

Transcript Prepared By the Clerk of the Legislature
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Floor Debate
April 20, 2015

[LB67 LB72 LB72A LB85 LB173 LB264 LB320 LB330 LB343 LB348 LB402 LB469 LB583
LB598 LB599 LB605 LB629 LB643 LR191 LR192 LR193 LR194 LR195 LR196 LR197
LR198]

SENATOR GLOOR PRESIDING

SENATOR GLOOR: GOOD MORNING, LADIES AND GENTLEMEN, AND WELCOME TO THE GEORGE W. NORRIS LEGISLATIVE CHAMBER FOR THE SIXTY-SIXTH DAY OF THE ONE HUNDRED FOURTH LEGISLATURE, FIRST SESSION. OUR CHAPLAIN FOR TODAY IS PASTOR JANICE HEIDLBERGER WITH THE ST. JOHN'S LUTHERAN CHURCH COUNTY LINE, SCRIBNER, AND THE ST. PAUL'S LUTHERAN CHURCH IN UEHLING, NEBRASKA. SHE IS A GUEST OF SENATOR BRASCH. PLEASE RISE.

PASTOR HEIDLBERGER: (PRAYER OFFERED.)

SENATOR GLOOR: THANK YOU, PASTOR HEIDLBERGER. I CALL TO ORDER THE SIXTY-SIXTH DAY OF THE ONE HUNDRED FOURTH LEGISLATURE, FIRST SESSION. SENATORS, RECORD YOUR PRESENCE. ROLL CALL. MR. CLERK, PLEASE RECORD.

CLERK: I HAVE A QUORUM PRESENT, MR. PRESIDENT.

SENATOR GLOOR: THANK YOU, MR. CLERK. ARE THERE ANY CORRECTIONS FOR THE JOURNAL?

CLERK: I HAVE NO CORRECTIONS.

SENATOR GLOOR: ANY MESSAGES, REPORTS, OR ANNOUNCEMENTS?

CLERK: MR. PRESIDENT, I HAVE NEITHER MESSAGES, REPORTS, NOR ANNOUNCEMENTS AT THIS TIME.

SENATOR GLOOR: THANK YOU, MR. CLERK. WE'LL NOW PROCEED TO THE FIRST ITEM ON THE AGENDA. MR. CLERK.

CLERK: MR. PRESIDENT, LB72, A BILL BY SENATOR SCHUMACHER. (READ TITLE.) THE BILL WAS INTRODUCED IN JANUARY, REFERRED TO JUDICIARY COMMITTEE. SENATOR SCHUMACHER PRESENTED HIS BILL ON APRIL 15. AT THAT TIME, THE

Floor Debate
April 20, 2015

COMMITTEE AMENDMENTS WERE REJECTED. I DO HAVE AN AMENDMENT TO THE BILL FROM SENATOR SCHUMACHER, MR. PRESIDENT. (AM1225, LEGISLATIVE JOURNAL PAGE 1182.) [LB72]

SENATOR GLOOR: THANK YOU, MR. CLERK. SENATOR SCHUMACHER, PERHAPS YOU'D LIKE TO UPDATE THE COMMITTEE OR REVIEW FOR US YOUR BILL BEFORE WE MOVE FORWARD. [LB72]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. LB72 DEALS WITH THE PHENOMENA OF FOLKS WHO HAVE MONEY (CELL PHONE RINGS) AND DIDN'T TURN OFF THEIR CELL PHONE. (LAUGHTER) LET'S SEE, THERE WE GO. RIGHT THERE. MEDICAID IS CALLING...OF FOLKS WHO HAVE MONEY GIVING THEIR ASSETS AWAY TO THEIR HEIRS, LAYING LOW FOR FIVE YEARS, AND THEN GOING ON NURSING HOME AT STATE EXPENSE IN THE EVENT THEY RUN OUT OF THE REST OF THEIR MONEY AND ANY RESIDUAL THINGS THAT THEY KEPT. IT TRIES TO DEAL WITH THAT PHENOMENA. UNDER FEDERAL LAW, IF YOU GIVE YOUR PROPERTY AWAY, LAY LOW FOR FIVE YEARS, YOU'RE TREATED AS A POOR PERSON AND ELIGIBLE TO RECEIVE YOUR NURSING HOME AND MEDICAL EXPENSES AT STATE EXPENSE UNDER MEDICAID. FEDERAL LAW ALSO, BECAUSE THEY SAW THE POTENTIAL FOR ABUSE IN THIS, SAID THAT STATES CAN GET AGGRESSIVE AND GO AFTER ANY ESTATE OF THE PERSON WHO RECEIVED MEDICAID AFTER THEY HAVE PASSED AWAY AND THEIR SPOUSE HAS PASSED AWAY. NEBRASKA HAS HAD THAT ABILITY TO EXERCISE AUTHORITY IN THAT AREA SINCE 1993 AND REALLY HAS DONE VERY LITTLE IN THE AREA OF TRYING TO RECOUP MONEY FROM ESTATES. IN BRIEF SUMMARY THEN, LB72 STARTED OUT AS A VEHICLE TO DO THAT. IT HAD SOME VERY AGGRESSIVE PROVISIONS, SOME OF WHICH WILL BE EDITED OUT BY THE AMENDMENT THAT WILL BE COMING UP NEXT, AND I'LL EXPLAIN THE REASONS FOR IT. IN THE END, WE'RE TRYING TO BEGIN TO GET A HANDLE ON THE PHENOMENA I JUST DESCRIBED. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. (VISITORS INTRODUCED.) MR. CLERK FOR AN AMENDMENT. [LB72]

