now, it's coming. And maybe that's why we ought to be celebrating on this floor for diverting tax funding. And I'm one of them, I voted the thing out of committee. Maybe I should have my head examined too. Maybe we're in that era. You know what I'd rather have for \$500,000? For \$1 million, for \$2 million or \$3 million and that includes my LB67, the one I sponsored that would have cost us \$3 million? Tax cut, income, sales, start addressing it. Senator Pahls got excoriated all weekend. I'm seeing the e-mails. Why? It's not Monday, it's Tuesday, but you know what, it might as well be Monday because I'm in a weird, foul mood. Let me tell you, here's the funny thing about it. And I'll reiterate this. If we want to have a lovefest on every bill, let's have it. I don't care. I'm not going to call the question. Somebody said, let's move on, let's move on. Why? Let's have a lovefest on every bill. [LB555 LB520 LB282 LB419 LB271 LB405 LB67]

SENATOR ROBERT: One minute. [LB555]

SENATOR FRIEND: But there's going to be a time in this session where the lovefest ends. It may not be now. It may not be this afternoon, although I can predict it will be if I'm here. But I'll guarantee it comes at budget time. So just prepare yourselves because this money we're handing away, ask Senator Heidemann, I bet he could use it. Thank

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator Friend. Senator Pirsch, you are next and recognized to speak. [LB555]

SENATOR PIRSCH: Thank you, Mr. President, members of the body. And I think that's a point well taken that, you know, what we do out here today in this particular instance, as well as look at bills that are going to be spending in this case millions of dollars of the taxpayers money, and so it is incumbent upon us even if the overall, I guess, general concept, the end to which the bill is being put forward to is one that we value, I think, we have to use due diligence and kick the tires and make sure that all the T's are crossed and the I's are dotted. So to that end I thank Senator Friend. But just a quick question for Senator White, if he'd yield. [LB555]

SENATOR ROBERT: Senator White, will you yield to a question? [LB555]

SENATOR WHITE: Yes, I will, Mr. President. [LB555]

SENATOR PIRSCH: To the extent that this bill...currently there's a research and development tax credit, right, of 15 percent? Is that correct, that's currently in place? [LB555]

SENATOR WHITE: Yes. [LB555]

SENATOR PIRSCH: So this bill is an expansion upon a certain segment, one part of that credit that would move things that deal with higher education, research and development that deals with higher education would move from 15 percent, that part of the overall pie would move to 35 percent then. Is that correct? [LB555]

SENATOR WHITE: If it's conducted on property owned by the university and in conjunction with it or a college, that would be correct. And it's... [LB555]

SENATOR PIRSCH: Okay. And I think you've just... [LB555]

SENATOR WHITE: ...35 percent of the federal credit. [LB555]

SENATOR PIRSCH: Okay. And I think you've just clarified a part of what my question was in this handout that you said, you said, with Nebraska higher education. That is a requirement it has to be on Nebraska...I'm sorry, the property of higher education, is that correct? [LB555]

SENATOR WHITE: Has to be on property owned by a college or a university located in the state, the research has to occur there. [LB555]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR PIRSCH: Okay. Very good. [LB555]

SENATOR WHITE: And in conjunction with the university. [LB555]

SENATOR PIRSCH: Insofar this is an expansion on at least you could argue an underlying, already existing program, and is that administered by the Department of Economic Development? [LB555]

SENATOR WHITE: Well, no. The tax credit would be, of course, the Department of Revenue, you know. [LB555]

SENATOR PIRSCH: I'm sorry. [LB555]

SENATOR WHITE: I mean, but in terms of what research is done and whether it qualifies, first, the universities have to agree to it, and then it has to qualify under the IRS, Senator. So the federal government, you could say, is really the watchdog. [LB555]

SENATOR PIRSCH: Sure. [LB555]

SENATOR WHITE: If you don't qualify for the federal tax credit, you will not get a state tax credit. [LB555]

SENATOR PIRSCH: Right. I guess what...my question is, has the Department of Economic Development or any other entity gone back...well, when was this 15 percent R&D credit added? Was that part of a larger package? [LB555]

SENATOR WHITE: I think it was part of a larger package in the past. It has not been very effective at 15 percent. And this is just verbal. So I haven't seen an actual report on it, Senator. But my understanding it's less than \$65,000 in tax credits were used in the last year under this section. And so we have not been very successful at attracting business to work in conjunction with our colleges and universities, and therefore that's one of the reasons that prompted this bill. [LB555]

SENATOR PIRSCH: Yeah. Do you know when...what year it was that that 15 percent went into effect? [LB555]

SENATOR WHITE: I don't, Senator. [LB555]

SENATOR PIRSCH: Okay. And you said there was only a nominal amount, \$60,000 or so that was claimed last year, is that right? [LB555]

SENATOR WHITE: That's my understanding, yes, Senator. But again that's verbal, I

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

haven't seen a written report on it. [LB555]

SENATOR PIRSCH: Okay. Was that...do you have an understanding of whether that \$60,000, that which was claimed, did that have...was that with the university or higher education systems? Do you know? [LB555]

SENATOR ROBERT: One minute. [LB555]

SENATOR WHITE: My understanding is it was, but I can't be certain on that. [LB555]

SENATOR PIRSCH: Well, I guess...and some of the comments I'm making, I might talk on this one more time or...but it would certainly be...I'd certainly appreciate having that information, being that we're taking an existing program and expanding a part of that to the extent that we have a track record to know or something that would suggest empirically, not just anecdotally, that if we were to increase it in the manner that this bill proposes that we'd get a bang for the buck. I mean, that's something I'd be interested in. And I think that, and I'll touch upon this maybe in the next time I speak, but we also have the...when...well, it's kind of lengthy, so I'll address it in the next time I speak. Thank you. [LB555]

SENATOR ROBERT: Thank you, Senator Pirsch. Speaker Flood, you're recognized for an announcement. [LB555]

SPEAKER FLOOD: Good morning, Mr. President, members. As we work our way through our first full day on the floor today, I am releasing a memo right now that discusses consent calendar, the 2009 consent calendar. We are going to be having one, I would assume, by mid-April. A couple of things to remember, you should look at Rule 5, Section 6, of our Legislative Rules to get kind of a basis as to how consent calendar works and that will be identified in the memo. Bills eligible for consent calendar generally are bills that are not controversial, where the topic that it opens up is not controversial, the bill does not add a lot of changes and does not have a General Fund impact. That's the four-tier criteria that we will look at as we make decisions on whether or not your bill is eligible to be scheduled on consent calendar. As I did and have done the last two years, this year we will again require the chairperson of the committee that the bill was heard in front of to authorize the bills selection to become a consent calendar bill. And that doesn't mean just because a committee chair signed off it's automatically chosen, it means that it now becomes eligible to be chosen. And committee chairs will be receiving a lot of information from you in the coming days. It is my intention to have all of these bills chosen by next Monday, April 6. So you have less than a week to get this to my office and that means you have already gone to the committee chairperson and been authorized to submit this for consent calendar. Again the deadline is April 6, that's next Monday. Everything is contained in this memo that will be handed out in a few seconds. Thank you very much for your attention. Thank you,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

Mr. President.

SENATOR ROBERT: Thank you, Speaker Flood. Returning to discussion on LB555, those wishing to speak, Senators Utter, Wallman, Nelson, and Pirsch. Senator Utter, you are recognized. [LB555]

SENATOR UTTER: Thank you, Mr. President and good morning, colleagues. I feel like I'm about to step right in front of a runaway train and the results of that, I know, are oftentimes not very pleasant. But as a member of the Revenue Committee I voted against this bill coming to the floor of the Legislature, not because I didn't think it was a good bill, because I think ultimately what it does is good for Nebraska and is good for developing the Innovation Park and doing all of the things that Senator White talked about. But I'm concerned about the timing, and it seems to me like this body needs to be concerned about the timing. The original fiscal note has been modified by the amendment and certainly it is a much more acceptable fiscal note on this legislation, I think. But still remains a question in my mind is, is the new fiscal note. And it seems to me if you take this to its extremes that should this program become widely used, and certainly that's subjective at this point in the game, but should it become widely used, we have to get the money to support this program from somewhere else, and it becomes an additional burden on the Appropriations Committee as to where this money is going to come from. In a sense you could look at it as the possibility that on the one hand these companies are going to get tax credits for work that is performed on the Innovation Park or on other university campuses and in that sense, increase the economic value of...to those campuses, while on the other hand, we may have to cut their budget to pay for it. And so I certainly hope that while I think this is a good piece of legislation and is important to the university, I'm not sure that the timing is right. As I'll listen to the continued projections and now the projections on the projections, it seems to me like that's something that the body has to take into consideration when they're considering legislation of this type. Thank you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator Utter. Senator Wallman, you are next and recognized. [LB555]

SENATOR WALLMAN: Thank you, Mr. President, members of the body. I appreciate Senator Utter's comments, Senator Friend's comments. I can guarantee you, most of my farmer friends did not like Kay Orr's advantage bill, Nebraska Super Advantage, and they probably won't like this one. But all the Chamber of Commerce...but I say, they all have sons and daughters who work someplace and they can't all be on the farm or the ranch, so I do support this bill and the amendment. And I would hope, I would hope that we would tie this down as Senator Dierks is concerned when we develop animal vaccines, genetic altered crops, numerous things would have been done in Nebraska with our land grant university. We have numerous acres under irrigation, dryland. My brother has an experiment on our farm. We put a tent over some crops so we can

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

control how much water gets there, so I'm definitely in favor of research and development. But, folks, let's not sell the farm to get research and development. So hopefully, we can get the business college involved because we've developed businesses here, how to do franchises, and things like that at UNL. And UNMC we've come a long ways there in development with research on the human body. So I think it's a good bill. I just hope we can use it to the best we can. Thank you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator Wallman. Senator Nelson, you're next and recognized. [LB555]

SENATOR NELSON: Thank you, Mr. President, members of the body. I have a question or two for Senator White if he would entertain those. [LB555]

SENATOR ROBERT: Senator White, would you yield to a question from Senator Nelson? [LB555]

SENATOR WHITE: Certainly. [LB555]

SENATOR NELSON: Thank you, Senator White. I'm not going to continue in the vein of the oracle from District 10, but I do have a couple of questions here. I...some reference was made to the fact that this is an ongoing program. Is there presently research and development going on now on college campuses in connection with private businesses? [LB555]

SENATOR WHITE: Yes, in the Nebraska Advantage Research and Development Act, in response to Senator Pirsch's question, my staff brought forward that there had been and I have numbers showing that in December 31, 2007, \$69,320 was claimed as a business credit in conjunction with that research. So, Senator, yeah...and I understand from Senator Pirsch, it's substantially higher last year in '08, though I haven't seen those numbers. So yes, it is ongoing. [LB555]

SENATOR NELSON: Well, that's not a great deal. But unless I was not listening carefully, I thought in your opening statement that you said this was going to involve new research and development. Is that the case or did I misunderstand? [LB555]

SENATOR WHITE: Yes, yes. I mean, they would have to make a new commitment to the research and development for money in order to qualify for this. Money already invested wouldn't because the bill wasn't in effect when they made the investment, Senator. [LB555]

SENATOR NELSON: Well, the language of the bill does not read that way. I don't see anything restricting this to new investment, and not that it makes a lot of difference

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

because we haven't had a lot of tax credits up to this point. But nothing here suggests that it has to be future investment unless it's somewhere else in the Nebraska Research and Development Act. So my point is, it looks to me like this increase from 15 percent to 35 percent where the development is on campuses is also going to go to the benefit of those businesses that are...already have research underway. [LB555]

SENATOR WHITE: Well, Senator, if that's accurate, we will certainly ask our legal counsel... [LB555]

SENATOR NELSON: Okay. [LB555]

SENATOR WHITE: ...between the time of General and Select, should the body see fit to advance this,... [LB555]

SENATOR NELSON: Right. [LB555]

SENATOR WHITE: ...to change that. But my understanding is just to the contrary... [LB555]

SENATOR NELSON: Okay. [LB555]

SENATOR WHITE: ...that our laws do not allow automatic retroactivity. I mean, if you have a child next year, you don't get to go back in years before. [LB555]

SENATOR NELSON: Well, I'm not saying it's retroactive. But I'm saying that research that's been underway for two or three years, those companies, it appears to me that have that underway, are going to get the benefit of this 35 percent. And I'm not saying that's a bad deal but it does affect your fiscal note, I think, if they're going to be eligible for it, you know, and we're only thinking in terms of new investment and research under this bill. [LB555]

SENATOR WHITE: Well, certainly, Senator, what it tracks is new money, okay. If they're not investing new money, but if they're investing ongoing money in research, yes. I mean, and that qualifies for federal tax credits. [LB555]

SENATOR NELSON: Um-hum. [LB555]

SENATOR WHITE: If it qualifies under the federal system for research and development that it's new money, I would say yes. So certainly, you have a business that's been researching, for example, hybrid corn that will work better on drought and you can plant later. All right. [LB555]

SENATOR NELSON: Right. [LB555]

Floor Debate
March 31, 2009

SENATOR WHITE: If they put in new money next year to further that research, would they qualify? Yes. Do I want them to qualify for that? Yes, absolutely. So they have to invest new money to go forward. I disagree with your assumption, Senator, that somehow we own them because they're here right now doing that. Not at all, they can up and move that. And in fact, repeatedly have done that, Senator. People move and are making new investment decisions all the time. And so the idea that they will be here anyway is not, I think, supported by the realities of the marketplace. [LB555]

SENATOR ROBERT: One minute. [LB555]

SENATOR NELSON: All right. I think your point is well taken. I'm simply saying that those that are already underway, they're here, they're doing the research, and they will get the benefit of this tax increase as long as they invest new money. And so we can't think of it in terms of this attracting all new business and everything. It will undoubtedly, but that was the only point I raise. And we might want to take another look at it and make sure that it is worded here in terms of future investment. Thank you very much, Senator, and thank you, Mr. President. [LB555]

SENATOR ROBERT: Thank you, Senator Nelson and Senator White. (Visitors introduced.) Returning to discussion, Senator Pirsch, you are recognized. [LB555]

SENATOR PIRSCH: Thank you, Mr. President, members of the body. I just wanted to touch briefly upon that which was, kind of, talked about before and that deals with future ripple effects of this and comparing...when you're talking about this as an investment and over and above those benefits that will accrue to the state through research and development dollars spent here and projecting that...or I guess, suggesting that these...the research that's developed here will lead to industry that will stay here in Nebraska. And I think it raises an interesting question or I guess concern with me, and I think we do have a lack and I'd like this body going forward in the future to take a look at what I think is a missing link. The problem is, as I see it, is we do not have once certain research is completed and patented and the intellectual property is secured and then it's kind of the next phase that is reached, the roll out phase which requires, in many instances, massive amounts of funding or financing and that's a weak link for Nebraska. We do not have, currently the initial investing necessary in the state or the venture capital to go forward so that these technologies are developed in the state can continue to remain in the state. Unfortunately, there's a flight to the coasts, where traditionally there's been financing available to venture capital companies and so I think that going forward that is something that we need to take a look at as a state. What we can do in the Legislature to make sure that we're not getting in the way of, at the very least, venture capital from setting up roost here in Nebraska and so...and I would posit to encourage that to occur. So that's just my five-minute speech on that. With regards to this particular bill, you know, I...you know, obviously research and development is a very

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

important facet of economic development and I would feel, you know, I would prefer to have from this 2006, since this is an expansion of that, you know, some empirical study of...it does seem from, and I was just out talking with a university official that that the...in year one, there was not anyone availing themselves of that existing 15 percent tax credit in 2006 when it was passed; 2007 that expanded to the \$60,000, and I think Senator White spoke of, and then they informed me that last year in 2008, the latest figures are \$2 million were availed of. And so it does seem like it has...that the 2006 program may be...people are becoming aware of that and availing...companies are availing themselves of that now. And so, I would, you know, I hope we can get some kind of empirical looks at that. But I do appreciate the conversation that has been out here on the floor today, and with that I will yield back. [LB555]

SENATOR ROBERT: Thank you, Senator Pirsch. Seeing no other lights on, Senator White, you are recognized to close on LB555. [LB555]