CLERK: MR. PRESIDENT, SENATOR SCHUMACHER WOULD MOVE TO AMEND WITH AM1225. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, YOU'RE RECOGNIZED TO OPEN ON YOUR AMENDMENT. [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. AS ORIGINALLY SET OUT, LB72 WAS RATHER AGGRESSIVE IN TRYING TO SOLVE ALL THE PROBLEMS OF THE...IN ONE BITE. IT HAD TWO BASIC PHENOMENA. ONE, IT SAID TO TRUSTEES WHEN SOMEBODY PUT THEIR PROPERTY IN A TRUST AND TOLD THE TRUSTEE, WHEN I'M GONE, DIVVY IT UP AMONG THE HEIRS THIS WAY, AND THAT WAS A REVOCABLE TRUST MEANING THAT THE PERSON COULD PULL IT BACK IF THEY WANTED TO. BUT IT BECOMES IRREVOCABLE UPON DEATH, SAID TO TRUSTEES, LOOK, IF YOU'RE HOLDING ANY OF THOSE ASSETS AND THE PERSON HAS PASSED AWAY AND LEAVES A MEDICAID BILL WITH THE STATE UNDER EXISTING LAW, THE TRUSTEE HAS GOT TO SQUARE UP WITH THE DEPARTMENT OF HEALTH AND HUMAN SERVICES BEFORE IT CAN DISTRIBUTE IT TO THE HEIRS. IT ALSO ALONG THOSE SAME LINES SAID THAT IF SOMEBODY GOES TO DETERMINE INHERITANCE TAXES ON THE PROPERTY, WHICH MEANS THEY HAD AN INTEREST IN SOME PROPERTY AT THE TIME THEY DIED, THAT DHHS HAS TO BE NOTIFIED IN CASE OF THAT INHERITANCE TAX DETERMINATION SO IT CAN CHECK OUT WHETHER OR NOT THERE'S ANYTHING THAT IT COULD GO AFTER TO RECLAIM THE DEBT THAT IS OWED THE STATE. I WANT TO MAKE SPECIFIC LEGISLATIVE HISTORY HERE THAT THE NOTIFICATION TO DHHS DOES NOT UNDER THE LANGUAGE OF THE BILL AS AMENDED, AS IT WOULD BE AMENDED, INTERFERE WITH THE COURT'S ABILITY TO DISPENSE WITH A HEARING AND PROCEED TO DETERMINE THE INHERITANCE TAXES WITHOUT A HEARING. BUT THOSE WERE THE TWO MECHANISMS TO TRY TO RECOUP MONEY OWED TO THE STATE BECAUSE OF MEDICAID PAYMENTS FROM THE HEIRS. IT HAD A THIRD MECHANISM WHICH WAS A VERY STERN MECHANISM WHICH WAS IN SECTION 5 OF THE BILL. AND THAT SAID, ANY TIME YOU GAVE SOMETHING TO YOUR KIDS OR HEIRS OR GAVE IT AWAY, IT WOULD...THERE WOULD BE A LIEN ON IT AND THAT LIEN COULD BE USED TO SECURE A DEBT TO THE ESTATE ARISING OUT OF MEDICAID SHOULD YOU GO INTO A NURSING HOME UNDER THOSE CIRCUMSTANCES. AT THE HEARING ON THE BILL, THE BANKERS AND TITLE COMPANIES SAID, LOOK, WE'RE NOT SO TERRIBLY OPPOSED TO THE PRINCIPLES OF THE BILL, BUT WE NEED TO WORK OUT SO THAT WE HAVE NOTICE OF THIS SO WE AREN'T LOANING MONEY AGAINST SOMETHING THAT HAS A PRIOR LIEN. AND THAT WAS WORKED OUT WITH THE BANKS AND THE TITLE COMPANIES SO THAT THEY WERE SATISFIED THAT IT WOULD WORK. AFTER THE HEARING AND AFTER THIS THING GOT ON THE CALENDAR, SOME OF THE MEMBERS OF THE BAR WHO DEAL IN THESE KIND OF THINGS FELT THAT THE PROVISIONS WERE TOO STRICT AND INTERFERED WITH PEOPLE WHO WERE DOING ESTATE PLANS WHICH WOULD NEVER END UP ON MEDICAID. AND IN DISCUSSIONS WITH THE BAR ASSOCIATION, WE LOOKED AT A NUMBER OF OTHER POSSIBLE ALTERNATIVES THAT SOME OF THE OTHER STATES HAVE DONE TO ADDRESS THIS

Floor Debate
April 20, 2015

ISSUE AND HOW THEY ADDRESSED IT AND HOW IT MIGHT BE BETTER THAN THE PROVISIONS THAT WERE IN SECTION 5 OF THE BILL. AND I AGREED WITH THE BAR ASSOCIATION TO WORK WITH THEM AND WITH THOSE OF YOU WHO ARE INTERESTED IN THIS AREA TO SEE IF WE CAN BRING NEBRASKA UP TO SPEED LIKE THE MAJORITY OF OTHER STATES ARE AND TRY TO GO BACK AFTER THE ASSETS OF PEOPLE WHO GIVEN AWAY THEIR ASSETS AND THEN TURNED AROUND AND WENT ON TO MEDICAID FOR NURSING HOME PURPOSES. IN DOING SO, I THINK WE PROBABLY CAN ADDRESS THE ISSUE ADEQUATELY THIS SUMMER AND WOULD HOPE THAT WE'D BE ABLE TO DO. AM1225 THEN GUTS OUT SECTION 5 ABOUT A LIEN ON ANY TIME THERE IS A GIFT MADE OF SUBSTANCE TO THE HEIRS AND RESERVES THAT FOR LATER. BUT DOES KEEP IN THE BILL THE PROVISION THAT IF YOU PUT PROPERTY IN A TRUST, A REVOCABLE TRUST, AND YOU PASS AWAY THAT THE TRUSTEE HAS GOT TO MAKE SURE THAT THE STATE IS TAKEN CARE OF IN ANY REIMBURSEMENT BEFORE THE TRUSTEE CAN DIVVY UP THE MONEY AMONG THE HEIRS. AND ALSO PROVIDES THAT IF THERE IS AN INHERITANCE TAX PROCEEDING, WHICH IS A RED FLAG THAT THE DECEDENT OWNED SOMETHING AT THE TIME OF DEATH, THAT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES BE NOTIFIED OF THE INHERITANCE TAX PROCEEDING, NOT IN A WAY THAT INTERFERES WITH THE COURT'S ABILITY TO DEAL WITH THE INHERITANCE TAXES AND WITH AND WITHOUT A HEARING, BUT NOTIFIED BECAUSE IT'S A RED FLAG. AND THE DEPARTMENT, IF IT HAS RESOURCES, CAN THEN GO AT AND SEE IF ANY OF THAT PROPERTY COVERED BY THE INHERITANCE TAX PROCEEDING WOULD BE SUBJECT TO RECLAMATION BY THE STATE. THIS IS GOING TO BE A BIGGER PROBLEM AS THE BABY BOOMERS LOOK FORWARD OR NOT FORWARD TO BEING IN NURSING HOMES AND MOST OF THEM NOT HAVING NURSING HOME INSURANCE, AND MOST OF THEM PROBABLY WANTING TO DO THE HUMAN THING AND LEAVE EVERYTHING I CAN TO MY HEIRS AND LET THE STATE FOOT THE BILL. IT CAN ONLY BE ADDRESSED PROSPECTIVELY, THAT MEANS WE CAN'T GO BACK AND FIX ONES THAT HAVE SET UP THESE TYPE OF ESTATE SCHEMES IN THE PAST, BUT WE CAN DO IT TOWARD THE FUTURE. AND WE CAN DO IT WITH RESPECT TO A TRUST, WHICH ARE IRREVOCABLE AND DON'T BECOME REVOCABLE UNTIL THE FUTURE. SO BASICALLY, THIS PARTICULAR AM1225 TAKES OUT THESE PROVISIONS OF THE BILL THAT THE BAR ASSOCIATION BELATEDLY FIGURED WERE TOO BROAD, CAUGHT SOME DOLPHINS WITH THE SHARKS, CAST TOO BROAD A NET, RESERVES THOSE FOR DISCUSSIONS OVER THE SUMMER IN ANOTHER BILL NEXT YEAR AND IT LEAVES INTACT THE PROVISIONS RELATING TO THE ABILITY TO GO AFTER PROPERTY THAT IS IN A REVOCABLE TRUST BEFORE IT'S DISTRIBUTED TO THE HEIRS. AND ALSO GIVING THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ADEQUATE NOTICE THAT THERE IS POSSIBLY AN ESTATE OR A PLACE

Floor Debate
April 20, 2015

WHERE MONEY CAN BE RECOUPED FROM. AND IT IS A FIRST OF...IT'S A SMALL STEP, HOPEFULLY NEXT YEAR A BIGGER STEP, IN BRINGING INTO CONTROL THE PHENOMENA OF GIVING YOUR MONEY AWAY, FUNNELING IT TO THE HEIRS, AND LEAVING THE STATE AND THE TAXPAYERS HOLDING THE BAG FOR MEDICAID EXPENSES AND NURSING HOME EXPENSES IN YOUR OLD AGE. THANK YOU, MR. PRESIDENT. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. (VISITORS AND DOCTOR OF THE DAY INTRODUCED.) MEMBERS, YOU'VE HEARD THE OPENING ON THE AMENDMENT TO LB72. WE NOW MOVE TO FLOOR DEBATE. SENATOR SCHEER, YOU'RE RECOGNIZED. [LB72]

SENATOR SCHEER: THANK YOU, MR. PRESIDENT. I WOULD RISE TO THANK SENATOR SCHUMACHER FOR PUTTING IN PLACE THE MECHANISM TO HAVE A STUDY OVER THE SUMMER TO LOOK AT THE REVISIONS THAT WE MAY OR MAY NOT WANT TO MAKE AS WE GO FORWARD. THE ONLY THING THAT I WOULD BRING TO THE BODY'S ATTENTION AS WE LOOK AT THE PROBLEM WE'RE FACING IS THE SECONDARY PROBLEM THAT THE COST OF TRYING TO PROTECT YOURSELF FROM AN INSURANCE STANDPOINT IS BECOMING INCREASINGLY MORE EXPENSIVE. THOSE COMPANIES THAT WERE PROVIDING THIS, A NUMBER OF THEM HAVE GONE OUT OF THE BUSINESS AND PEOPLE HAVE LOST THE COVERAGE. AND IF WE'RE GOING TO PENALIZE THOSE PEOPLE THROUGH THEIR ESTATES, I THINK WE HAVE TO BE CAREFUL THAT AS WE PENALIZE THEM WE'RE NOT TAKING ADVANTAGE OF SOMETHING THAT SOME MIGHT WANT TO BE ABLE TO UTILIZE AND ARE NOT. I WOULD SAY THAT AN ANALOGY WOULD BE, FOR EXAMPLE, IN HEALTH INSURANCE, BEFORE THE AFFORDABLE CARE ACT, IF YOU WENT TO BUY INSURANCE, IF YOU HAD HAD A HEART ATTACK OR SOME OTHER TYPE OF MEDICAL PROBLEM, YOU COULDN'T BUY INSURANCE ON THE OPEN MARKET. SO WE HAD A STATE-SUBSIDIZED PROGRAM THAT WAS...I SHOULDN'T SAY THE STATE SUBSIDIZED IT BUT INSURANCE COMPANIES HELPED SUBSIDIZE IT, AND THE COSTS WAS SUBSTANTIALLY HIGHER. BUT AT LEAST YOU COULD GET INSURANCE. RIGHT NOW, IF YOU HAVE THOSE SAME TYPE OF PROBLEMS, A STROKE OR A HEART ATTACK OR CANCER OR SOMETHING ELSE THAT WOULD THREATEN YOUR LIFE, YOU CAN'T BUY LONG-TERM CARE COVERAGE. EVEN THOUGH IT IS VERY, VERY EXPENSIVE NOW AND IT HAS GONE UP EXPONENTIALLY, SOME PEOPLE ARE EXCLUDED SIMPLY BECAUSE OF HEALTH REASONS. SO AS WE LOOK AT THIS PROBLEM, WE HAVE TO REALIZE THAT THE SOLUTION TO IT, IF PEOPLE ARE GOING TO BE PROACTIVE, IS BECOMING MORE AND MORE LIMITED. AND I JUST THINK THAT IT IS WORTH NOTING AND PUTTING ON THE RECORD THAT IT IS MORE THAN JUST THE ESTATE PLANNING. THERE