SENATOR WHITE: Thank you, Mr. President. Members of the body, I thank you for your attention and I beg your support. I understand these are tough times. I deeply respect Senator Utter and his concerns. However, I would argue that the exact time to make an investment is now. They say in Wall Street the time to buy is when everybody is running for the doors and selling. The time to invest is when everybody around us, the other states are so strapped with the reality they cannot commit to the future. There is clearly a time to be conservative. There is a time to save, to preserve your resources. But then also, once you have done that, there is a time to invest and to take a stake in the future. Thanks to the generations, to the many good people who served in this body before us, we are in a strong position right now compared to other states. We can leverage their courage and their ability to say no by saying yes today. With our resources today, our good schools, our fiscal ability to make this decision, we can have a stronger more prosperous future. And I ask you to vote for that future, to vote and bet on the minds of our people that we can transform this economy and we can see a more prosperous future. Thank you. [LB555]

SENATOR ROBERT: Thank you, Senator White. Members, you have heard the closing on the advancement of LB555 to E&R Initial. All those in favor vote aye; all opposed vote nay. Have all those voted who wish? There's been a request for a record vote. Mr. Clerk, please record. [LB555]

CLERK: (Record vote read, Legislative Journal pages 861-862.) 37 ayes, 1 nay, Mr. President, on the advancement of the bill. [LB555]

SENATOR ROBERT: LB555 does advance. Next item on the agenda, General File, Senator priority bills, Price division. Mr. Clerk. [LB555]

CLERK: Mr. President, the next bill is LB396. It's a bill originally introduced by Senator

Floor Debate
March 31, 2009

Gloor. (Read title.) Introduced on January 16, referred to the Health and Human Services Committee. The bill was advanced to General File. I do have committee amendments, Mr. President. (AM682, Legislative Journal page 752.) [LB396]

SENATOR ROBERT: Thank you, Mr. Clerk. Senator Gloor, you're recognized to open on LB396. [LB396]

SENATOR GLOOR: Thank you, Mr. President, members of the body. It seems apropos that we were talking about planning for the future, taking a look at the long haul. Therefore, I'm pleased to have an opportunity to present my priority bill, LB396, also known as the medical home bill. If that's the first time you've heard the term medical home, I guarantee you it won't be the last. Medical home seems to be coming the preferred delivery model for certain patients populations. Your most recent copy of GOVERNING magazine, the March issue, has a nice article in it about medical home in the North Carolina experience. As I campaigned and as I came down here, it was my hope that I would be able to take some of my years of experience and learning in healthcare and use it in ways that would help slow down the inflationary cost of healthcare services, and at the same time improve the quality of healthcare for Nebraskans. This is a modest step in that direction, but a step forward nonetheless. It specifically calls the Department of Health and Human Services to develop a pilot project for Medicaid populations. It has broad support both from provider groups like the Nebraska Medical Association, the Nebraska Academy of Family Practitioners, Nebraska Hospital Association. Insurers have gotten on board. Social advocacy groups like Nebraska Appleseed have been supportive. But most importantly, the Department of Health and Human Services, whose interest in this project has grown as a model that they would like to embrace, that they have folded this pilot or pilots into their operating budget. Therefore, there is no fiscal note. I would repeat, there is no fiscal note. And so to speak to Senator White's comment earlier, in this case there could be a lovefest and it would be a free lovefest. Medical home...and let me describe it a little bit, describes a relationship between a primary care provider and the patient or their patients. It's a place and a system or delivery model of care where patients can get guidance and education on their particular health needs in both the physician's offices or by electronic communication by phone. Reminders for preventive healthcare, close follow-up of acute chronic conditions, reminder calls for things like blood pressure checks, screening tests, mammographies. There can even be home visits and usually are. They're expanded hours that go along with a home visits component when patients can access their medical home 24/7. This is done to discourage unwarranted trips to urgent care centers or emergency rooms, but also provides a quick response for true urgent needs that the patients may have. And so there's no misunderstanding. Patients still have referrals to specialists, appropriate medical tests when necessary. To enable physicians to give such individualized attention and the medical support structure that includes numerous healthcare professionals, all this being made available to the patient, the payment structure will change from paying for just office visits to paying for a broader scope of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

care. Medical home is a concept that is actively being used or piloted in most states. There is a handout marked LB396, medical home, in front of you. That handout illustrates a couple of things. It explains medical home more thoroughly through the handouts, but there's a nice colored map that shows the different states where medical home is in existence taking care of patient groups or a pilot project is in place. You will see that Nebraska is one of the few states that has neither one of those happening and we hope to rectify this with LB396. Some of the outcomes, as an example, in North Carolina \$140 million savings in state funds in 2006. United Health Care which offered this to private patient populations had a pilot program in 2008, 31 percent average cost savings per patient. And I said this is also about quality. Some of the quality statistics that have come back from pilots in existing programs have been wonderful testaments to the quality overall. The Louisiana State University had a survey and found that women over 40 receiving mammograms, 61 percent compliance level in medical home programs versus 32 percent for those women not in medical home. Colon cancer screenings, 56 percent in medical home versus 26 percent of people without medical home. This approach works. Primary care works, better health outcomes, lower overall cost of care. I'll save the remainder of my comments for the discussion I'm sure that will follow the amendment. Thank you, Mr. President. [LB396]

SENATOR ROBERT: Thank you, Senator Gloor. Mr. Clerk, items for the record. [LB396]

ASSISTANT CLERK: Thank you, Mr. President. Your Committee on Government reports LB475 and LB533 to General File with committee amendments. I have a notice of a committee hearing from the Government Committee. New resolution, LR77 by Senator Langemeier congratulating David City High School speech team. New A bill, LB280A by Senator Avery. (Read by title for the first time.) Name add: Senator McCoy to LB457. (Legislative Journal pages 862-863.) [LB475 LB533 LR77 LB280A LB457]

And Senator Cook would move to recess until 1:30 p.m.

SENATOR ROBERT: Members, you have heard the motion. Motion is to recess until 1:30 p.m. this afternoon. All those in favor signify by saying aye. Opposed, nay. We are adjourned. []

RECESS []

PRESIDENT SHEEHY PRESIDING

PRESIDENT SHEEHY: Good afternoon, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber. The afternoon session is about to reconvene. Senators, please record your presence. Please record, Mr. Clerk.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

CLERK: I have a quorum present, Mr. President.

PRESIDENT SHEEHY: Any messages, reports, or announcements?

CLERK: I have two confirmation reports from the General Affairs Committee, those signed by Senator Karpisek. That's all that I have, Mr. President. (Legislative Journal page 864.)

PRESIDENT SHEEHY: While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign LR61, LR62, LR63, LR64, LR65, and LR66. Mr. Clerk, we'll move to first item under General File. [LR61 LR62 LR63 LR64 LR65 LR66]

CLERK: Mr. President, LB396, a bill by Senator Gloor. He presented his bill this morning. It's a bill for an act relating to healthcare. It adopts the Medical Home Act. I do have committee amendments pending by Health and Human Services, Mr. President. (AM682, Legislative Journal page 752.) [LB396]

PRESIDENT SHEEHY: Thank you, Mr. Clerk. As noted, we did have the opening this morning on LB396. As was stated, we do have a Health and Human Services Committee amendment, AM682. Senator Gay, you're recognized to open. [LB396]

SENATOR GAY: Thank you, Mr. President, members of the Legislature. AM682 replaces the bill as introduced and contains the following provisions. One, the amendment establishes the Medical Home Pilot Program Act and defines its terms. The amendment provides purposes of the act and sets a termination date of June 30, 2014. The amendment requires the Division of Medicaid and Long Term Care, no later than January 1, 2012, to design and implement a Medical Home Pilot Program in one or more geographic regions of the state to provide access to medical homes for patients. The amendment requires the division to establish necessary and appropriate reimbursement policies and incentives under the program to accomplish the purposes of the act. The amendment also requires the division, no later than January 1, 2014, to evaluate the Medical Home Pilot Program and report the results of the evaluation to the Governor and the Health and Human Services Committee of the Legislature. The report must include an evaluation of health outcomes and cost savings achieved, recommendations for improvement, recommendations regarding continuation and expansion of the program, and such other information as deemed necessary by the division or requested by the committee. The amendment provides requirements for participation in the Medical Home Pilot Program. The amendment provides that a medical home must, one, provide comprehensive coordinated healthcare for patients and consistent ongoing contact with patients throughout their interactions with the healthcare system, including but not limited to electronic contacts and ongoing care coordination and health maintenance tracking for patients; to provide primary healthcare

Floor Debate
March 31, 2009

services for patients and appropriate referral to other healthcare professionals or behavioral health professionals as needed; focus on the ongoing prevention of illness and disease; encourage active participation by a patient and the patient's family, guardian, or authorized representative when appropriate in healthcare decision making and care plan development; encourage the appropriate use of specialty care services and emergency room services by patients; and provide other necessary and appropriate healthcare services and supports to accomplish the purposes of this act. The amendment creates the Medical Home Advisory Council, provides duties for the council. The council consists of seven voting members appointed by the Governor, including two licensed primary care physicians actively participating in the area of general and family medicine, two licensed primary care physicians actively practicing in the area of pediatrics, two primary care physicians actively practicing in the area of internal medicine, and one representative from a licensed hospital in Nebraska. The Chairperson of the Health and Human Services Committee of the Legislature or another member of the committee designated by the Chairperson will serve as an ex officio, nonvoting member of this council. The division is required to provide administrative support to the council. The Governor is required to make these initial appointments to the council no later than October 1, 2009, and the council is required to conduct its initial organizational meeting no later than October 31, 2009. Council is required to guide and assist the division in the design and implementation of the Medical Home Pilot Program and promote the use of best practices to ensure access to medical homes for patients and accomplish the purposes of this act. This is a brief description of the amendment and I would ask for the adoption of the amendment and advancement of the bill. I would say also the amendment replaces the bill due to the fact that Senator Gloor did an outstanding job working with the Director Chaumont to bring everyone together and other parties to make this a much better bill. That's why the amendment is drafted the way it is, through the time that he's put in to drafting that. And also, those safeguards that we will do a follow-up of the program was requested. Very good, very good ideas were in the amendment and I fully support the bill and hope you will support the amendment as well. Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Gay. You've heard the opening from the Health and Human Services Committee on AM682. Members requesting to speak are Senator Price, followed by Senator Campbell, Senator Harms, and Senator Gloor. Senator Price, you're recognized. [LB396]

SENATOR PRICE: Thank you, Mr. President, members of the body. I just wanted to rise in support of the concept Senator Gloor has offered here and that anything we can do to assist the delivery of medical care to our citizens in this manner, particularly when the pilot program, as I understand, does not have an A bill, I think that these are things that we should support and explore. And I just wanted to extend my support. Thank you, Mr. President. [LB396]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: Thank you, Senator Price. Senator Campbell, you're recognized. [LB396]

SENATOR CAMPBELL: Thank you, Mr. President. Colleagues, I rise in support of the amendment, AM682, to the underlying bill, LB396, with wholehearted support. I would like to just indicate to you that the Medicaid Reform Council, which was instituted by the Legislature to oversee and look at what the department was doing in Medicaid, one of the most important projects that we looked at was the potential for a pilot for medical home and I am delighted to see that Senator Gloor has brought such a project forward. A medical home may be one of the most important aspects that we can put into place to save dollars when it comes to Medicaid or to be able to take those dollars and put them in another place. Anecdotally, I'd like to share with you that we have a mini pilot, certainly not to the extent that Senator Gloor is proposing, with the two hospitals in Lincoln and Bryan LGH and St. Elizabeth. Both of them came together and put a pilot project together to watch what they called frequent flyers that may come into an emergency ward and to try to get them to a medical home. It has saved an enormous amount of dollars. It has created a great future for our families that needed it. So I would hope that you would give every consideration to this bill because it sets in motion a very important component that we need for Medicaid reform. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Campbell. Senator Harms, you're recognized. [LB396]

SENATOR HARMS: Thank you, Mr. President, colleagues. Senator Gloor, would you yield? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Yes, I would. [LB396]

SENATOR HARMS: Senator, I like your bill but I have a number of questions and I wonder if we could have a small conversation here and take these issues on and visit a little bit about it. [LB396]

SENATOR GLOOR: Absolutely. [LB396]

SENATOR HARMS: When we talk about coordinated care, I'm thinking about my mother, when she was quite ill, had cancer, and all of a sudden we began to have issues with the heart and lungs and what we had was three individual doctors dealing with her and we weren't dealing with the whole body as an individual person. Finally, I asked that we manage this care and that we bring a doctor in or doctors that could be a team that could address the issues, because I could see that some of the medicine looked like to me it was counteracting each other and we really weren't looking at the

Floor Debate
March 31, 2009

total healthcare. Is this basically what we're talking about? Is this what we're talking about, particularly my concern is for rural Nebraska, we are talking about this kind of opportunity here? [LB396]

SENATOR GLOOR: It can be a component of it. It is possible to have a team approach towards providing medical services without having a medical home. I think, to go back to a specific example, we might be talking about a patient who is a diabetic patient, as an example, who's been cared for under a medical home concept with physicians, nurse practitioners, PAs within that group, all taking an interest and involved in the care of that patient knowing that that patient is a diabetic. The coordinated care in this case may be rather than that patient around the holidays, I'll use this as a specific example, when we are all tempted to eat and drink too much going into the holidays, a medical home concept might have the team more involved, and these would be the employees of the medical home, that physician practice or group, in contact with that patient throughout the holidays. So that instead of them getting their blood sugars out of whack, collapsing, having to get brought in by ambulance to an emergency room, hospitalized for a couple of days to have their blood sugar stabilized at a cost to Medicaid of perhaps tens of thousands of dollars, the constant contact and monitoring of that patient through the holidays by phone, encouraging them to in fact call 24/7, that includes Christmas Eve, so that they can be in contact with somebody that knows their condition, knows that this is a period of time at risk, perhaps even has electronic monitoring, because it's possible now to have blood sugars checked at home, transmitted by the telephone line to a remote location. It's a perfect fit for rural Nebraska but it would work just as well in the urban setting. And I use that as an example of coordinating that care because of the specific needs of that patient... [LB396]

SENATOR HARMS: Thank you. [LB396]

SENATOR GLOOR: ...and knowing that that patient, as a patient of a medical home, has specific needs that need to be paid attention to. [LB396]

SENATOR HARMS: I thank you. I still have a couple more so stay right there. In Section 4 on page 2, we talk about the medical home pilot program and in consultation with the Medical Home Advisory Council have one or more geographical regions that we will put together a pilot project. And I guess my concern here is that I would like to make sure we have one in rural America because I think we both know that there's a great difference between care with between urban and rural America, and rural America is where we really begin to see some of the issues. Is that going to be a possibility here? Because it says one or more, and what I really want to make sure, there's more and one of them is in rural America and one is urban, so that in fact when we do the final evaluation, which I want to talk to you a little bit later about, we can actually see the difference and what the issues are... [LB396]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: One minute. [LB396]

SENATOR HARMS: ...because there are--thank you, Mr. President--what the issues are about. [LB396]

SENATOR GLOOR: Part of our negotiations with the department and having the fiscal note removed was to try and simplify the pilot project. The original bill, not the amendment but the original bill, did in fact talk about having pilot projects in a couple of different parts of the state. We're now down to a pilot project, although it could be more. I think it depends on the size of the pilot applications or requests that come in for this. I think it's safe to say that when the group of the advisory committee sits down to make its decisions, they'll be looking at a host of issues and I would expect that one of those issues will be what is our approach towards trying to provide scope and quality service and controlling expense in outstate Nebraska, because the department currently has approach towards managing Medicaid population care in the Omaha and Lincoln markets, but nothing outstate. I think there's a good chance that this will be an example of something that could be used outstate, but there is no guarantee. [LB396]

PRESIDENT SHEEHY: Time, Senator. Thank you, Senator Harms. Thank you, Senator Gloor. Members requesting to speak on AM682 to LB396, we have Senator Gloor, followed by Senator Pankonin, Senator Wallman, Senator Loudon, Senator Sullivan, and others. Senator Gloor, you're recognized. [LB396]

SENATOR GLOOR: I just wanted to point out to the body a reminder from my before lunch comments. You have a handout marked LB396 in front of you, "Medical Home," that talks a little bit in a little more detail on what a medical home can look like. There's also an excerpt from the governance (sic) magazine in March, a page that also provides just a real quick summary of medical home. But to me, the most telling chart is a map, nice color map, that talks about medical homes that are already in existence, taking care of patient groups or states that have pilot projects. You'll note Nebraska is one of the few states that has neither an active medical home program or a pilot project in play. I think it's time for us to get on board with what is a new delivery system that I believe, firmly believe, not only is about controlling the inflationary rate of increase in healthcare expenses but also making sure that we provide quality care to patient populations. Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Gloor. Senator Pankonin, you're recognized. [LB396]

SENATOR PANKONIN: Thank you, Mr. President, members of the body. I first want to start by saying that as a member of the Health and Human Services Committee, we've been very fortunate to have Senator Gloor join that committee. His experience through his career as a hospital...in hospital administration has been so valuable to our

Floor Debate
March 31, 2009

committee and, much like having Senator Joel Johnson previously as a medical doctor, he brings that real-life experience from his career and his interest in this area. And so we are very, very pleased to have him on the committee and this bill is an example of some of the things that he brings from his knowledge of the industry and his concern for Nebraska citizens and their medical health. I do have a question that I think is one that is on folks' minds for Senator Gloor, if he'd answer a question. [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Certainly. [LB396]

SENATOR PANKONIN: Senator Gloor, I'm aware, as you are, that we have a shortage of primary care physicians and providers in our state and nationally, and especially as we get into more rural areas of our great state, that that poses a problem, but it is a problem as well I think in many of our municipalities. Do you think that this medical home concept, which is dependent on primary care providers, how does this bill help or hurt the shortage situation? [LB396]

SENATOR GLOOR: Thank you, Senator Pankonin, for both your kind comments as well as the question, and it's a good carryover from Senator Harms's question. Candidly, we are faced with yet another crisis when it comes to healthcare, this time not behavioral health, and that is that as reimbursements for Medicaid populations continue to decline you find more and more providers less willing to provide care to those populations, for obvious reasons. That doesn't mean that they refuse. It just means that it becomes harder and harder for those populations to schedule appointments and there are other little subtle ways that this happens. The nice thing about a medical home approach is that I believe it finally takes some of the savings that are possible to achieve by this approach towards delivering care and roll those back into shoring up some of the reimbursements for providers, specifically those providers at the physician and primary care level who can, under this plan, and especially if it rolls out, realize some additional incentives for controlling expense. Any time that you can improve the reimbursement for state Medicaid populations and, at the same time, put physicians and other primary care practitioners at the heart of providing patient care, you have done a wonderful thing in terms of enhancing the attractiveness of your state for people to set up medical practices. I think medical home will put people...people in Nebraska will go out at sessions and seminars and be talking about the medical home program in the state of Nebraska and it will serve as an incentive for people to leave the states they're at or leave the medical schools at the states they're at and come to Nebraska to practice. My counterparts and I can tell you there are already cases of physicians and other health professionals who have come to Nebraska for lifestyle reasons and because they feel comfortable with the quality of care that's practiced in the state of Nebraska. If you can improve reimbursements for state wards, that will find its way across the United States and serve as a further recruitment tool which will help address the shortage we have in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

a number of areas with healthcare. [LB396]

SENATOR PANKONIN: Thank you, Senator Gloor. I appreciate your insight. And I am in favor of the amendment and the underlying bill. I think this is a great concept that we should explore and I appreciate Senator Gloor bringing this to us. Thank you. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Pankonin. Senator Wallman, you're recognized. [LB396]

SENATOR WALLMAN: Thank you, Mr. President, members of the body. I, too, would like to thank Senator Gloor. But would he be open for a question? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield? [LB396]

SENATOR GLOOR: Absolutely. [LB396]

SENATOR WALLMAN: Thank you. Senator Gloor, would this...does this have the approval of the AMA Association? [LB396]

SENATOR GLOOR: Thank you, Senator Wallman. Actually, the initial discussion about this and some of the formatting of the bill was brought to me by the Nebraska Academy of Family Physicians. Those would be the traditional family practitioners and general practitioners that we know of. But it also has the support of the Nebraska Medical Association and is also, I should say, something that's being looked at nationally by the American Medical Association, so it does have the support of that group of physicians, yes. [LB396]

SENATOR WALLMAN: Thank you. My father, too, was on a hospital board for many years and I also had breakfast awhile back with a person at the wonderful restaurant called McDonald's. He was a general practitioner and he thought this was needed in rural, outstate Nebraska, as well as probably urban. But thank you for submitting this bill. Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Wallman. Senator Louden, you're recognized. [LB396]

SENATOR LOUDEN: Thank you, Mr. President and members of the body. As I look over the amendment which is...takes over as the bill, I had some questions and I was wondering if Senator Gloor would yield for questions, if he would. [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Happily so. [LB396]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR LOUDEN: Yeah. Now as I looked over the fiscal note that mentions the...the fiscal analyst there mentioned that it's similar to a primary care case management program. Now is that program still in place also and is this going to be something that parallels it or are we getting something that's going to compete with it? [LB396]

SENATOR GLOOR: I think it will incorporate components of the primary care case management system, but the primary care case management system is built around the old case management system and those of you who have been involved in behavioral health and recognize the name Magellan, know that, you know, that fits into the category of you have insurers involved and case managers, who usually are not physicians, who are involved in giving approval on a variety of things. It also requires what's called a gatekeeper and that is you can't sneeze unless you get the permission of your primary care provider. This does not require that. [LB396]

SENATOR LOUDEN: Okay. [LB396]

SENATOR GLOOR: Doesn't have to. [LB396]

SENATOR LOUDEN: Then will that...will that other primary care case management then, will that probably be obsolete and go away or will that still be a program that they'll be using? [LB396]

SENATOR GLOOR: Well, since this is a pilot project, I would expect the department will continue with those programs they have in place, but the intent of the pilot project would be to prove its use unequivocally to the extent that the department would eventually decide it doesn't need primary care case management and would move to a medical home. That is the ultimate hope of this particular bill, is that we can convince the department and provide proof to the Legislature to require that this is how we provide care in the future. [LB396]

SENATOR LOUDEN: Okay. And then in where it mentions what the board will be or the advisory council and you have to have physicians of different kinds, what, two, four, six, seven, it takes about seven or eight physicians or so, now will this in the rural areas will you be able to find enough people or will this...will each county have their own council or will each district have their own council or will there be one in the state of Nebraska? How will that operate? [LB396]

SENATOR GLOOR: Thank you, Senator Louden, for being able to provide clarification on that. There will be one advisory council for the entire state putting together this pilot project and it will have, by definition, three different sets of primary care practitioners, two pediatricians, two family practitioners or general practitioners, as we usually know them, and two internal medicine specialists, and then one representative of hospitals.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

And it will be one committee of seven like that across...for the entire state to put together this pilot project. [LB396]

SENATOR LOUDEN: Now then, as I understand it, will there be these medical homes in each metropolitan area or each town or regions? Where will these medical homes be located? I mean, how will this be different than what we have when we have hospice now? [LB396]

SENATOR GLOOR: There will be one pilot project which will be a single medical home location and that sort of gets to the question that Senator Harms brought out and that's where this will be located. We don't know. The medical home could be in a single community or it could be in a...for a practice group that covers a number of counties in a more rural area of the state that's yet to be determined. [LB396]

PRESIDENT SHEEHY: One minute. [LB396]

SENATOR GLOOR: But there will be one medical home site. [LB396]

SENATOR LOUDEN: Okay. Then we're talking about a pilot project and it's going to choose some one spot in the state of Nebraska and then this is where we have...well, in fiscal year 2010-'11, it'd be \$480,000 from General Funds and \$566,000 in federal funds, and that will be one home someplace in the state of Nebraska as a pilot project. That's what you're telling me? [LB396]

SENATOR GLOOR: Actually, yes, but there will be no...none of those dollars. That fiscal note existed with the original bill. The amendment drops that bill by way of our negotiations with the department, they have folded it in their operating budget and so there will be no budgetary impact. They will operate this medical home out of the existing monies that we have appropriated for them. [LB396]

SENATOR LOUDEN: And where do you envision this medical home to be? [LB396]

SENATOR GLOOR: I don't know, and part of the reason for that is they will seek applications and it could be that we have two dozen... [LB396]

PRESIDENT SHEEHY: Time, Senator. [LB396]

SENATOR GLOOR: ...applications, it could be...thank you. [LB396]

SENATOR LOUDEN: Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Louden. Thank you, Senator Gloor.
Members requesting to speak on AM682 to LB396: Senator Sullivan, followed by

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

Senator Dubas, Senator Harms, and Senator Nelson. Senator Sullivan, you're recognized. [LB396]

SENATOR SULLIVAN: Thank you, Mr. President and members of the body. Senator Gloor, would you yield for some questions? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: I'd be pleased to. [LB396]

SENATOR SULLIVAN: First of all, as I'm listening to the conversation thus far and reading your proposed legislation, maybe I'm just looking at trying to find a perfect world for all of us because what...your concept, and that's what I'm looking at it, more of a concept rather than a site, we're talking about collaboration, communication, and a dose of personal responsibility. And what I just heard you give in your explanation is more site oriented. To me, in a perfect world, this concept should apply to the whole medical profession and healthcare of all individuals. Am I right? [LB396]

SENATOR GLOOR: You're absolutely right. [LB396]

SENATOR SULLIVAN: So are you setting this as a standard to eventually be applied not only to Medicaid recipients but across the board as sort of a model? [LB396]

SENATOR GLOOR: Well, my expectation and in my introductory comments I mentioned several insurers already have pilot projects of their own like this out there. I do believe that this approach towards the delivery system will take hold and be something that you can purchase by way of an insurance plan. At this point in time, since we're dealing in this pilot project with just the Medicaid population, I would also hope the success of it is such that the department would decide this is the way they want care delivered to all Medicaid populations in the future. [LB396]

SENATOR SULLIVAN: Um-hum. [LB396]

SENATOR GLOOR: But clearly, that's world peace when it comes to healthcare in the state and so I'm taking a bite-sized piece of that, saying let's start with a pilot project, learn from that, and then we can take that next giant step. [LB396]

SENATOR SULLIVAN: Also, I was looking at your committee statement and the conversations that went on in the hearing. Anything in particular of note as far as concerns? I noticed that the UNMC and Health and Human Services both testified in opposition to this bill. Is there anything that we need to be aware of? [LB396]

SENATOR GLOOR: UNMC did not testify against the bill and, in fact, the faculty of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

UNMC have been supportive of it. There was testimony given by somebody who is a faculty member at UNMC, not on behalf of UNMC,... [LB396]

SENATOR SULLIVAN: Oh, excuse me. [LB396]

SENATOR GLOOR: ...and I have an e-mail on that by way of clarification. [LB396]

SENATOR SULLIVAN: Okay. [LB396]

SENATOR GLOOR: The testimony given to address it head-on was concerns that the definition of primary care did not include nurse practitioners. [LB396]

SENATOR SULLIVAN: Okay. [LB396]

SENATOR GLOOR And the reality is, as a pilot project, we can only operate under awarding that pilot to people who currently have a scope of practice that's primary care. If in the future nurse practitioners, as an example, have an expended scope of care that would allow them to practice as a primary care practitioner practices, there's no reason they couldn't be included. But for purposes of this pilot project, we had to operate with licensure as it currently exists and I think we've had a number of meetings with midwives, chiropractors, nurse practitioners, all of whom would like to have their name attached as primary care. I'm reminding them this isn't a statement; this is a pilot project and we have to deal with the reality of licensure as it exists. [LB396]

SENATOR SULLIVAN: Okay. And as I understand it on this pilot project, it's...you get the pilot project up and running and then at a certain date on down the road is when HHS starts to review reimbursement policies. Is that correct? [LB396]

SENATOR GLOOR: Actually, that will be in place before we start the pilot project. There is almost a two-year gap between legislative approval and actually starting the pilot project, and that will provide time to decide how best to reimburse physicians above and beyond the traditional fee schedule. Is there an opportunity to provide additional reimbursement that covers some of the technology expense that might be out there, that reimburses them for 24/7 coverage and provides perhaps incentive... [LB396]

PRESIDENT SHEEHY: One minute. [LB396]

SENATOR GLOOR: ...incentive payment so that if there are sizeable dollar savings like other states have realized, that a portion of that could be rewarded back to them as incentive. [LB396]

SENATOR SULLIVAN: Thank you very much. [LB396]

Floor Debate
March 31, 2009

SENATOR GLOOR: Thank you for the questions. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Sullivan. Senator Dubas, you're recognized. [LB396]

SENATOR DUBAS: Thank you, Mr. Lieutenant Governor. Would Senator Gloor entertain some questions? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Absolutely. [LB396]

SENATOR DUBAS: Thank you, Senator Gloor. Could you explain to me how this approach differs from a traditional managed care approach? [LB396]

SENATOR GLOOR: Great question, Senator Dubas. We talked a little bit about this in my answering a question previously and I used Magellan as an example. Most managed care operates under what we call a case management system. A bureaucracy of an insurer, not a bureaucracy in a negative sense but in the reality of trying to do paperwork shuffles, phone calls, approvals for tests, approvals for referrals to specialist and so on and so forth, it's an approach towards managed care. Medical home is not a hard-core managed care approach. It's coordinating care. It's a delivery system. It's got the physician rather than the case managers at the center of the universe. The example I use is traditional managed care plans expect the primary care physician to be the point of a spear, to do the dirty work, to tell the patient, no, you can't have that care, chastise a patient for emergency room visits. (Laugh) The primary care physician becomes the point of the spear and the dollars end up being saved by the insurer or the governmental entity. Eventually, the point of any spear, if it's used enough, gets dull and, although you may have some low-hanging fruit that shows significant savings initially, it's hard to maintain that long term. The success of programs in managed...in the medical home that North Carolina, as an example, have realized--and they've been at this for ten years and are still realizing savings--is that the primary care physician and their group are at the center of the universe and they make these decisions. You reduce the bureaucracy of the oversight provided that the insurer or the payer may have to do, and you provide feedback to that medical home on utilization rates, inappropriate ER visits and so on and so forth. Let them manage those patient populations. So instead of taking this hard-edged approach...and I will tell you, I'm sure that you could save more money. In my personal experience, take a hard-edged approach towards managed care with case management, you can realize more dollar savings. You can't sustain it, I don't believe. With a medical home approach, with physicians driving this, you can--that's been the experience of other medical home--and quality goes up. Instead of having resistance, you have collaboration of all the providers--a huge difference between the two because of those sorts of approaches. [LB396]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR DUBAS: So this would give healthcare providers a lot more input and, as you say, they're the center of the universe so they're driving the bus. So this would maybe address some of the...kind of the cookie cutter or the one-size-fits-all approach that maybe the bigger, more traditional managed care approach takes? [LB396]

SENATOR GLOOR: Yes. And by way of emphasizing that, I would tell you that the medical home approach originally got brought to me by primary care providers who, in talking to their peers in states that have medical home in place, were so excited about the opportunity to be in control of their patients again and be responsible for coordinating the care of their patients again and, at the same time, being reimbursed fairly, not exorbitantly, by any stretch of the imagination, but fairly that they couldn't stop talking about it. And the physicians came to me and said, we'd like to try and engage your interest and I said, perfect fit with what I know about the system and what we should be shooting for. [LB396]

SENATOR DUBAS: We're spending millions of dollars now on case management. You mentioned Magellan a little bit ago and I know they...they're one of our main contracted service providers. Would you see with this approach that we could actually realize real savings and then be able to turn around with those dollars that we're saving by contracting with... [LB396]

PRESIDENT SHEEHY: One minute. [LB396]

SENATOR DUBAS: ...with like Magellan and actually put those savings back into services for patients? [LB396]