Floor Debate
April 20, 2015

ARE FOLKS OUT THERE THAT ARE TRULY TRYING TO DO THE RIGHT THING AND FOUND THEMSELVES UNABLE TO DO SO, EITHER BECAUSE OF MEDICAL REASONS OR BECAUSE OF THE LACK OF AVAILABILITY. AND IT IS CONTINUING TO SHRINK. I'M NOT AN EXPERT ON THIS. I'M NOT THAT TYPE OF AN INSURANCE PROVIDER. PERHAPS SENATOR KOLTERMAN WOULD HAVE A DIFFERENT VIEWPOINT. I BELIEVE HE IS IN THAT INDUSTRY. BUT IT HAS BEEN BROUGHT TO MY ATTENTION THAT THOSE ARE CONCERNS OF INDIVIDUALS AS WE MOVE FORWARD AND WE, I THINK, NEED TO KEEP THAT IN PERSPECTIVE AS WELL AS WE START TO CHANGE THE LAWS AS THE AVAILABILITY OF PROTECTING OURSELVES IF WE'RE TRYING TO BE PRUDENT IN CONTROLLING OUR OWN ESTATES. THANK YOU, MR. PRESIDENT. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHEER. CHAIR RECOGNIZES SENATOR KOLTERMAN. [LB72]

SENATOR KOLTERMAN: THANK YOU, MR. PRESIDENT. AND I COULDN'T AGREE WITH YOU MORE, SENATOR SCHEER. THIS IS A REAL PROBLEM THAT WE'RE GOING BE FACING AS A STATE AND ACTUALLY AS A NATION BECAUSE ALL THE DIFFERENT STATES ARE ACTUALLY GOING THROUGH THIS SAME CHALLENGE. A COUPLE OF...I WAS WONDERING IF SENATOR SCHUMACHER WOULD YIELD TO A QUESTION. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. [LB72]

SENATOR KOLTERMAN: SENATOR, THANK YOU FOR BRINGING THIS BILL. IT IS A VERY IMPORTANT BILL AND IT REALLY DEALS WITH WHAT WE TALKED ABOUT IN PATTY PANSING BROOKS', SENATOR BROOKS' BILL WHEN WE WERE TALKING ABOUT INCREASING THE CONTRIBUTION OF THE PEOPLE THAT ARE IN NURSING HOMES. IT ALL PLAYS TOGETHER BECAUSE THEY'RE ALL COSTS THAT ARE AFFECTING NEBRASKANS. BUT MY QUESTION TO YOU IS, ARE WE SURE THAT THE PEOPLE THAT HAVE DONE THIS PLANNING OVER THE YEARS ARE DEFINITELY GRANDFATHERED AND THAT WE CAN'T GO BACK AND DO THE...REDO WHAT'S ALREADY BEEN DONE? [LB72]

SENATOR SCHUMACHER: THE PORTION OF THE BILL THAT DEALS WITH LIFE ESTATES, DEALS WITH GIFTS TO YOUR CHILDREN, THAT WOULD BE REMOVED BY AM1225 AND DEFERRED FOR FURTHER SPEAKING. TRUSTS THAT HAVE NOT

Floor Debate
April 20, 2015

YET BECOME AFFECTED BECAUSE THEY'VE NOT YET BECOME REVOCABLE, THAT'S SOMETHING THAT'S IN THE FUTURE AND WOULD BE COVERED BY THIS, AS WELL AS THE EXISTING LAW WHICH GENERATES A DEBT THAT IS ALREADY ON THE BOOKS OF ANYBODY WHO RECEIVES THE MEDICAID. THAT WOULD BE AFFECTED BECAUSE DHHS WOULD BE NOTIFIED THAT THEY MUST HAVE SOME MONEY, OTHERWISE THERE WOULDN'T BE AN INHERITANCE TAX DETERMINATION BEING PURSUED AND TO CHECK OUT WHETHER OR NOT ANY OF THAT MONEY COULD BE CLAIMED AGAINST FOR REIMBURSEMENT FOR THEIR NURSING HOME BILL. [LB72]

SENATOR KOLTERMAN: OKAY. THANK YOU. AND SO THE PROBLEM THAT I'M HAVING WITH SOME OF THIS LANGUAGE IS THE IDEA ABOUT THE LIEN. AND I KNOW WE'RE GOING TO ADDRESS THAT THIS SUMMER. BUT HERE'S AN EXAMPLE OF THE CHALLENGE THAT THIS PLACES. YOU HAVE A FAMILY THAT CANNOT QUALIFY FOR LONG-TERM CARE, LIKE SENATOR SCHEER WAS TALKING ABOUT. IT'S AN EXPENSIVE ITEM TODAY. THERE ARE LESS COMPANIES OFFERING IT. SEVERAL YEARS AGO, HOWEVER, GOVERNOR HEINEMAN WAS PROMOTING A PARTNERSHIP PROGRAM IN THE STATE OF NEBRASKA WHEREBY IF YOU BOUGHT LONG-TERM CARE INSURANCE AND LET'S SAY IT HAD A VALUE OF \$500,000 A PERSON, YOUR "SPEND DOWN" WOULD BE A LOT LESS. YOU WOULD NOT HAVE TO SPEND DOWN TO \$4,000. YOU WOULD BE ALLOWED TO SPEND DOWN TO THE \$500,000 AND THEN, FROM THERE, YOUR INSURANCE COMPANY WOULD HAVE TAKEN CARE OF IT UP TO \$500,000. AND THAT WOULD HAVE ALLOWED YOUR FAMILY TO KEEP THAT EXTRA \$500,000 THAT YOU HAD SPENT DOWN TO. THAT'S A PARTNERSHIP PROGRAM THAT EXISTS IN NEBRASKA. WE ALSO HAVE A PROGRAM IN NEBRASKA THAT HAS HEALTH SAVINGS ACCOUNTS FOR LONG-TERM CARE. THE PROBLEM WITH IT IS THERE'S NOT ENOUGH...THERE'S NOT ENOUGH TO PROMOTE THAT. WE DON'T GIVE A GOOD ENOUGH BREAK TO PEOPLE TO PUT THEIR MONEY AWAY TO SAVE IT IN ADVANCE. AND THERE ARE OTHER PROGRAMS BUT THEY ARE BECOMING LESS AND LESS. WHAT HAPPENS THOUGH IS IF YOU HAVE A FAMILY, THAT MAYBE MOM AND DAD GIVE THE FARM TO THE KIDS AND RESERVE A LIFE INCOME OFF OF IT OR TAKE SOME LIFE INCOME OFF OF IT, WHEN THEY GO INTO THE HOME, THEY DON'T ACTUALLY OWN THAT LAND. SO THE KIDS OWN THE LAND AND THEY GO ON THE STATE. WE START PAYING THE BILLS. IF WE TAX A LIEN AGAINST THAT FOR 20, 25 YEARS DOWN THE ROAD, HOW ARE WE GOING TO BE ABLE TO COLLECT THAT FROM THESE KIDS THAT MAYBE HAVE OWNED THE LAND, HAVE SOLD THE LAND, AND NOW WE'VE GOT FIVE DIFFERENT ENTITIES THAT TECHNICALLY OWN THE LAND? SO IT'S A VERY, VERY COMPLICATED ISSUE. [LB72]

Floor Debate
April 20, 2015

SENATOR GLOOR: ONE MINUTE. [LB72]

SENATOR KOLTERMAN: AND THANK YOU. I WOULD JUST HOPE THAT DURING THE SUMMER MONTHS THAT WE COULD MAYBE GET TO THE ROOT OF THIS, MAYBE TAKE A LOOK AT WHAT SOME OF THE OTHER STATES ARE DOING, BECAUSE WE'RE NOT BREAKING NEW GROUND HERE. BUT IT IS A HUGE, HUGE PROBLEM THAT WE'RE GOING TO FACE GOING FORWARD BECAUSE THESE NURSING HOMES ARE NOT GETTING REIMBURSED TO THE EXTENT THAT THEY WOULD LIKE TO BE REIMBURSED. AND IT'S JUST A HUGE DOLLAR PROBLEM AND IT'S NOT GOING TO GET ANY LESS. SO I'D ENCOURAGE YOU TO SUPPORT THE BILL AS AMENDED AND GIVE US SOME TIME TO WORK ON IT. THANK YOU. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR KOLTERMAN. (VISITORS INTRODUCED.) RETURNING TO DEBATE, SENATOR FRIESEN, YOU'RE RECOGNIZED. [LB72]

SENATOR FRIESEN: THANK YOU, MR. PRESIDENT. GOOD MONDAY MORNING, COLLEAGUES. WHAT A GOOD BILL TO START DEBATE ON TODAY. I RISE IN SUPPORT OF AM1225 AND I FULLY SUPPORT SENATOR SCHUMACHER IN HIS ABILITY TO TRY TO COLLECT SOME OF THOSE FUNDS THAT SOME OF US FEEL ARE OUT THERE, SOME DO NOT. I WAS KIND OF SURPRISED BY THE FISCAL IMPACT STATEMENT SHOWING VERY LITTLE FISCAL NOTE IN THIS BILL. IF THERE ARE SO MANY ASSETS BEING HIDDEN, I WOULD ASSUME THAT THAT NOTE WOULD HAVE BEEN MUCH LARGER. PART OF THE PROBLEM THAT I SEE WITH PORTIONS OF THIS IS THAT WE ARE KIND OF TARGETING THE MIDDLE CLASS. WE DON'T REALLY ENCOURAGE SAVINGS FOR TAKING CARE OF YOURSELF FOR THE NURSING HOME EXPERIENCE. AND YET WE WILL TAKE THOSE WHO HAVE TAKEN RESPONSIBILITY AND SAVED SOME ASSETS AND TRIED TO BUILD THAT FOR THEIR CARE LONGER TERM AND THOSE ARE THE ONES WE SEEM TO BE TARGETING. WE MAYBE SHOULD ALSO BE LOOKING AT WAYS THAT WE CAN ENCOURAGE PEOPLE TO START SAVING FOR THOSE RETIREMENT YEARS AND ENCOURAGE THAT ALSO. I MEAN, I WON'T DISPUTE THE FACT THAT THERE ARE PEOPLE OUT THERE WHO TRY TO AVOID PAYING AT ALL COSTS. MOST OF THE PEOPLE I KNOW WHO HAVE DONE THIS PLANNING HAVE SAVED ENOUGH IN THEIR...FOR THEIR RETIREMENT, THEY DID NOT WANT TO LIVE ON THE COUNTY OR ON MEDICAID. THEY'RE VERY PROUD OF WHAT THEY DID. BUT, YES, THEY DID GIVE SOME ASSETS AWAY AND, YES, WE NEVER KNOW HOW LONG WE'RE GOING TO LIVE. SOME HAVE LASTED 20 YEARS IN A NURSING HOME OR SOME OTHER FACILITY, SO IT LONG SURPASSED THEIR ABILITY TO PAY THEIR OWN WAY. BUT I THINK WE DO NEED TO BE CAREFUL WHEN WE STUDY THE ISSUE FURTHER THAT WE DON'T RESTRICT THE ABILITY FOR SOME TO PASS ON AN