SENATOR GLOOR: I pulled out a document. It just so happens I pulled out a document, and you and I didn't stage this. I pulled out a document. This is testimony given to the House, Ways and Means Committee when there was a discussion about medical home. This says the North Carolina state legislature received a report from an independent auditor. That was specifically Mercer. It showed over a period of time, from '03 to '04, a 12-month period of time, that for every Medicaid dollar spent on the medical home in North Carolina, the state saved \$8. To have an independent auditor come in and be able to crunch numbers and come back with that, that was five years ago that they were realizing those savings and our understanding is they are still realizing significant savings and getting great quality outcomes, participation in mammographies, colonoscopies, Pap smears, etcetera. [LB396]

SENATOR DUBAS: Thank you very much, Senator Gloor. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Dubas. (Visitors introduced.) Resuming floor discussion on the Health and Human Services Committee amendment, AM682, to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

LB396, we have Senator Harms, followed by Senator Nelson. Senator Harms, you're recognized. [LB396]

SENATOR HARMS: Thank you, Mr. President, colleagues. Senator Gloor, would you yield? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Yes. [LB396]

SENATOR HARMS: Thank you, Senator Gloor. I just want to finish our conversation that we started earlier. In regard to the Governor's appointment of the council members, I see that that has to be done by October 1, 2009. I come back to the issue earlier about rural Nebraska and rural America and the primary care and the physicians that are going to be involved. Will we have any representation in this pilot project on that council from rural Nebraska? Because I really believe that the issues are really different and, as you know, you've served some time in western Nebraska and I think you've seen those through the hospitals in our area. I just want to make sure that as we do this evaluation that we have a full understanding that there are differences and I hope that they're going to be represented here at the table. What are your thoughts here? [LB396]

SENATOR GLOOR: I am in absolutely agreement. Were I the one making those decisions, I would make sure that happened. I think we have to deal with the reality of busy physicians and the time they have available, their knowledge and interest in this process. And assuming that there are interested physicians from western Nebraska, either pediatricians, internists or family practitioners who would like to be involved, they have their own state associations who are actively involved in this, could make their wishes known. And I would expect the Governor, in his wisdom, will look for a diversity geographically as well as, you know, we've spelled out the primary care practitioners who are there. I can't imagine, unless there are practitioners who choose not to get involved from west of Lincoln, that will have any problem with that. That's my supposition. [LB396]

SENATOR HARMS: Senator Gloor, do you think I should amend this bill to make sure that we get someone from rural Nebraska in there or do you feel comfortable with where we are? [LB396]

SENATOR GLOOR: I do feel comfortable with where we're at. I think I would not try and discourage any senator from an amendment as long as they were reasonable, and that's a reasonable amendment. But again, I think the challenge might be to amend it too specifically and then find that no one had an interest in serving could be problematic for us moving ahead in a timely fashion. [LB396]

Floor Debate
March 31, 2009

SENATOR HARMS: Oh, I don't think it would be a problem. I could find that. I just want to make sure that it's a matter of record that I have concerns about this. I also would like to talk to you a little bit about that council and primary care. I notice that we don't have APRNs as primary caregivers or primary care clinicians. And in rural Nebraska, you know, they pretty much, you know, cover a lot of that area and I have some concerns about that, that they're not identified here and they won't be represented. What are your thoughts about this? [LB396]

SENATOR GLOOR: It's basically the same response that I gave Senator Dubas, I believe, in response, and that is remember that this is a pilot project and because it's a pilot project we have to work with licensure and the scope of what practice is right now so that for someone to apply for and be accepted for this pilot they have to have the ability to provide a full scope of practice when it comes to primary care. [LB396]

SENATOR HARMS: Is, Senator Gloor, is this by law? [LB396]

SENATOR GLOOR: Yes. [LB396]

SENATOR HARMS: Okay. And so this pilot project then has to actually meet those requirements as we put this council together? [LB396]

SENATOR GLOOR: Yes. And...and it...yes. [LB396]

SENATOR HARMS: Okay. In regard to this project, where you talk about evaluation of at the end we're going to submit an evaluation, my question is, do you have an evaluation tool that we're going to use? What are we going to be looking at? What's the criteria that you're going to actually use? So we have a better understanding as senators, when we get to the end of this, we're going to have a concrete evaluation that's specific and direct and we can make decisions based on what we find. And sometimes these evaluations don't do... [LB396]

PRESIDENT SHEEHY: One minute. [LB396]

SENATOR HARMS: ...very well and they're not...they're really not earthshaking. I guess that's what I'm really wondering about. [LB396]

SENATOR GLOOR: It will be up to the council to make decisions on the ultimate evaluation they want to look at and I would imagine the department, since the department will still be in control of the process, will have some numbers that they're very specifically looking at that relate to the managed care programs that they're also piloting that are more case management driven but certainly cost, satisfaction of enrollees, participation in screenings, what's been the rate of mammography participation of the pilot project versus the traditional Medicaid populations they have,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

waiting times, decrease in ER visits. Off the top of my head I could probably name off 100 different specific things. I'm sure they will winnow through that and come up with what they think are the most significant. And they may also look at some of the other states that have had pilots and what ask evaluation tools they found beneficial. [LB396]

SENATOR HARMS: Thank you. Mr. President, how much time? [LB396]

PRESIDENT SHEEHY: Three seconds. [LB396]

SENATOR HARMS: (Laugh) Well, thank you very... [LB396]

PRESIDENT SHEEHY: Time. Time, Senator. Senator Nelson, you're recognized. [LB396]

SENATOR NELSON: Thank you, Mr. President, members of the body. Senator Gloor, I join with Senator Pankonin in thanking you for running for the Legislature and coming down here and making your expertise available. I'm not a member of the Health and Human Services Committee but these are areas that some of us need help with and I'm glad you're here. I have a question or two that will maybe help me get my hands around this bill a little bit, which looks fairly good to me. [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Yes, I would. [LB396]

SENATOR NELSON: You come from an urban area. I come from even a more urban area such as Omaha. And we have, you mentioned, practice groups which I suppose is group practice. We have a lot of those in Omaha. But we also have some smaller practices with maybe one or two or three doctors, several nurses and of that sort. How do they fit into this medical home? Are they large enough to handle that? Are they going to have to combine with someone else to get the number of people you need here, as I read the theory on this? [LB396]

SENATOR GLOOR: First of all, thank you for your kind comments, Senator Nelson. The answer is a medical home can be a solo practitioner with some assistance and support staff or it can be a large group that numbers in the dozens. Experiences in other states have been that both categories are able to accommodate medical home. I would think that the same standard applies as would apply for anybody making a decision on running their own practice. I would think a solo practice that has very few Medicaid patients probably has an interest in making this jump and, because of that, would think you're more likely to get applications that come from larger practices that have larger Medicaid populations for the pilot project. But as medical home is defined and used across the country, it makes no difference whether you're in single practice or you're in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

a large group practice. You can still implement it. [LB396]

SENATOR NELSON: Thank you. That leads to my next question, that probably this medical home is more, and you may have said this, oriented toward Medicaid recipients rather than people on Medicare, for instance, or younger families that don't participate in either the Medicaid or the Medicare program. Would that be correct? [LB396]

SENATOR GLOOR: Actually, in other states all of those patient populations are covered. There are private medical homes that are attached to insurance companies. There are medical homes that deal with just chronic conditions, patients who have chronic conditions. In this case, since it's a pilot project and since it involves legislation of what we specifically can control budgetwise, it's a pilot project for the Medicaid populations. And candidly, given our responsibilities for state budget, it's one of the things that I wanted to take a look at of trying to control the inflationary increase in healthcare expenditures and at the same time maintain a quality focus for Medicaid populations. I would love to see medical home become how all Medicaid patients are provided care in the future. And so the pilot project is just to focus on the Medicaid populations but it does not have to be. And I have mentioned that there are at least one insurance company, another looking at medical home projects already for privately insured. [LB396]

SENATOR NELSON: Thank you very much. If I have some time left, I will yield that to Senator Harms if he does have another question or two. Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Nelson. Senator Harms, 1 minute, 20 seconds. [LB396]

SENATOR HARMS: Thank you, Mr. President, colleagues. I just wanted to finish my statement. Senator Gloor, I appreciate what you're doing here and I think in the long term we're going to have millions of dollars of savings. If not, I think we'll all be disappointed. But I think this is a move in the right direction. I thank you for bringing it forward and thank you for your expertise in this field. We appreciate it. Thank you. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Nelson. Thank you, Senator Harms. Members requesting to speak on AM682 to LB396: Senator Haar, followed by Senator Nordquist. Senator Haar. [LB396]

SENATOR HAAR: Mr. President, you got me. Mr. President, members of the body, I'd like to thank Senator Gloor for this bill. During the campaign, I talked a lot with people about affordable healthcare and I suspect that part of the solution to affordable healthcare is medical home. I did a great deal of reading, a great deal of research on

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

affordable healthcare and that kept coming up again and again. I believe one of the biggest challenges of affordable healthcare is going to be wellness, that we take responsibility for our own well-being. And I would like Senator Gloor perhaps to talk just a little bit about how this contributes to wellness as well as just the health insurance part of it. [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield? [LB396]

SENATOR GLOOR: Yes, absolutely. I think it's a matter of definition of wellness. We have to remember in the pilot project we're dealing with a Medicaid population, and so the expectation on how this program is put together is still up to this advisory council that comes together. [LB396]

SENATOR HAAR: Okay. [LB396]

SENATOR GLOOR: I have no doubt they'll be focused on wellness, although they may not be focused on wellness as in let's get everybody involved in walking two miles per day,... [LB396]

SENATOR HAAR: Right. [LB396]

SENATOR GLOOR: ...although that's clearly wellness. To be able to do that with the Medicaid population probably is unreasonable. On the other hand, making sure that people with hypertensive conditions continue to take their medication and are screened regularly, I mentioned the issue of diabetics controlling their blood sugars, the wellness for them may well be part of the medical home may include a dietician who works with them to make sure that their diet on a regular basis is not only healthy but helps them control blood sugar levels, remote telemonitoring so that we know from day to day exactly how their blood sugar levels are, all of that can be a portion of wellness and is a portion of wellness, probably more on the acute side than the example I used of exercise and overall fitness. Smoking cessation could be a part of this for populations. I think it will depend upon the medical home selected and what are the conditions that the patients in that medical home are suffering from, and it may be different for an urban population than it is for a rural population. Clearly, how a medical home is constructed has to be built around the type of patients you're trying to serve. If it happens to be a younger subset of Medicaid as opposed to an older subset, if it happens to be pediatric patient heavy as opposed to adult patient heavy, all of that could determine exactly how the health and wellness of that patient population is addressed. [LB396]

SENATOR HAAR: Good. Well, thank you very much. And I agree with Senator Sullivan that I think someday (Recorder Malfunction--Some Testimony Lost). [LB396]

SPEAKER FLOOD: Thank you, Mr. President. Good afternoon, members. Last week

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

when I discussed how long we'd go on these first few days of all-day sessions, I had advised you that we would go as late as 5:00. I think it's also important to remember that we have several of us in here, myself not included, that are still meeting in committee to craft a very important state budget. Given their important work and the work that we're doing on the floor that's important as well, it is possible that if we work efficiently and we get our work done during the day that we will be able to adjourn for the day a little bit before 5:00, as early as 4:00, as late as 5:00 during these initial days of all-day sessions to allow Appropriations Committee members to get their work done and make progress in committee and still get home and see their families at night. So with that, I'd like to put you on notice that we may adjourn some time after 4:00, provided we're making progress, to allow the Appropriations Committee members a little time in their hearing room to go over and prepare the state's budget. Thank you, Mr. President.

PRESIDENT SHEEHY: Thank you, Speaker Flood. Senator Nordquist, you're recognized. [LB396]

SENATOR NORDQUIST: Yeah, thank you, Speaker...Mr. President. Thank you, Speaker Flood. My wife will appreciate that, I'm sure. I want to thank Senator Gloor for bringing LB396. This is a critical step, an innovative step going forward to reform our healthcare system to bring in this seamless system of care that's integrated, that's team based. All the primary care physicians I've talked to say this is the way, this is one of the roads we're going to have to travel down long term. And I think it's critical to look at the population that this bill addresses. Many times these are...this is a population where the statistics I've seen show 5 percent of the Medicaid base, Medicaid population is using 50 percent of the resources for chronic illnesses, illnesses that we can have significant savings if we managed, that include asthma, diabetes, other chronic illnesses, and putting that in place is absolutely critical. And if Senator Gloor would yield, I just...one of the statistics you read, I just had a follow-up question if Senator Gloor would yield. [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Pleased to have that opportunity. Thank you. [LB396]

SENATOR NORDQUIST: Yeah, the statistic you read, the \$1 for \$8, was that in the Medicaid system in North Carolina? [LB396]

SENATOR GLOOR: Yes, it was. [LB396]

SENATOR NORDQUIST: Okay. I appreciate that. And if Senator Gloor would like the rest of my time to talk about this population that we're going to be serving with this bill and the Medicaid population, LB396 and just the dramatic savings we can see long term

Floor Debate
March 31, 2009

by putting in more managed...helping this population manage their chronic illnesses, I think there's a lot of potential there. So I'd yield the rest of my time to Senator Gloor. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Nordquist. Senator Gloor, just over 3 minutes. [LB396]

SENATOR GLOOR: Thank you. And I will just reiterate a few numbers that I threw out this morning. Community Care of North Carolina, which is one of the medical home projects in North Carolina, saved \$140 million in Medicaid funds in 2006. United HealthCare had a pilot project in 2008. They saw a 31 percent average cost savings per patient under medical home versus their traditional insurance plans. And I want to point this out because it isn't just about dollars. It's also about ensuring the quality of care to this patient population group that sometimes is made up of some of our most vulnerable Nebraskans. And this has to do with compliance to screening tests and care that Louisiana State University was able to do in a survey of medical home projects. For women over 40 to receive their mammograms, 61 percent were compliant in getting mammograms under medical home versus 32 percent of women not in medical home. Colon cancer screenings for all genders, 56 percent in medical home versus 26 percent of people without medical home. And you know that there are cost savings inherent there. Early diagnosis of breast cancer, early diagnosis of colon cancer and the ability to treat it is far less costly than the expense of having to treat somebody after they've got advanced cancer. So I point out that there are dollars but there are also quality of care issues here that medical home also is able to address. Thank you. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Gloor. Senator Sullivan, you're recognized. [LB396]

SENATOR SULLIVAN: Thank you, Mr. President and members of the body. Senator Gloor, I'm still trying to get my hands around the advisory council concept. Would you yield for a question? [LB396]

PRESIDENT SHEEHY: Senator Gloor, would you yield to questions? [LB396]

SENATOR GLOOR: Yes. [LB396]

SENATOR SULLIVAN: So with regard to the advisory council, are they going to have a direct relationship and involvement to the site that's identified as the pilot? [LB396]

SENATOR GLOOR: Yes, the advisory council, as we've sculpted the bill, will be actively involved in making decision about the pilot project site. [LB396]

SENATOR SULLIVAN: Oh, so they're going to be involved in selecting the site but not

Floor Debate
March 31, 2009

necessarily, for example, you've got some primary care physicians and pediatricians on the advisory council. They might not be the same physicians that are actually involved? [LB396]

SENATOR GLOOR: Exactly. Exactly. They'll serve in an advisory capacity, but that doesn't mean that they have any interest at all in actually throwing their hat in the ring to be the pilot site. [LB396]

SENATOR SULLIVAN: Is that an advantage or a disadvantage? [LB396]

SENATOR GLOOR: Well, I think it's an advantage. The reality is, if we expected people to serve on the advisory council who were going to be the practice site, it might turn into a free-for-all of everybody trying to get on the advisory council just so that they could be selected, preselected for the pilot site, as opposed to making the selection for the advisory council based on a number of things: their primary care specialty, number one; number two, as Senator Harms points out, their area of the state. The advisory council's involvement is to be advisory and help put this all together and be involved in the evaluation. We didn't foresee that people would want to spend that amount of time, which will likely involve a year and a half of meetings, just to be sure and improve their chances of being the pilot site. I just don't think it will work that way. [LB396]

SENATOR SULLIVAN: Okay. As I said, I'm just still trying to get my hands around this whole concept. And certainly with any sort of new idea and concept like this, there's got to be some buy-in, so that's why I was wondering if there was going to be some participation among the advisory council members in the actual carrying out of the pilot. Thank you. Thank you. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Sullivan. Seeing no additional lights on, Senator Gay, you're recognized to close on Health and Human Services Committee AM682. [LB396]