Floor Debate
April 20, 2015

ASSET THAT THEY HAVE WORKED HARD FOR AND STILL TRIED TO SAVE FOR THEIR RETIREMENT, MAYBE PURCHASED RETIREMENT INSURANCE OR NURSING HOME INSURANCE. AND AT THE SAME TIME, WHEN WE WANT TO LOOK BACK MORE THAN FIVE YEARS OR LONGER THAN THAT, I CAN'T SEE THAT SOMEBODY, UNLESS THEY HAVE EXTENSIVE ASSETS, WHICH USUALLY THE...WHAT I WOULD CALL THE MULTIMILLIONAIRES ARE NOT TROUBLED BY THIS BILL BECAUSE THEY ARE NOT GOING TO BE ON MEDICAID. THEY ARE GOING TO TAKE CARE OF THEMSELVES. THEY HAVE SHOWN THAT OVER AND OVER. THEY CAN GIVE AWAY MILLIONS OF DOLLARS AND STILL HAVE PLENTY FOR THEIR RETIREMENT YEARS. IT'S THE MIDDLE CLASS OR THE...IS THE ONES THAT SEEMS TO BE THE ONES THAT ARE WORKING TOWARDS BEING ABLE TO PASS SOMETHING ON TO THEIR KIDS, AND IT'S THE UPPER END WHERE WE'RE NOT GOING TO BE ABLE TO IMPACT THAT AT ALL. SO I URGE CAUTION IN DOING THIS. I DO BELIEVE THAT SOME OF THIS GOES ON. SO I AM LOOKING FORWARD TO SEEING WHAT WE CAN COME UP WITH. BUT ALSO I DO WANT TO LOOK OUT. AND MAYBE WE NEED TO STUDY MORE ON HOW WE CAN ENCOURAGE WAYS TO TAKE THAT PERSONAL RESPONSIBILITY FOR THEIR RETIREMENT YEARS. THANK YOU, MR. PRESIDENT. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR FRIESEN. SENATOR HADLEY FOR AN ANNOUNCEMENT. [LB72]

SPEAKER HADLEY: MR. PRESIDENT, THANK YOU. I JUST...I HANDED OUT A SHEET THIS MORNING AND I JUST WANTED TO KIND OF EXPLAIN IT. THE NUMBERS IN PARENTHESES ARE BILLS THAT DID NOT ADVANCE. SO WE HAD FOUR BILLS ON GENERAL FILE THAT DID NOT ADVANCE THAT WERE PRIORITIZED AND ONE BILL ON SELECT FILE THAT DID NOT ADVANCE. BUT BASICALLY WE HAVE 12 BILLS STILL IN COMMITTEE THAT ARE PRIORITIZED, 44 BILLS ON GENERAL FILE THAT WE HAVE YET TO HEAR, AND 20 BILLS ON INITIAL AND SELECT, AND THEN 19 BILLS ON FINAL AND FINAL READING. AND I EXPECT TO DO THE FINAL READING THIS THURSDAY TO GET THE FINAL READINGS CLEARED OUT. THANK YOU, MR. PRESIDENT.

SENATOR GLOOR: THANK YOU, MR. SPEAKER. ARE THERE OTHER SENATORS WISHING TO BE RECOGNIZED? SEEING NONE, SENATOR SCHUMACHER, YOU'RE RECOGNIZED TO CLOSE ON YOUR AMENDMENT. [LB72]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. AS HAS BEEN ALLUDED TO BY OTHER SPEAKERS TODAY, WE KNOW THAT WE

Floor Debate
April 20, 2015

HAVE A BIG PROBLEM AS BABY BOOMERS AGE, ARE GOING TO FIND NEED FOR NURSING HOMES AND HAVE, IN SOME CASES, NOTHING SAVED BUT MAYBE EQUITY IN A HOUSE, IN OTHER CASES, MAYBE SOME FARMLAND WHICH MIGHT BE OF SUBSTANTIAL ACREAGE. AND THIS IS A FRUSTRATING PROBLEM FOR THE TAXPAYERS TO SEE THE HEIRS IN THESE CASES WALKING AWAY WITH THE MONEY AND THE TAXPAYERS HOLDING THE BILL. WE'VE KNOWN ABOUT THIS ISSUE FOR YEARS, SINCE 1993. THE FEDERAL GOVERNMENT HAS SAID YOU CAN STEP UP YOUR RECOVERY EFFORTS. TWO THOUSAND AND TWO, WE DID A STUDY. STUDY SAID THAT NEBRASKA, QUOTE, HAS A STATE RECOVERY PROGRAM BUT ITS RECOVERIES ARE SEVERELY CONSTRAINED BY LOW STAFFING, LIMITED ORGANIZATIONAL AUTHORITY, AND STATE LAW. IT'S SPECULATED AT THAT TIME THAT A MORE AGGRESSIVE PLAN WOULD NET ON THE ORDER OF \$10 (MILLION) OR \$11 MILLION A YEAR. I THINK NOW 12 YEARS LATER WE KNOW THAT THAT FIGURE IS PROBABLY ON THE LOW SIDE. AT ANY RATE, AS AM1225 WOULD AMEND THE BILL, IT TAKES OUT THE CONTROVERSIAL PROPOSALS REGARDING IMMEDIATE LIEN ON PROPERTY WHEN TRANSFERRED TO THE HEIRS. LEAVES THOSE FOR DISCUSSIONS WITH THOSE OF YOU WHO MIGHT WANT TO PARTICIPATE IN THE BAR ASSOCIATION AND DHHS THIS SUMMER HOPEFULLY TO FASHION A BILL MORE LIKE WHAT WE HAVE IN OTHER STATES TO ADDRESS THOSE ISSUES. AND IT LEAVES INTACT THE LIMITATIONS ON THE TRUSTEES' POWER IN A REVOCABLE TRUST TO TRANSFER PROPERTY IF THERE IS A DHHS BILL PENDING BECAUSE OF MEDICAID NURSING HOME TYPE EXPENSES. AND ALSO, REQUIRES THAT DHHS BE GIVEN NOTICE OF COUNTY COURT PROCEEDINGS INVOLVING INHERITANCE TAXES FOR THE...SO THAT THEY CAN CHECK INTO IT TO SEE IF THERE'S ANY OF THOSE ASSETS GOING THROUGH UNDER THE INHERITANCE TAX FORM THAT MIGHT BE SUBJECT TO STATE RECOVERY, AND LET THEM EVALUATE THAT UNDER EXISTING LAW. AGAIN, I WANT TO STRESS, BECAUSE IT HAS BEEN A POINT WITH SOME PROBATE LAWYERS, THAT THE ABILITY FOR A COURT TO DETERMINE INHERITANCE TAXES WITHOUT A HEARING IS NOT AT ALL IMPAIRED. THIS SIMPLY REQUIRES NOTICE BE GIVEN TO THE DEPARTMENT SO THERE'S A RED FLAG THAT THEY CAN CHECK OUT IF THERE'S A BILL DUE TO SEE IF THERE'S ANY PLACE THAT THEY CAN RECOVER IT FROM THAT MONEY PASSING UNDER THE INHERITANCE TAX RETURN. WITH THAT, I'D ASK YOUR SUPPORT FOR AM1225. THANK YOU. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. SENATORS, THE QUESTION IS, SHALL THE AMENDMENT TO LB72 BE ADOPTED? THOSE IN FAVOR VOTE AYE; THOSE OPPOSED VOTE NAY. HAVE ALL VOTED WHO CARE TO? RECORD, MR. CLERK. [LB72]