SENATOR GAY: Thank you, Mr. President. We had a great discussion on that, not much more to add to it. The amendment is the bill. Senator Gloor did an excellent job and I appreciate all your questions on that. Thank you, Mr. President. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Gay. You have heard the closing. The question before the body is on the adoption of the Health and Human Services Committee amendment, AM682, to LB396. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB396]

CLERK: 35 ayes, 0 nays, Mr. President, on adoption of committee amendments. [LB396]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: AM682 is adopted. We'll now move to floor discussion on LB396. Seeing no lights on, Senator Gloor, you're recognized to close. [LB396]

SENATOR GLOOR: Thank you, Mr. President. I'll be brief. I appreciate the positive comments on the bill. I appreciate the lovefest. I feel your love. It was kind comments all around. But I want to finish up on a serious note. One of the reasons that this bill is important to me is that it's only been about eight months ago that I was still a provider and one of the concerns I had is that overall providers in this state suffer from discounting, as our approach both in the private sector as well as the state and federal sector, of reimbursement and it's a death spiral. We keep discounting and keep discounting and keep discounting and fewer and fewer providers are going to want to provide care to patient populations or corners have to be cut to make ends meet and that affects quality. There has to be a better way. There has to be a better way, otherwise we're not going to have people providing care to needed patient populations, number one; our quality is going to suffer badly. There has to be a better way. I think medical home can be that better way. This bill calls for a pilot project for us to evaluate it and, if successful, to use it as a template to make sure that we provide that better way for more Nebraskans. Thank you for your support. I'd appreciate your vote for LB396. Thank you. [LB396]

PRESIDENT SHEEHY: Thank you, Senator Gloor. You have heard the closing. The question before the body is on the advancement of LB396. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB396]

CLERK: 40 ayes, 0 nays on the advancement of the bill. [LB396]

PRESIDENT SHEEHY: LB396 advances. Mr. Clerk, you have items for the record. [LB396]

CLERK: Mr. President, Enrollment and Review reports LB458 and LB206 to Select File, both having Enrollment and Review amendments. And that's all that I have. (Legislative Journal page 865.) [LB458 LB206]

PRESIDENT SHEEHY: Thank you. We will now proceed to LB449. [LB449]

CLERK: LB449 is a bill by Senator Campbell. (Read title.) Introduced on January 20, referred to the Retirement Systems Committee, advanced to General File. There are committee amendments, Mr. President. (AM515, Legislative Journal page 744.) [LB449]

PRESIDENT SHEEHY: Senator Campbell, you're recognized to open on LB449. [LB449]

SENATOR CAMPBELL: Thank you, Mr. President. LB449 is the disability and

Floor Debate
March 31, 2009

retirement benefit of the School Employees Retirement Act, which is a very long title. LB449 would allow a person under the age of 65, who has been certified by a physician as permanently disabled, to return to work as a school employee and continue to collect full disability. I would like to say that this bill is really the tenacity of one person and that one person was brought to our attention through the Commission on the Blind and Visually Impaired who requested this bill in response to a person who has had a disability retirement benefit from the School Employees Retirement System. And I would particularly like to thank Senator Louden for his willingness to name this as his priority bill. I want to tell you a little bit about the person who had such tenacity to bring this bill to our attention. Over a three-year period, she continued to raise a question of why could this not be changed. She lives in Senator Louden's district and she has been asked by a school district to come back to work but cannot accept the employment without giving up her benefits. Karen Lemmon lives in Scottsbluff, Nebraska, and she was a graphic arts teacher in that community until she lost her vision and had to go on teacher retirement disability benefits. She explained that she has had the ability and the desire to be a substitute teacher but not to work in her previous field because it is obviously so visual. Unfortunately, if she works as a teacher for even a few hours, she would lose all of the benefits under the current law. She therefore came to the commission and the commission certainly to Senator Louden and myself and a number of senators who signed on to this bill. Senator Pankonin will address the committee amendment, which I wholeheartedly support, and I want to thank the committee, and its legal counsel in particular, because their questions grew out of the discussions that we had with the committee and the legal counsel set forward some changes which would make the bill technically correct. Once again, I want to remind my colleagues that some of the bills that we bring before the Legislature will affect every single Nebraskan, but some bills that we bring forward may be a smaller number of Nebraskans but no less important. Thank you, Mr. President. [LB449]

PRESIDENT SHEEHY: Thank you, Senator Campbell. You've heard the opening to LB449. As was stated, we do have a committee amendment from the Retirement Systems Committee, AM515. Senator Pankonin, you're recognized to open. [LB449]

SENATOR PANKONIN: Thank you, Mr. President, members of the body. Good afternoon. LB449 was unanimously advanced from the Retirement Systems Committee with committee amendment AM515, which becomes the bill. As originally introduced, LB449 would allow a person under age 65 who has been certified by a physician as permanently disabled to return to work as a school employee and continue to collect full disability, retirement allowance as long as the employee's monthly income did not exceed the applicable substantial gainful activity, or SGA, amounts determined by the Social Security Administration for blind and nonblind persons. I want to clarify that school disability beneficiaries may work at any job outside the school system and not lose their school disability benefits. LB449 and AM515 addresses only those school disability beneficiaries who want to return to the school system. The committee had

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

several concerns about the bill as originally drafted. The bill contained no limitation on the number of hours a disability beneficiary could work. Under current statutes, school employees who work 15 or more hours per week are required to become contributing members to the retirement system. The purpose of a disability retirement benefit is to provide a lifetime income to an employee who has been certified as unable to engage in gainful activity due to illness or injury. The benefit is available without regard to the employee's age. A person who is receiving a disability benefit is being subsidized by other members contributing to the system, whereas persons who work until retirement have earned all of their benefits and are, therefore, not being subsidized by other members. Secondly, allowing the Social Security Administration to annually set the acceptable monthly income allowance is an unlawful delegation of legislative authority. AM515 cures both of these concerns. Number one, it limits the number of hours a disability beneficiary may work per week to less than 15 hours, which means no new retirement benefits would be created; and number two, since the hours are limited, the original language regarding income allowances established by the Social Security Administration is deleted. The committee believes that this amendment accommodates the schools who need experienced substitute teachers, for example, who can work as substitutes in their district, and it helps the disability beneficiaries by providing a means for disability beneficiaries to work in the school system for a limited number of hours to supplement their income. I also want to let you know that with the adoption of the committee amendment, the fiscal note for this bill will be reduced to zero. I would be glad to respond to any questions and I would appreciate your support of AM515 and LB449. Thank you. [LB449]

PRESIDENT SHEEHY: Thank you, Senator Pankonin. You've heard the opening of the Nebraska Retirement Systems amendment, AM515, to LB449. Members requesting to speak are Senator Louden. Senator Louden, you're recognized. [LB449]

SENATOR LOUDEN: Thank you, Mr. President and members of the body. I want to thank Senator Campbell for introducing this bill. This was from a lady that lives up in Whitney, Nebraska, at the present time, and she does have an issue that needed to be addressed and by doing this we were able to come forwards with her idea and perhaps alleviate some of the problems that arises with it. As with the amendment on there, I've...I fully support the amendment. I chose this bill as my priority bill based on not only the person that was in my district but something that I think needs to be done. I feel it is very important for people to be able to work and earn gainful income as long as they feel it is necessary and as long as they feel that they can do it. Due to the current statutes, a teacher cannot work in the same field as they are trained and still receive disability benefits. With this bill, a person could work up to 15 hours a week and still be able to receive disability benefits. We're not talking about a significant amount of time worked or a large amount of money. This small income would have no impact on their disability benefits. The good part is that their benefits and small earnings would improve their well-being by improving the total income received, and these people could perhaps

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

be more self-sufficient for a longer period of time. Another benefit is that with current shortage of substitute teachers, especially in the rural areas, this will also benefit in areas where there is a need. People on disability usually have to face a time when they are no longer able to be self-sufficient. Anything we can do to lengthen the ability to improve their income will brighten their future and LB449 is such a vehicle. And I support the amendment and I support the bill. Thank you, Mr. President. [LB449]

PRESIDENT SHEEHY: Thank you, Senator Louden. Seeing no additional lights on, Senator Pankonin, you're recognized to close. [LB449]

SENATOR PANKONIN: I'll waive closing. [LB449]

PRESIDENT SHEEHY: Senator Pankonin waives. The question before the body is on the adoption of the Nebraska Retirement Systems amendment, AM515, to LB449. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB449]

ASSISTANT CLERK: 33 ayes, 0 nays on the adoption of the amendment, Mr. President. [LB449]

PRESIDENT SHEEHY: AM515 is adopted. We'll now return to floor discussion on LB449. Seeing no lights on, Senator Campbell, you're recognized to close. [LB449]

SENATOR CAMPBELL: For my neighbor Senator Lathrop, I will waive closing. [LB449]

PRESIDENT SHEEHY: Senator Campbell waives closing. The question before the body is on the advancement of LB449. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB449]

ASSISTANT CLERK: 34 ayes, 0 nays on the advancement of the bill, Mr. President. [LB449]

PRESIDENT SHEEHY: LB449 advances. We'll now proceed with LB340. [LB449 LB340]

SENATOR COOK: Thank you, Mr. President, members of the body. [LB340]

PRESIDENT SHEEHY: Senator Cook, one moment, please. [LB340]

ASSISTANT CLERK: Mr. President, with respect to LB340, it was legislation introduced by Senator Cook. (Read title.) The bill was read for the first time on January 15, referred to the Committee on Education. That committee reports the bill to General File with committee amendments. (AM654, Legislative Journal page 746.) [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Senator Cook, you're recognized to open on LB340. [LB340]

SENATOR COOK: Thank you, Mr. President, members of the body. I stand before the body as the introducer of LB340 and ask that you advance the amended version of the legislation. LB340 as originally introduced and as proposed to be amended aims to ensure that the nearly \$90 million of state aid spent each year to fund the statewide community college system is spent wisely. Wisdom dictates that our community college system be funded in a manner that ensures effective and efficient open access education. This state deserves open access postsecondary education that fosters a dynamic and adaptable work force. Before addressing the purpose and need of LB340 any further, I wholeheartedly extend my sincere thanks and appreciation to Senator Adams and each of the members of the Education Committee: Senators Howard, Ashford, Avery, Cornett, Giese, Haar, and Sullivan. Senators, I thank you for the professional and thoughtful diligence afforded to this bill. Thank you all for recognizing the important obligation we all carry to address issues of statewide concern. Thank you for the time and energy spent drafting AM597. The amendment as presented by the committee represents the utmost potential and spirit of this governing body--collaborative problem solving. Senator Adams will speak to AM597. In short, it aims to ensure that the Coordinating Commission for Postsecondary Education facilitate a study within their existing personnel and budget resources. Colleagues, I am sure each of you is aware of the ongoing dispute between Metropolitan Community College and other members of the Nebraska Community College Association. I introduced LB340 on behalf of Metro. Metro has a great impact on my district as a substantial employer, and importantly as an open access educational institution. Each of the state's open access postsecondary institutions--Central, Mid-Plains, Northeast, Southeast, and Western Community Colleges each faithfully carry out their statutory mission. Addressing governance and funding concerns among the various community colleges is not about regional protectionism, it is not about urban versus rural, it is not about the Unicameral reenacting the bitter dispute with the community college association. LB340 aims to bridge the divide between the parties involved and demand solutions to a complex and important dilemma in our state. With that, I ask that you vote to amend LB340 with AM597. Once amended, I ask that you advance LB340. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Cook. Thank you, Senator Cook. You have heard the opening to LB340. As was stated, we do have an Education Committee amendment, AM654. Senator Adams, you're recognized to open. [LB340]

SENATOR ADAMS: Thank you, Mr. President, members of the body. Senator Cook has given you appropriate background. Let me add just a little bit more as introduction to this amendment. The issues that the community colleges have been struggling with have been on my desk in my office since clear back in June. At the opening of this

Floor Debate
March 31, 2009

session there were a host of bills introduced, bills that came from both sides of this issue and the committee listened to all of them and discussed all of them. And it became very clear to us and to me and the rest of the committee that this issue, first and foremost, needs to be resolved by the six community colleges, not you and I. We may have to, but the six community colleges need an opportunity to resolve some of these issues. It also became clear to the Education Committee as we listened to the testimony that there were several key things that continued to come up. And as a result, what we have done today is to offer you this amendment which, in effect, becomes the bill. And I'm going to tell you quite candidly before I get into the details of the amendment what the amendment does is this, it forces and I mean literally by law, it forces all six community colleges back to the table. And the Coordinating Commission not only will be studying but the language is clear they will be facilitating a conversation that needs to happen between the six community colleges to see if there can't be some resolution to some of these issues. If you pass this amendment and you pass this bill those six community colleges, with the help of the Coordinating Commission, have between now and December 15 to work out some of these problems. If not as I have told the six community college presidents, I made it very clear to them, if the differences aren't resolved then the destiny of community colleges, the destiny of community college funding is going to fall back directly into the hands of the Education Committee. And not that we aren't capable, we just believe this is something that those community college presidents ought to work out. What the amendment specifically asks is this--that the Coordinating Commission study and facilitate on the following topics: (A) In 1992 by statute we defined the roles of community colleges. I believe that it is time for that role to be reexamined. We might find ourselves right back where we are in statute right now. But it's time that we take a look at the role of community colleges again in the state of Nebraska. (B) Once we have reexamined the mission and the role of community colleges, then it is reasonable for us to look at phase II of the equalization formula that distributes state aid to community colleges to make sure that we are distributing aid appropriately based on what we see as the mission of those community colleges. (C) The community college association, as you read the papers you realized that there was all kinds of chatter about do we have to belong, what's the role of the association. Part of the study will be to look at the roles and powers of the community college association and determine whether or not a community college has to be a member of that. And then in so doing, examine the consequences for not being a member of the community college association. Maybe the whole structure needs to change. Maybe its powers and duties need to change. And if they do, then we need to be reflective in statute of the mission and what the responsibilities of that association ought to be, and even more specifically where the community colleges themselves must fall within that association--what they have to do, what they have to be part of. This all needs to be clarified. The essence of this without going any further, that's the amendment. It, in effect, and I repeat it says to those six community colleges, you don't have a choice, if we pass this then by statute you're going to be required to sit down and work through these things that I have described for you. And by December 15 the Coordinating

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

Commission will report back to us and we hope, it certainly is my hope and the hope of the Education Committee, that the six community college presidents through their group will come to some resolution and bring forward to us potential statutory changes to get them moving in the direction that they believe as a group that they want to move in. The fiscal note on this started out big in its original form, that's because what Senator Cook's bill originally did was to look at the whole formula and that was going to take some doing. Now we're to the point where virtually there is no fiscal note because what we're saying is we're not looking at the whole formula, we're looking at these issues and the Coordinating Commission, you're going to be doing the looking, but more importantly you're going to be facilitating having those six community colleges look at these things. That's the essence of the amendment and the amendment becomes the bill, Mr. President. Thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Adams. You have heard the opening of the Education Committee amendment, AM654. Members requesting to speak: Senator Janssen, followed by Senator Hadley, and Senator Gay. Senator Janssen, you're recognized. [LB340]

SENATOR JANSSEN: Thank you, Mr. President, members of the body. I appreciate the amendment as brought forward by Senator Adams. I'm from Fremont. This impacts me. We're a member of the Metropolitan Community College school district. And Metropolitan Community College has been a wonderful partner. Recently, with Fremont we've had some building...some new building projects there, some private money, public monies going into that. And I do like the fact that they have to come together. And we're telling them that this isn't our place, but we're telling them, you sit down, you figure it out, you're big boys. And I applaud that effort. I rise, basically, as a point of germaneness on a separate issue that while I am a big fan of the instructors, I actually went to Metro for a few classes when I was out of the military and thought it was a great experience. I do have a bone to pick this afternoon with the board of governors from Metropolitan Community College. Senator Cook brought up a point in her opening. She said she wanted to ensure money is spent wisely, I heard efficiently. There's not a lot of money going around right now. We need to be efficient in the way we spend our monies. I want to bring notice to a contract that was just bid for the Fremont Center where it was an electrical bid. And I'm speaking kind of...paraphrasing this but I'll give you the gist of what happened. The policy for awarding bids that was recently adopted, pretty blatantly, is union-driven. It pretty much is scaled toward them. Bids were open for this contract. It required that you have an apprentice program for this electrical program. Well, anybody could have an electrical program, generally that's a union deal. Nothing against unions, my father retired from one. But as a taxpayer when those bids were open there was a Fremont company, I wouldn't of cared if it was a Scottsbluff company, Omaha company, whomever, but a company that did not have an apprentice program that bid the job more than \$100,000 less. It was \$400-some thousand to \$300-some thousand, we're talking a 25 percent difference. That bid was awarded to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

the higher bidder. The taxpayers get to pay an additional \$100,000 for this project to be done. I was upset about this. I never talked to the contractor. I spoke to the economic developer in Fremont. I spoke to one of my representatives on the board and he did a wonderful job getting back to me. My representative is Patrick Leahy. I am working with...I contacted the president of the Board of Governors this morning, my staff did. I want to work to get this policy changed so we're not dictating how these contractors do business. We're not accepting bids that are over \$100,000 more and a bid that is \$400,000 that, to me, is not money well spent, that is not efficiency. And when you come to me and you ask for money and you need more money and you have policies in place like this, I have issues with the Board of Governors of Metropolitan Community College right now. And I'm upset about it and I think taxpayers should be upset about this. I was told this bid would not come back, they would not revisit this. It's been let, we don't want to get in the way of it, we want the work to get done, jeez, Charlie, don't get in the way of this. Well, I am in the way of it, it's \$100,000 of taxpayer money. And I don't care if it's robust times or downtimes, we should not be spending \$100,000 more based on a policy that was driven and somewhat...it looks a little bit, to me it just looks fishy, it doesn't smell right. But it's gone, we can't do anything about it, Senator Janssen; next time we'll try to fix it. [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR JANSSEN: How many more "next times" are we going to have on the taxpayers' dimes? I say we should stop "next times" right now. Thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Janssen. Senator Hadley, you're recognized. [LB340]

SENATOR HADLEY: Mr. President, members of the body, if you happen to read the Omaha World-Herald Sunday there was a great column by Dr. Gene Budig, from McCook, former president of West Virginia University, University of Kansas, major league baseball president, talking about the importance of community colleges in the scheme of higher education. And he used Dr. Gordon Gee, who is now the president of Ohio State University, and the agreements he's coming up with in the medical fields between the community colleges and the universities. So I just can't tell you how important this is for us to do this kind of work. I would ask if Senator Adams would yield to a question or two. [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

SENATOR HADLEY: Senator Adams, when they talk about changes in the weighting of courses that may be necessary for reasonable educational units properly reflect the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

role, does the community colleges use a type of formula system now to distribute money? [LB340]

SENATOR ADAMS: They do, it's an equalization formula that this Legislature passed two years ago. And as we move into the second part of that, a portion of the reimbursement is based on the kinds of classes taught. Hence, we've come up with this reimbursement unit. [LB340]

SENATOR HADLEY: Okay, thank you, Senator Adams. I know from experience, after working 20 years in the University of South Dakota Board of Regents system, that anytime you have a formula it's a difficult situation because every year you have some people that gain under the formula, other people that lose under the formula. But you have to understand that that's the way the formula works. Some years you may gain, other years you may lose. So you can't take any particular year and say you're for or against the formula. But it is something that does change over time and you have to be aware of it. Secondly, Senator Adams, right now there is not really an overseeing board, is that correct, over the community colleges? [LB340]

SENATOR ADAMS: There is a community college board. [LB340]

SENATOR HADLEY: And it...would it be similar... [LB340]

SENATOR ADAMS: Well, an association... [LB340]

SENATOR HADLEY: Association, would it be similar to a board of regents or a the state college board? [LB340]

SENATOR ADAMS: It's not elected. [LB340]

SENATOR HADLEY: It's not elected. Okay, I...usually, you know, I can't imagine, for example, the four member institutions in the board of regents system not having a strong board of regents. Because there would be the infighting that goes on there. The state college system has a strong state college board to try and help solve problems between the units. So I hope when the Coordinating Commission looks at that, they look at a governance model that really helps all the community colleges do work together for a common good. Thank you, Senator Adams. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Hadley. Members requesting to speak on the Education Committee amendment, AM654: Senator Gay, followed by Senator Carlson, Senator Pahls, Senator Lautenbaugh, and Senator Nelson. Senator Gay, you're recognized. [LB340]

SENATOR GAY: Thank you, Mr. President. I was listening to the opening on this bill,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

then I started looking at it a little closer. And I started wondering to myself why this had to be a law. And to me, looking at it, it looks more like an interim resolution is what it should be instead of a law. And, I guess, if Senator Adams would yield to a question... [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

SENATOR GAY: That is the question. Why is this...I understand what you've been going through and I always commend you on your ability to try to bring people together. But at this point, the Legislature can decide whatever we want for funding and however they wanted to do that. That's one thing I've learned here is we have remarkable powers, for good or bad, I guess. But why is this...why does this need to be law, I guess, is the question? [LB340]

SENATOR ADAMS: Senator Gay, you raise a good point. And as a committee we discussed the possibility of this just being an interim study. I guess, for lack of a better explanation, to be quite candid with you, we were to a very sensitive point a couple of months ago in trying to get all sides together on this. And it was certainly my opinion that they were not going to all necessarily come to the table unless we had the force of statute behind it. [LB340]

SENATOR GAY: Well, in a follow-up question then, I look at this, the original bill, though, when it was introduced it says, they "shall evaluate the community college system to determine how to effectively and fairly fund the community colleges and recommend ways to promote a more effective and efficient community college system that promotes effective education and local control." Very broad, but I guess that would have done the trick. Along the way we've been reading. And I apologize, I'm not a member of the Education Committee obviously. But we read about the inability to get along. So now we're asking the postsecondary college system to conduct their own study with their members who now can't get along. And I just...I kind of wonder how that's going to be done. Because in this amendment it says, "each community college shall participate in good faith with the conduct of the study." I mean, how do we enforce that through legislation that they're going to do this in good faith? I know what you're trying to do. And I just wonder why we're doing it in a...I still wonder why we're doing it in a bill. [LB340]

SENATOR ADAMS: Let me digress for just a moment. One of the reasons that we've moved in this direction, Senator Cook's original bill, prior to this amendment, carried a price tag of about \$100,000 fiscal note because what the bill was really asking was for a complete reevaluation of the equalization formula that we use for distributing state aid. And that became...that was one of the launching pads to the controversy that we've got

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

here. And now we reach this point where it's my belief that what we really need to be looking at are certain portions of the formula and the missions of the community colleges. I mean, there's no point in really looking even looking at the formula unless we, first of all, have clearly identified the mission of the community colleges. And this whole business of their association with one another and being part of the association or the statute saying that you have to be part of the association, those things need to be remedied first. And, quite candidly, Senator Gay, there was no way that this body was going to appropriate \$100,000 to reevaluate that formula either. So this was a way of getting maybe at where we really need to go for virtually no fiscal note. [LB340]

SENATOR GAY: Well, if this passes and you go through this process, though, who's going to monitor the progress of the talks? Because ultimately they still have to come back with some solution. You get the solution back in December and then you're going to have to draft legislation, I assume, if they can come to some resolution. I'd like... [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR GAY: ...some kind of assurances or maybe we need to look at this later and define it a little more that somebody from Appropriations is there or somebody from Education or I'd just like a little more input from this Legislature on this process. Because what we're doing is saying, well, you guys go work it. And I'd rather do it that way too. I'm kind of with you on that instead of just saying, here's your formula, go live with it. But I just think this needs to be narrowed down a little more and get us more involved as a legislative body that ultimately has to fund these things too. If you're talking about \$90 million, you know, maybe \$100,000 was worth it if we could come to that conclusion and we knew \$90 million was being spent correctly. So I just have concerns with this. I still have concerns that it should be in a resolution form instead of a bill. But I'll continue to listen to the discussion. [LB340]

SENATOR ADAMS: Thank you, Senator Gay. [LB340]

SENATOR GAY: Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Gay. Senator Carlson, you're recognized. [LB340]

SENATOR CARLSON: Mr. President and members of the Legislature, I am very interested in Senator Gay's questions here and I think they're good ones that bring up a good point. Initially though, I'd like to address Senator Janssen, if he would yield. [LB340]

PRESIDENT SHEEHY: Senator Janssen, would you yield to questions? [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR JANSSEN: I will. [LB340]

SENATOR CARLSON: Senator Janssen, what you brought up is, I think, really concerning and upsetting. In the example that you gave who makes the rules concerning bid evaluations? [LB340]

SENATOR JANSSEN: The way I understand how this process went down, getting this somewhat third party, but the board sets the parameters for which they will accept bids at certain, I guess, certain amounts and what is required of the bidder. And they have, what I'm told is a checklist to go down to see if the contractor meets that requirement. That doesn't really have much to do with the ability to do the work. And I even heard one person say that the local contractor, which evidently is Denny Electric, out of Fremont, that was the one that bid \$100,000 less, couldn't do the job because they weren't big enough. However, they had just recently completed a nursing home job that was larger in scope than the Metropolitan Community College one. [LB340]

SENATOR CARLSON: Okay. Now you used the terminology "the board" so that's the board of governors of Metro College? [LB340]

SENATOR JANSSEN: As I understand it, Senator. [LB340]

SENATOR CARLSON: And, I guess, I stand here just thinking, how can this be and how can this go on and somebody's got to step in and straighten things out. I don't know who it is. And you don't know who it is. But I think as a body and we think we're in the times that we're in and dollars are so difficult to come by, and every single bill that comes up that's got an A bill gets combed over with a fine-toothed comb because we don't have money. And then we see examples of money wasted, that looks like it's wasted in this fashion, it ought to be of concern to all of us. Thank you, Senator Janssen. I would like to address Senator Cook, if she would yield. [LB340]

PRESIDENT SHEEHY: Senator Cook, would you yield to questions? [LB340]

SENATOR COOK: Absolutely. Thank you. [LB340]

SENATOR CARLSON: And, Senator Cook, you can refer to Senator Adams, but I'm going back to what Senator Gay talked about. And I know that the amendment somewhat changes the complexion of the bill that you originally had. But as you see it on this study who is responsible to coordinate, oversee and then be responsible for a final report that would be due in December? Or do we have as many separate studies as we have community colleges? [LB340]

SENATOR COOK: Well, my hope, Senator, is that the result of the passage of this bill is

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

that one report be generated under the auspices of the Postsecondary Coordinating Commission that can be used as a tool through which each of the community colleges determines the best way to allocate the resources. And I would like to engage Senator Adams, if he would like to expound upon that. I can speak a little bit to my original bill. The intent of the original bill was to come up with a set of data that could be analyzed for the ideal application of the \$90 million that is...that goes out to the community colleges across the state. So with that, I would like to... [LB340]

PRESIDENT SHEEHY: Senator Carlson, would you like Senator Adams to yield? [LB340]

SENATOR CARLSON: Yes, thank you, Senator Cook. [LB340]

SENATOR ADAMS: You want to repeat the question, Senator Carlson. I think I have... [LB340]

SENATOR CARLSON: Well, in your discussion with Senator Gay and so forth I think it's a good question. [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR CARLSON: What do we end up with, six separate reports and then, even if there are, who coordinates and put these all together and so it's in a form that's going to be meaningful in moving forward to get an answer to the question? [LB340]

SENATOR ADAMS: Okay. The answer to the question, Senator Carlson, would be this, the Postsecondary Coordinating Commission will be the one reporting. And we want them to be reporting to us based on the input that they have gotten from all six community colleges. Hence, we put that leverage in there that they need to participate. Ultimately, what I'm hoping is that more significantly than report we have the Coordinating Commission facilitating these six community colleges in their efforts to try to resolve their differences. [LB340]

SENATOR CARLSON: Now my knowledge is somewhat limited. Who makes up the Coordinating Commission? [LB340]

SENATOR ADAMS: Marshall Hill is the executive director and he has staff, and then there is also an appointed board. [LB340]

SENATOR CARLSON: And the board represents every one of the community colleges? [LB340]

SENATOR ADAMS: They represent more than community colleges. It's a statewide

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

board. [LB340]

PRESIDENT SHEEHY: Time, Senator. [LB340]

SENATOR CARLSON: Okay, thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Carlson. Senator Pahls, you're recognized. [LB340]

SENATOR PAHLS: Thank you, Mr. President, members of the body. I would like to have a question from...for Senator Adams, please. [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

SENATOR PAHLS: Senator, off the...on the side I asked you could you tell me who is going to be this commission, what are the members or who are the members, I should say, of this commission that's going to do this study? [LB340]

SENATOR ADAMS: Of the commission itself, the Postsecondary Coordinating Commission? [LB340]

SENATOR PAHLS: Yes. But who will actually be doing...be participating? [LB340]

SENATOR ADAMS: It will be...the Coordinating Commission will be Marshall Hill, primarily, and his staff will be facilitating the six community colleges. [LB340]

SENATOR PAHLS: Okay. [LB340]

SENATOR ADAMS: Now they may be the six community college presidents on any given day. There may be days where it may be their presidents and their finance people that are there. We haven't defined and said, here is the person that has to be there. What we have said is the college has got to be represented. [LB340]

SENATOR PAHLS: Okay. I'm to understand that all six colleges will be represented. [LB340]

SENATOR ADAMS: Correct. [LB340]

SENATOR PAHLS: And then Hill will be the facilitator then? [LB340]

SENATOR ADAMS: Yes. [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR PAHLS: And if they cannot come to closure on some ideas, then they will be actually turning over their duties to us as the Legislature. [LB340]

SENATOR ADAMS: That's correct. [LB340]

SENATOR PAHLS: And they understand that. [LB340]

SENATOR ADAMS: They understand that very clearly. [LB340]

SENATOR PAHLS: Okay. And I was just reading the people who were proponents and opponents of Senator Cook's bill you have Metro College was a proponent and you have people who were...the opponent was Southeast Community College. And Hill was in neutral. I am a little concerned that there is so much animosity now that they may not get their act together. But you're saying that that's...if they don't do it, we do it for them. [LB340]

SENATOR ADAMS: You know, Senator Pahls, you have diagnosed the problem to a T. This is a last-ditch effort to try to pull people together, we've had to do it statutorily, but to get them together and see if they can resolve their differences and report back to the Education Committee before the beginning of the next session. And then I have made it very clear to the six presidents that if we don't have some resolution, then in reality you have put your destiny in the hands of the Education Committee. And we're a smart group, but things may not turn out the way that they like. [LB340]

SENATOR PAHLS: Okay. And I do like the idea that you're at least giving them the opportunity to help make the decision. If they can't get together then probably that will fall on our shoulders as a group here. And I'd only say one thing. Where were you before the learning community or council all came about? Because it seems like some of the same issues that they're fighting about, the public schools in the metropolitan area were having some of the same issues. That's just a comment. I thank you for making the effort to see if we can't resolve this issue. Thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Pahls. Senator Lautenbaugh, you're recognized. [LB340]

SENATOR LAUTENBAUGH: Thank you, Mr. President and members of the body. I, too, was involved in the flurry of bills introduced early this session regarding community colleges. And I was approached by Metro to introduce a bill to freeze the formula that divvies up the funds for a couple of years to see if the formula needed to be revisited. And that action brought about a countervailing action. And there were quite a few bills in the hopper. I have to admit before I came here I wasn't well-versed in how the community college system functioned. I don't know that I'm currently well-versed on how