Floor Debate
April 20, 2015

CLERK: 30 AYES, 0 NAYS ON THE ADOPTION OF SENATOR SCHUMACHER'S AMENDMENT. [LB72]

SENATOR GLOOR: THE AMENDMENT IS ADOPTED. [LB72]

CLERK: I HAVE NOTHING FURTHER ON THE BILL, MR. PRESIDENT. [LB72]

SENATOR GLOOR: THANK YOU, MR. CLERK. SENATOR BLOOMFIELD, YOU'RE RECOGNIZED. [LB72]

SENATOR BLOOMFIELD: THANK YOU, MR. PRESIDENT. I WONDER IF SENATOR SCHUMACHER WOULD YIELD TO A QUESTION. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. [LB72]

SENATOR BLOOMFIELD: THANK YOU, SENATOR. CURRENTLY, I THINK UNDER FEDERAL RULES, THERE'S A FIVE-YEAR LOOKBACK. WHAT IS YOUR ANTICIPATED GOAL ON THAT? [LB72]

SENATOR SCHUMACHER: WE CAN'T DO ANYTHING ABOUT THE FIVE-YEAR LOOKBACK. THE FIVE-YEAR LOOKBACK SAYS BASICALLY, IN SIMPLEST TERMS, IF YOU GIVE AWAY SOMETHING YOU ARE DISQUALIFIED FROM GETTING ON MEDICAID FOR THE MOST PART FOR FIVE YEARS. SO THE PROCEDURE IS YOU GIVE IT AWAY, YOU LAY LOW FOR FIVE YEARS, AND THEN YOU'RE FREE TO APPLY. WE CAN'T DO ANYTHING ABOUT THAT. WHAT WE CAN DO IS TAKE ADVANTAGE OF OTHER FEDERAL RULES THAT SAY ONCE THE PERSON IS DEAD, ONCE THE SPOUSE IS DEAD, ONCE THEY HAVE NO MINOR CHILDREN, IF THEY HAVE AN ESTATE AND ARE LEAVING MONEY TO THEIR KIDS, YOU CAN RECOVER AGAINST THAT ESTATE. [LB72]

SENATOR BLOOMFIELD: OKAY. MY UNDERSTANDING WOULD BE THEN IF YOU HAD ENOUGH FORESIGHT THAT YOU GAVE IT ALL AWAY SEVEN YEARS BEFORE YOU DIED IT'S FREE AND CLEAR. [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: UNDER THE BILL AS AMENDED IT WILL REMAIN FREE AND CLEAR BECAUSE WE'RE...THAT'S SOMETHING WE'RE GOING TO WORK ON THIS SUMMER AS TO HOW YOU CAN...THE STATE CAN GET ITS TEETH BACK INTO THAT KIND OF SITUATION. BUT AS FAR AS TODAY'S CONCERN, IF YOU GIVE IT AWAY AND LAY LOW FOR FIVE YEARS, YOU WIN. [LB72]

SENATOR BLOOMFIELD: OKAY, THANK YOU. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR BLOOMFIELD AND SENATOR SCHUMACHER. SENATOR BRASCH, YOU'RE RECOGNIZED. [LB72]

SENATOR BRASCH: THANK YOU, MR. PRESIDENT, AND GOOD MORNING, COLLEAGUES. I WOULD LIKE TO KNOW IF SENATOR SCHUMACHER WOULD PLEASE YIELD TO SOME QUESTIONS. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES. [LB72]

SENATOR BRASCH: IN RESEARCH ON THIS BILL, THERE HAVE BEEN SEVERAL QUESTIONS RAISED. AND I UNDERSTAND THAT YOU ARE FULLY AWARE OF THE CONCERNS. AND NOW THE AMENDMENT THAT WAS PASSED, CAN YOU EXPLAIN HOW THAT IS GOING TO MAKE THE BILL ITSELF A BETTER BILL? WHY ARE WE LOOKING INTO SOMETHING BUT PASSING IT ANYHOW? ARE WE PUTTING THE CART BEFORE THE HORSE OR...EXPLAIN WHY WE SHOULD VOTE GREEN AT THIS POINT AND NOT WAIT UNTIL AFTER THE INTERIM PERIOD REVEALS MORE INFORMATION. [LB72]

SENATOR SCHUMACHER: BECAUSE THE ISSUES DEALING WITH THE TRUSTEE NOT BEING ABLE TO GIVE MONEY TO THE HEIRS, IF THERE'S A BILL DUE TO DHHS, AND THE ISSUE OF WHETHER OR NOT THE DHHS SHOULD HAVE NOTICE IN THE EVENT THERE IS MONEY MOVING SOMEHOW IN THE SYSTEM ON WHICH AN INHERITANCE TAX WOULD NEED TO BE FILED, THOSE ISSUES ARE...HAVE NOT BEEN CONTROVERSIAL ISSUES. AND THEY WILL AMOUNT TO SOME MONEY FROM BETWEEN NOW AND THE TIME THAT ANY FUTURE BILL WOULD BE ADOPTED. THE ISSUE OF CONCERN WAS A THING THAT WE STRUCK FROM THE BILL WITH THE AMENDMENT, AND THAT IS A LIEN ON PROPERTY ATTACHING WHEN IT IS GIVEN TO THE HEIRS AND THAT LASTING FOR SOMETIME INTO THE