Floor Debate
March 31, 2009

it functions. But I do know that we have a variety of community colleges, each with their own board. And we also have a statewide board of regents in this state that somehow runs the statewide university system. And I do believe that this system is complex. I don't know if it's needlessly complex, but it certainly is complex. And I've told Senator Adams many times that this is not an area of my expertise, so I'm glad I sit next to him and I appreciate his wisdom on these topics. And it's probably...well, I'm not...I don't regret being drawn into this, this year, letting myself be drawn into this, this year. But then when I hear Senator Janssen's story, and there may be more details that come to light to this, I don't know. And I do...I was told that Metro did pass some what was called responsible contractor resolution. And I'm not sure what it takes to be a responsible contractor resolution, but my guess is it's more expensive than being a less responsible contractor. And that's our money, that's our money. So in other I words...well, I shouldn't say I was drawn in, let myself be drawn into an issue that involved money. And now I hear about what may not be a very great use of some money. And I've listened to Senator Adams' comments. And I thank Senator Cook for bringing this bill, and I thank Senator Adams and his committee for working so hard on this. But just to underline the point and points made by Senator Adams never need to be underlined, but I'm going to do it anyway. I don't like this, I don't like what I heard from Senator Janssen today. Like I said, there might be more details to it, I hope there are. And I don't like what went on with the negotiations today. And I did not like the way some of the...some of my own board members, Metro is in my district or more accurately my district is in Metro, if you will. And I didn't like the way this went this year. And there were times when I didn't like being involved. And there were times that I thought about pulling my own bill so I wouldn't be involved anymore. But I'm involved now and we're paying attention, I'm paying attention, I hope we're all paying attention. [LB340]

PRESIDENT SHEEHY: (Gavel) [LB340]

SENATOR LAUTENBAUGH: And if this group, this community college organization can't come together and the various community colleges can't work I think we need to look harder than we're even looking under this bill and decide whether or not the governance is being done properly. I don't know how many of you realize but Nebraska has the most complex elections in the nation. We elect more offices than I think any other state does. Most states don't have elected boards of education; sometimes mayors appoint them. A lot of states don't have an NRD board. Community college boards probably would not be heard of. A lot of states don't even have elected regents, I don't believe. We have a lot of elected officials and a lot of elected boards. Maybe that's good, maybe that makes for responsible government. But I'm not sold on the fact that it makes for efficient government. And there have been times when I've seen... [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR LAUTENBAUGH: ...what's gone on in years gone by in my own community

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

college and I thought maybe the regents could do better. And I don't know if I'm wrong, but I don't like the way this played out and I don't like the fact that Senator Adams and his committee have had to work so hard on this. And I don't like where we are and that we're trusting these entities to work together and come up with some solution on their own when it's eluded them up to this point. Maybe Metro is completely different from the other community colleges, maybe they need to go their own way. Maybe the whole system is broken, I don't know but I think we need to find out. And I'm very disturbed by what Senator Janssen said today. I'm disturbed the way this whole thing played out and it needs to stop one way or another. Thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Lautenbaugh. Members requesting to speak on the Education Committee amendment, AM654, to LB340: Senator Nelson, followed by Senator Harms, Senator Dierks, Senator Gay, and Senator Nantkes. Senator Nelson, you're recognized. [LB340]

SENATOR NELSON: Thank you, Mr. President, members of the body. I, too, am disturbed but I think that we need to...by what Senator Janssen talks about, I think that's a separate issue that needs to be looked at. I appreciate Senator Lautenbaugh's remarks. But we have several community colleges and I'm not here and going to stand and say that all of those are crystal pure and that they don't make mistakes once in awhile in their bids and do things wrong. And I think there are times when taxpayer money gets wasted one way or another, wherever you are, by an elected board. I think we need to keep our focus on this bill here and try to find a reasonable way of resolving some of the disagreements that have come to the floor in the community college system. And I think, personally, I support this. I think it's a good start. It may come to naught. It may be that there is still going to be acrimony and we are going to have to handle this as the Legislature. I would like to ask Senator Adams a question, if he will yield please. [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

SENATOR NELSON: Senator Adams, could you educate me a little bit by telling me exactly what the Coordinating Commission for Postsecondary Education is supposed to be doing ordinarily. [LB340]

SENATOR ADAMS: The...actually, what they're supposed to be doing is in part what we're asking them to do here. [LB340]

SENATOR NELSON: All right. [LB340]

SENATOR ADAMS: They are to look at all of our postsecondary programs and make

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

determinations about degrees being offered, about courses being offered, about campuses being expanded to make sure that we don't have overkill. And it's my interpretation of their mission also to be doing exactly what we're asking them for right here because we have an issue here of coordinating our postsecondary community college. [LB340]

SENATOR NELSON: Well, thank you for that. And it looks to me then that they are the entity that should be doing this and it's part of their expertise. I especially like (a) and (b) here in the amendment that says they need to reexamine the role and the mission of the colleges and then also whether there should be "changes in the weighing of courses that may be necessary for reimbursable" and I won't go into that. But I think those things need to be looked at closely because times are changing, growth makes a difference in the various areas of the state. And I think this needs to be looked at. So not only are they acting in the role of perhaps an arbiter here or a facilitator, but they're also going to be gathering information, are they not? And they're going to be getting information from the various colleges, community colleges as to what their needs are and where things are out of whack perhaps, and where some adjustments may need to be made. And if they...if the six colleges with the facilitator can't get this done, why then that information is going to have to come to us. And I think this is probably a good way to go. I think we'll get everybody around the table. Now it does seem to me that there's going to be some cost to this, not to the extent that the fiscal note says. But it looks to me like for this fact gathering and this sort of thing that there's going to be some cost. Will the commission be able to bear that or are they going to need some additional money, if you know? [LB340]

SENATOR ADAMS: Senator, in my discussions with the commission would they have preferred to have some kind of appropriation? Sure, sure. But they understood that this is part of their role. And when we shrink the size of this so they're really not doing as much outside fact-finding as they are facilitating and helping the negotiation, it minimizes whatever expense they might have and they were willing to deal with this for us. [LB340]

SENATOR NELSON: Thank you. I would just like to say in support of this amendment... [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR NELSON: ...then that I do support this. I think this is a good way to go. There are still going to be areas of disagreement, but at least with a facilitator some of the changes perhaps that may be necessary can be brought out. And whether we can end it with the report of the commission and if we have an agreement so we have an easy thing as far as the bill is concerned, that remains to be seen. But once again, let's focus on this amendment not some of these tangential things here that have come up

Floor Debate
March 31, 2009

which we don't feel very good about. Let's take a look at the amendment and the underlying bill and let's support that and get on the way with this. Thank you, Mr. President. Thank you, Senator. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Nelson. Senator Harms, you're recognized. [LB340]

SENATOR HARMS: Thank you, Mr. President, colleagues. I rise in support of AM654. I'd like to clear up a couple of things. I'd like to start with a comment that Senator Hadley made in asking about the NCCA board, that's the Nebraska Community College Association, in fact they are elected. They're elected on the basis of their own boards. There's two board members from each of the six districts that become a part of this NCCA group. They have an executive director and they have an assistant in there, that's all they have. And their responsibility is to make sure that the community college system is coordinated, to make sure that the kind of legislation that they need to introduce is introduced. There are public relations, they deal with the issues between government and between the community college system, but that's all the authority they have. And that's where the problem lies. They do not have the authority in that office to make the right decisions to correct these issues. There is no reason in the world why this should be in...the community college system should be in here having these kinds of discussions as senators. It's wrong. And in order for us to correct it, the Duis amendment gets in the way. And the one thing we have to make sure of, the Duis amendment is simply that a state entity cannot levy local property tax. So we need to give the NCCA board more authority up to a point where they're not completely in total control so they're not a state entity. But more authority has to be put into that office if we're going to correct the issue. You can do all these other things and the next issue that comes whipping through, if that board does not have the authority, we'll be back in here arguing again. So that's where the issue lies. And the discussion about the Coordinating Commission, folks, that's their role, that's their responsibility, that's their responsibility to step into this issue and resolve this issue the best they can. They're bright people and if they don't have the folks, they'll find someone to come in. They can find a consultant to come in that's an expert in the community college system. So they have the authority, I wouldn't worry about the community college...about the Coordinating Commission and their authority because they'll resolve this issue. They're bright people, they understand it and they know exactly what to do. As far as the reimbursable educational units, the weight portion of this community college is exactly the way the funding...the way the role and mission is requesting. The role and mission, number one mission for a community college is simply vocational technical education. Then it goes down to the liberal arts and it starts listing those things there. The number one mission for the community college is in fact vocational technical education. And that's why those are weighted, they're weighted heavier because it's more expensive. So if you have a welding class it's heavier than an English class, it's heavier than a chemistry class. Or if you have a nursing program it's more expensive and that's why it's

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

weighted. And when Metro comes in here and tells us they don't have enough money, this funding formula does not work, why don't you ask them where their FTE's are? They made the transfer from technical education, vocational, to liberal arts, that's why they have a problem with our funding formula. They have gone ahead and made those decisions, nobody else made the decisions, they did. And that's why they're where they are. There's no excuse for this. And I will tell you now this can be resolved very easily. And if we don't do this, then they'll be back in here again bellyaching as a system and we're going to have to fix it. And the only way you're going to be able to fix this is change that system. So you want them...you want to lose local control? You want them to have...you want to be state controlled? You want to merge them with the University of Nebraska? I don't think any of those options are good. A community college is designed locally. The community college meets the local needs of the people. That's what they're about. That's important. [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR HARMS: Thank you, Mr. President. I don't think we want to lose this. I don't think we want to let this happen. And if Metro doesn't fit the glove, then we put Metro somewhere else. There are options. I had legislation introduced, but I backed away from that legislation. I can write legislation to place them in another formula. I can write legislation to put them in another system, but I don't think that's what we want. We want a system that functions and works together. No, not everybody is going to agree. But it's important for local control, it's important to understand that the commission can resolve these issues. That's their job. That's why we pay them. So I thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Harms. Senator Dierks, you're recognized. [LB340]

SENATOR DIERKS: Thank you, Mr. President, members of the Legislature. I was a member of the Education Committee at the time that the Coordinating Commission was formed. And my recollection of all that was that they had jurisdiction for instruction, for coursework, for some funding, I think that there's a limit. But that was over every postsecondary education system in the state of Nebraska, that included community colleges, it included state colleges, it included the university. They went through a lot of growing pains because some folks didn't like the jurisdiction that was given to them. But I think that Senator Harms is right. I think the authority is there. I need to ask Senator Adams a question. [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR DIERKS: Senator Adams, do you know what the dollar amount is that community colleges can spend without getting authority from the Coordinating Commission? [LB340]

SENATOR ADAMS: No, I don't, Senator Dierks. [LB340]

SENATOR DIERKS: My recollection is it's \$600,000. [LB340]

SENATOR ADAMS: Are you talking about for building projects, the threshold? [LB340]

SENATOR DIERKS: Yes. [LB340]

SENATOR ADAMS: Yes, I do. And I'm trying to remember back, it's been several months ago that we looked at that. I believe it's...it depends on...I don't want to take up all your time here, but it depends on the type of building and which fund that they're going to be dipping into. But there's a \$500,000 threshold... [LB340]

SENATOR DIERKS: Okay. [LB340]

SENATOR ADAMS: ...and then there's a \$1 million threshold. [LB340]

SENATOR DIERKS: Okay. Well, it might be a little bit different for the community college than it is for the university too. But I know that...as in my mind is that the Coordinating Commission has adequate authority to take care of this problem within those bounds. I'd be glad to visit with anybody about that. I don't remember all the particulars but I remember that this happened when I was here before and that it was...I think everybody thought that it was necessary, but I think some of the school systems felt that it was overburdening. So it hasn't been a real easy ride of them. I just still think that the authority is there for them. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Dierks. Members requesting to speak on AM654, Senator Gay, followed by Senator Council, Senator Price, and Senator Lautenbaugh. Senator Gay, you're recognized. [LB340]

SENATOR GAY: Thank you, Mr. President. I want to go back to the fact of...I got online. I was looking at the Nebraska postsecondary education, what they do, the commission. And they do have a...and I'm still getting into it, community colleges, the role and mission. This was updated in 2006. So I assume they've looked at this. My question earlier, and I've had a few discussions off the mike with Senator Adams and Senator Heidemann and I appreciate their thought. And I'm going to continue to listen. I still...how we get involved in this, I'm still concerned. You have...the commission can go do this, okay? I do understand that. I found that out between last time I spoke and now. But the question is, I guess, at this point, where will we be involved in this process?

Floor Debate
March 31, 2009

Because what happens many times we go back to our regular duties, many of us, and things get kind of left. But I am concerned that a report comes back and I think it's December 15. There's no time at that point to draft any legislation. Then we're back...are we going to go and redraft funding then and there? That wouldn't make sense. And I know Senator Adams wouldn't like to do that either. So, I guess, that is my concern. I'm still looking to see if there's a way that we can be more involved in this process because I think as legislators that's our duty. So when we look at these funding mechanism and the battles, everyone is going to stand up for their college. And I...my district is represented by the Metropolitan Community College and they do a great job. I don't know specifically what their role and mission is exactly. But when I go, they're doing a fine job. But maybe their role and mission is different in our setting than it is in another setting in the state because the needs are different. So I don't think we can just say, here's what you do. Maybe you can, I don't know. But I'm a little bit concerned that we should have a little more say in how that's done. And I know these bills come up and we go through them very quickly and we seem to be going through bills quickly. But that is my concern. So if Senator Adams would yield to a question. [LB340]

PRESIDENT SHEEHY: Senator Adams, would you yield to questions? [LB340]

SENATOR ADAMS: Yes, I will. [LB340]

SENATOR GAY: Thank you, Senator Adams. And I did discuss, and I appreciate your answer on that. But how do you envision then staying on top of this study? Because what you're asking is a fairly large project, I think. But how do you envision this happening without written that we need to be more involved? [LB340]

SENATOR ADAMS: Senator Gay, you raise a good point. And it's good food for thought. To answer your question immediately, first of all, I would hope and more than hope, I said this very directly to all six community college presidents, you folks need to solve this. And it has been our intention all along that prior to this controversy that when things come to us, to the Education Committee, that it would come through the CEO group, that is through the association and/or the alliance of the six presidents. Now to answer your question more immediately though there is nothing here that would...that I can see that would keep a regular report from the Coordinating Commission to my committee or to my office. I don't see why one of my staff members that specifically has been designated this as one of their topics to stay on top of couldn't also attend some of those meetings and report back to me. You know, those are all possibilities. [LB340]

SENATOR GAY: Okay. Well, thank you, Senator Adams. And I'm kind of reading as I look. But it's very open-ended. And I just got to the point where...what the community college system does, and it provides educational opportunities for students seeking entry-level career training. Well, maybe that mission, and I know it's been updated in '06 but this was drafted in 2000. [LB340]

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR GAY: They updated in '06, but do they have an actual comprehensive review? Because since 2000 to 2009 probably the needs of every college have changed. Things change quickly. And I'm concerned though that we're going to now go define here's what you can and can't do. And that will leave...why do we have local boards then if we're going to do this? And I'm just a little concerned we're going to get off base and we're still not going to have a conclusion at the end of the day. And I don't want to be pessimistic, I want to just...I want to make it work. But I think in order to make it work we need to have our fingers involved in this somewhat. And I know you've got a lot of other things going on and this is the last thing you probably wanted to do this year. But that's my concern. And if you have any solutions along the way how we can alleviate that I'd appreciate it. I don't know if that's a question or comment. But thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Gay. Senator Council, you're recognized. [LB340]

SENATOR COUNCIL: Yes, thank you, Mr. President. I rise in support of AM654 and LB340. And I have sat and intently listened to the pros and the cons on this particular piece of legislation. I firmly believe that the commission on postsecondary education is not only the appropriate body to address these issues, it falls squarely within its mission. I had the privilege of serving as a member of the Coordinating Commission on Postsecondary Education. And you're dealing with issues here surrounding the weight to be given to instructional programs offered by community colleges. One of the missions of the commission, the Coordinating Commission on Postsecondary Education is to discuss the necessity and the viability of instructional programs in the colleges and universities across the state. So it falls squarely within its mission. And I believe that that commission is well-equipped to address this issue and to provide some guidance and recommendations to this body. Senator Harms made a very accurate statement that community colleges are designed to meet the local needs of its people. And I think we need to recognize that we are a very diverse state, very diverse needs. And while there are parts of the state where vocational, otherwise known as hard-skill training is what's needed, there are portions of our state where what are referred to as soft-skills training is what is needed to prepare and enable people to access the job market. Unfortunately, that's the case in metropolitan Omaha, particularly the district that I represent. Many of the people who are unemployed and underemployed do not possess the soft skills that are required to be successful in the workplace. And Metro Community College, to their credit, has done an excellent job of working directly with employers, identifying what those soft job skills are, and developing programs and offering those programs to its students. But I'm not standing here to promote Metropolitan Community College. I'm standing here to promote the objective of bringing together the six

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

community colleges in this state and providing appropriate funding for them to carry out their respective missions. When I was a student at the university, many, many years ago, I had an internship at the Department of Economic Development. And my internship, my assignment that semester was to identify what were the hard-core labor needs of communities across the state of Nebraska. And once I conducted that survey, that data was then provided to the community colleges so that they could develop programs to meet those needs. It's no different now. If the needs are not for plumbers and masons and steel workers but they are for technology analysts, and programmers, then we need to provide those soft skills. And while the costs associated with that may not be the same as developing a welding laboratory or a drywall laboratory, there are still costs associated with it. And I think the Coordinating Commission on Postsecondary Education can deal with that. My only comment with regard to Senator Janssen's concerns and him being disturbed about this bidding situation, clearly reasonable people disagree on situations sometimes. For those of us who have... [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR COUNCIL: ...served outside the Legislature, like on city councils and school boards, are often forced to make a decision on what is the lowest and best bid. And there have been many times where the best bid has not been the lowest bid. Now without additional information as to this particular bidding situation, I'm not inclined and I hope others are not inclined to make the decisions on this issue based on hearsay evidence but instead to base their decision on this issue on the actual matter that is being presented to us. And that is the best way to deliver instructional programs through our community college system. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Council. Senator Lautenbaugh, followed by Senator Janssen, and Senator Price. Senator Lautenbaugh, you're recognized. [LB340]

SENATOR LAUTENBAUGH: Thank you, Mr. President, members of the body. We've heard a lot of talk today about local control, which, you know, is important and we do talk about it from time to time. And I agree, we are getting a little afield regarding this particular bill. But what I'm trying to point out, and it probably doesn't need saying so I probably should stop saying it but I'm going to, we are funding these institutions. I'm most familiar with Metro, so some of my prior comments dealt largely with Metro. But I hear things about other community colleges as well, perhaps too many administrators, perhaps a president for each location, that kind of thing that maybe other community colleges don't do. And yes, local control is important. But we are funding these things with state funds to a certain level. And this becomes true whether we're talking about regular colleges, the regents, whether we're talking about the community college at this point, with state aid comes some measure of state control. So if we're going to be asked to pony up money in ever-increasing amounts, I think it behooves us and I think it's the right thing to do to say, are you being efficient? Are you making good use of the money

Floor Debate
March 31, 2009

we're giving you? And when I hear some of the things like we've heard today, once again they may be incorrect, there may be other explanations, etcetera, etcetera, I have to at least hope they're being efficient but wonder. And I think it's okay to ask these questions. I think it's okay to raise these issues. And I think it's okay to sort of raise the warning. When I look at this organization, when I look at what's going on with the community colleges as a whole and say, get along and figure out how to do this, tend to your knitting and do it efficiently or you might not like what we come to, come up with if we come back here and deal with again in 2010 or whenever it comes back across here. Because I'm not an optimist on this. I believe it will come back. I don't believe we've dealt with this. I think we're giving a last chance for some of these issues to be dealt with. I don't have a lot of optimism that they will be. So we'll probably be back here again talking about this. But I think it's okay for all of us to say, yes, we like local control, yes, we favor local control. But if we're writing the checks, we better have a feeling that our money is being used wisely. That's not a Metro criticism, that's not a criticism of another community college because the other names escape me because I live in Metro. I'm not trying to be specific to any one community college. I'm saying this money needs to be spent wisely and the squabbling needs to stop. I applaud some of the things Metro has done to step into a gap that existed or they wouldn't have done it. But again, these questions remain, these problems remain. And we may get the point where we're looking at all facets of community colleges of whether or not this makes sense. So I applaud Senator Adams and his committee. I again applaud Senator Cook. I hate to be pessimistic, especially if we're getting to the end of the day, I hate to end the day on a downer. But I'm pessimistic, so we'll see what happens. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Lautenbaugh. Senator Janssen, you're recognized. [LB340]

SENATOR JANSSEN: Thank you, Mr. President, members of the body. I want to be clear again, this is...I did not rise earlier to speak in opposition to LB340 or AM654. I do appreciate the comments about the situation that I brought forward. I started to get a little disturbed about all the times I heard that Senator Janssen is disturbed on the floor today so I wanted to clarify that as well. Disturbed about the bidding process is what Senator Janssen was disturbed about today. But I in no means want Senator Nordquist to think I'm hijacking a bill here. I certainly would not do that. I would like to address a few things I heard from Senator Council. I, like her, served on a city council and had to make decisions before. I would say, while I paraphrase quite a bit, this was not based on hearsay. These are actual facts that will come out. And Senator Lautenbaugh brought up some interesting points. I hope there's more to the story. I, too, hope there's more to the story than the fact that the taxpayers of Nebraska just got stuck with a \$100,000-plus bill on a project, basically a 25 percent tax increase on a project. I hope there is more to that story. I have tried to find more to that story. The latest thing that I found was there was somebody saying that, well, this company that happened to be in Fremont wasn't big enough to do this. Well, we've already blown holes in that. That is

Floor Debate
March 31, 2009

not true. This company has performed admirably, which I just found out, on other projects larger in scope and much more detail oriented than what the bid called for. So this was a competent contractor. I sat on a city council and I had to look through bids. I can't think of one that I gave 26, 27, 28, 30 percent higher on this scale before. Now, granted, I'm in Fremont compared to Senator Council in Omaha, and they probably dealt with some larger contracts there. I'm sure many community colleges have problems, the board of governors have problems. This one just came to light. And this one is a big one, that's a big price tag. So any message that I have here today is it's not against LB340, it's not against AM654. My message is not against Metropolitan Community College. I am a fan of Metro Community College. I think they do great things for the city of Fremont and the city of Omaha and what they cover. But my message to the board of governors and the leadership of Metropolitan Community College is change your policy that basically gives more weight to certain contractors and leaves the taxpayers holding the ball on that. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Janssen. Senator Price, you're recognized. [LB340]

SENATOR PRICE: Mr. President, members of the body, I rise in support of the bill and the amendment. I am a product of community colleges. I went to a community college before I went in the service. I went in the service, I got my first degree from the Air Force community college. And that might not be a resounding endorsement, but I did take that path and I'm very glad I took that path and was able to then go on further. I wanted to rise, I was approached to bring one of the consortium of bills that came forward this year. And I'm going to spend a moment telling you why. In my opinion, what is going on in the Metro Community College area, region of responsibilities, they're meeting a customer need. Now we've heard that the customer need should only be or the majority be focused only on the tech skills. But that's not the reality in the Metro Community College area. The reality there is there are students, much like myself, who were not able or wouldn't be able or weren't prepared to go to a four-year institution. They wanted to, maybe they don't want to be a welder or a concrete or automotive or dental technician. Maybe they want to be a teacher. Maybe they want to go to something that goes onto a four-year degree, but they don't have the aptitude, the latitude, the funding, so they chose to use the Metro. And now, because we have so many more people who choose that in the Metro area, we're being penalized. We're told that it's not as expensive to run an English class. I beg to differ, if you have to have English as a second language type course and all the materials. So we're going to be able to have these people get together and debate that this year. And they're going to be able to look at how we do these doling out of the money. No one wants to say that anyone should be penalized over the other, but that's what is happening. And that's why I carried the bill. That's why I thought it was a good bill to carry, to get the discussion going. And guess what? It's worked, we are discussing it. And as Senator Adams has done, we are going to legislate that they do so. So I stand in support of what we're doing

Floor Debate
March 31, 2009

here today. And I would like to also share, after Senator Janssen brought it up, I went ahead and used the Internet with my rudimentary skills and I did some searching. And so I will read out for you from a Web site that's dedicated to work within the region. What we have is a policy that was amended. And if you go to the Metro board's policy page you really won't find the amendment or the resolution. But I'm going to take the liberty here to read this, paragraph 1, "The bidder and all lower-tiered subcontractors under the bidder agree to pay the appropriate lawful prevailing rates to the mechanics, laborers, and workers employed on the project. (2) The bidder and all lower-tiered subcontractors under the bidder must at the time of bidding demonstrate participation with or maintenance of their own apprentice training program approved by the United States Department of Labor. (3) The bidder and all lower-tiered subcontractors under the bidder that have four or more employees on a project for Metro Community College must employ at least one apprentice and must maintain a minimum of a 25 percent apprentice to 75 percent nonapprentice ratio for the duration of the project. (4) The bidder and all lower-tiered subcontractors under the bidder must at the time of bidding furnish hospitalization and medical benefits and/or coverage for all eligible employees, mechanics, laborers, and/or workers." Those were the four points that were brought out and highlighted. [LB340]

PRESIDENT SHEEHY: One minute. [LB340]

SENATOR PRICE: So again, we're bringing a little bit more. And as Senator Janssen said, in our times of fiscal need, the times when we're talking about cutting perhaps programs and budgets, when people are losing their jobs, \$100,000 goes a long way. You can buy a lot of things. Should we hear the community colleges complain about their budget when they have \$100,000 to do such things? I think not. So I really do encourage the board and the entire cabal, if you would, to take a look at this policy that they write and make sure that it passes the test of reasonableness throughout the entire the system and is applicable throughout the entire system. Again, I rise in support. And I thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Price. Seeing no additional lights on, Senator Adams, you're recognized to close on the Education Committee amendment, AM654. [LB340]

SENATOR ADAMS: Thank you, Mr. President. Members of the body, what has transpired in the last half hour or hour, however long we've been at it, is good. And it's so typical of bills that come before us. It gives us an opportunity to express ourselves and to vent and to go in a lot of different directions sometimes. And it's very similar to what the Education Committee heard in hearing after hearing this year on bills related to this issue. But let me ask you in conclusion to focus and to focus not on bidding processes, or focus not on governance, or focus not on the formula, or urban versus rural, or all the other things that can be associated with community college but to focus

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

on one thing right now, an opportunity in the next several months for these community colleges, led by scholarly people, to try to resolve their differences. And do I wish we could have done it other than by statute? Of course. But we were at a point, and I'm not sure that we're over that point, where the emotions were so high that getting all six of them together without the force of legislation, I felt, was going to be virtually impossible. Now the legislation will pull them together. Whether they will resolve differences we won't know until this is all over with. Senator Lautenbaugh, I believe, talked about optimism and pessimism. I'm going to remain neutral. This issue is very antagonistic. And whether there can be resolution to it amongst those six community colleges, I don't know how optimistic to be. But I'll tell you this, in amending this bill and passing this bill we're giving those community colleges one more shot before the Education Committee and the rest of you have to weigh in on this and try to resolve it. I want to thank Senator Cook, by the way, for allowing the Education Committee to use her bill. She is very supportive, I believe, in the direction we are going or she wouldn't have allowed her bill to be used in this way. It helps us get this off of dead center. We may be back one year from now with legislation coming out of the Education Committee, potentially, that is reflective of these six community college presidents working together or it may run a totally different direction as a result of their inability to work together. I ask for your support of the amendment and of the underlying bill. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Adams. You have heard the closing. The question before the body is on the adoption of the Education Committee amendment, AM654, to LB340. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB340]

ASSISTANT CLERK: 37 ayes, 0 nays on the adoption of committee amendments, Mr. President. [LB340]

PRESIDENT SHEEHY: AM654 is adopted. We'll now resume floor discussion on LB340. Senator White, you're recognized. [LB340]

SENATOR WHITE: Thank you, Mr. President. Generally, I rise in support of this bill, though I do have some concerns given the status quo as it sets indicates that there will be a property tax increase in my district. This gives me a lot of concern. And if Senator Cook would be kind enough to respond to questions. [LB340]

PRESIDENT SHEEHY: Senator Cook, will you yield to questions? [LB340]

SENATOR COOK: Absolutely, yes. Thank you. [LB340]

SENATOR WHITE: Senator Cook, as I understand your bill nothing in it would require a property tax increase in the metro area. However, the status quo of existing law and how the state aid is apportioned might require that. Is that correct? [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

SENATOR COOK: Well, my bill as introduced certainly does take that into consideration. I guess, my expectation is that the bill, as amended, would provide the tools to determine whether or not those adjustments would be necessary among any of the community colleges. [LB340]

SENATOR WHITE: Okay. And so that I can understand it then, Senator, nothing in this bill itself would require a property tax increase in the metro area or any other part of the state right now. [LB340]

SENATOR COOK: Absolutely, absolutely not, I should answer. [LB340]

SENATOR WHITE: Okay. And, Senator, with that assurance I very much appreciate your bill and your efforts in this regard. I would remind all members of the body that in the past we have had...two years ago we had a bill that dramatically did shift the award of funding. And it moved a lot of money to Scottsbluff and to some other areas. And it allowed them to have a dramatic property tax decrease. And while I appreciate Senator Harms's thoughts, I also point out that the needs of my area are quite different than yours, Senator. We have a very high dropout rate. We have a lot of people who need remedial education, who need English taught, who need to be taught how to read or they're consigned to never living productive lives. And that is a different need than your community, but it's a no less legitimate need that is being served by our community. And the idea that we should be angry at different districts is not helpful. It will not help your district, and it certainly will not help mine. Thank you. [LB340]

PRESIDENT SHEEHY: Thank you, Senator White. Senator Harms, you're recognized. [LB340]

SENATOR HARMS: Mr. President, colleagues, I rise to support LB340. I did want to comment on the differences between rural and urban America. Urban America just has larger numbers. Rural America has the same issues. Seventy percent of the students who enter the community college system are automatically put into developmental or remedial education. I don't care whether you're in Metro, or in Omaha, or Lincoln, or rural America, the issues are basically the same. English for a second language is the same. Rural community colleges have an increase in people coming from a variety of different areas that force that cost to go up. It is expensive to have developmental education or what we call foundations education. So I think we have to be a little careful when we start comparing. What you have are just larger numbers. But the structure and the kind of students you have are similar all across the state, it doesn't make any difference where you're at. So I would urge you to support LB340 and let's move forward to get our community colleges started in the right direction. Thank you, Mr. President. [LB340]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Floor Debate
March 31, 2009

PRESIDENT SHEEHY: Thank you, Senator Harms. Seeing no additional lights on, Senator Cook, you're recognized to close on LB340. [LB340]

SENATOR COOK: Thank you, Mr. President. And thank all the members of the body for engaging in such a lively discussion. I think we have had this afternoon a nice microcosm of the kinds of conversations and dialogue, if you will, that's gone on among the leadership at the community college level, not always with the most positive and useful outcome. My goal simply with LB340 is that we emerge, at the end of this calendar year, with a tool that can be applied in each of the community college jurisdictions through which they can make good fiscal decisions and good programming decisions for the benefit of the students and the community. With that, I would ask that you vote green on LB340. And I thank you again for your attention to this matter. Thank you, Mr. President. [LB340]

PRESIDENT SHEEHY: Thank you, Senator Cook. You have heard the closing. The question before the body is on the advancement of LB340. All those in favor vote yea; opposed, nay. Please record, Mr. Clerk. [LB340]

ASSISTANT CLERK: 38 ayes, 0 nays on the advancement of the bill, Mr. President. [LB340]

PRESIDENT SHEEHY: LB340 advances. Mr. Clerk, do you have items for the record? [LB340]

ASSISTANT CLERK: Mr. President, Education would like to hold an Executive Session tomorrow at 3:00 in Room 2022. Your Committee on Enrollment and Review reports LB403 as correctly engrossed. Judiciary reports LB35 to General File with amendments. Amendment to be printed: Senator Friend to LB532; Senator Gay to LB464. Name add: Senator Langemeier to LB463. (Legislative Journal pages 866-867.) [LB403 LB35 LB532 LB464 LB463]

And finally, a priority motion. Senator Flood would move to adjourn until Wednesday, April 1, 2009, at 9:00 a.m.

PRESIDENT SHEEHY: You have heard the motion to adjourn until Wednesday, April 1, 2009 at 9:00 a.m. All those in favor say aye. Opposed nay. We are adjourned.