Floor Debate
April 20, 2015

FUTURE. AND THAT...TAKEN OUT BASICALLY BECAUSE SOMETIMES MONEY IS GIVEN OR LAND IS GIVEN USING THAT MECHANISM WITH NO PROBABILITY OF SOMEBODY GOING ON TO WELFARE BECAUSE THEY'RE LOADED. [LB72]

SENATOR BRASCH: VERY GOOD. THANK YOU, SENATOR SCHUMACHER. AS WE'VE BEEN DEBATING THIS BILL, SEVERAL QUESTIONS REMAIN IN MY MIND IN THE FACT THAT WE ARE NOW PROMOTING BETTER HOME HEALTHCARE, PASSED BILLS ON THAT. WE ARE LOOKING AT WELLNESS PLANS. WE'RE DOING EVERYTHING WE CAN TO STAY AT HOME AS LONG AS WE CAN AND QUALITY OF CARE. YOUR SUMMARY OF THE BABY BOOMERS, WHAT I'M CONCERNED ABOUT, IT'S SAYING THAT EVERYONE WILL BE GETTING SICK. I DON'T KNOW WHAT PORTION WILL NOT BE ABLE TO LIVE INDEPENDENTLY, BUT THOSE THAT DO HAVE PAID A LIFETIME OF TAXES, MAYBE SINCE THE AGE OF 18. AND THEY'VE BEEN FULLY GAINED AND NOT REALLY HAD TO...THEY WORKED UNTIL THEY'RE 70, FOR EXAMPLE, 72. SO ARE WE GOING TO ISSUE REBATES TO SOMEONE WHO PASSES AWAY AND THEY PAID IN MORE AND ABOVE AND BEYOND THAN THEY EVER COLLECTED? THAT...OR DOES ALL THAT MONEY JUST GO IN THE SYSTEM TO HELP PAY FOR THOSE WHO MAY NOT HAVE ACCRUED ENOUGH TO PAY THEIR OWN EXPENSES? I'M THINKING THE PEOPLE PUTTING IN, PERHAPS THEY PUT IN MORE THAN THEY EVER TOOK OUT AND THERE'S AN EXCESS OF CASH THERE THAT'S GOING INTO THE GOVERNMENT. IS IT NOT TO EQUALIZE OUT AMONG THE MASSES? SENATOR SCHUMACHER, WOULD YOU LIKE TO RESPOND TO THAT, PLEASE? [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES. [LB72]

SENATOR BRASCH: DO YOU BELIEVE THAT EVERYONE IS...OR A SMALL PORTION...WHAT PORTION OF THE POPULATION... [LB72]

SENATOR GLOOR: ONE MINUTE. [LB72]

SENATOR BRASCH: ...ACTUALLY NEEDS THIS TYPE OF ASSISTANCE ON MEDICAID? [LB72]

SENATOR SCHUMACHER: I DON'T HAVE A PERCENTAGE FIGURE. BUT WE KNOW THAT LOTS AND LOTS OF PEOPLE, AN INCREASING AMOUNT WITH THE...AS THE

Floor Debate
April 20, 2015

BABY BOOMERS AGE, ARE GOING TO FIND THEMSELVES, EVEN AFTER OUR BEST EFFORTS AT SOME TYPE OF KEEPING THEM IN THE HOME LONGER, ARE GOING TO FIND THEMSELVES IN NEED OF STATE ASSISTANCE IN A NURSING HOME IN THEIR FINAL TWO, THREE YEARS. [LB72]

SENATOR BRASCH: VERY GOOD. THANK YOU, MR. PRESIDENT. THANK YOU, SENATOR SCHUMACHER. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR BRASCH AND SENATOR SCHUMACHER. SENATORS IN THE QUEUE ARE KOLTERMAN, SCHNOOR, AND FRIESEN. SENATOR KOLTERMAN, YOU'RE RECOGNIZED. [LB72]

SENATOR KOLTERMAN: THANK YOU, MR. PRESIDENT. I JUST WANTED TO MAKE SURE THAT WE'RE ALL ON THE SAME PAGE WITH THIS. IF I'M CORRECT IN THIS, SENATOR SCHUMACHER, WE HAVE LB72, WHICH WAS THE ORIGINAL BILL. THEN WE GUTTED THE BILL, PARTS OF THE BILL, WITH AM604. AND THEN WE NOW INSTALLED AM1225, AND THAT'S WHAT WE'RE VOTING ON AT THE PRESENT TIME. WOULD THAT BE CORRECT? WOULD YOU YIELD TO A QUESTION? [LB72]

SENATOR GLOOR: SENATOR, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. SENATOR KOLTERMAN, LB72 HAD A COMMITTEE AMENDMENT. THE COMMITTEE AMENDMENT REPRESENTED AN ARRANGEMENT WORKED OUT WITH THE BANKERS AND TITLE ASSOCIATIONS WITH REFERENCE TO LIENS ON PROPERTY THAT WAS GIVEN AWAY TO THE HEIRS. THAT WAS...BILL WAS DEFEATED AT MY REQUEST OR THAT AMENDMENT WAS DEFEATED AT MY REQUEST. BEING SUBSTITUTED INTO THERE IS THE AMENDMENT THAT WE JUST PASSED. AND SO THAT'S THE STATUS OF THE BILL NOW. [LB72]

SENATOR KOLTERMAN: OKAY. SO AM604 IS THE ONE THAT YOU PULLED OUT. WOULD THAT BE CORRECT? [LB72]

SENATOR SCHUMACHER: I BELIEVE THAT WAS THE COMMITTEE AMENDMENT, YES. [LB72]

SENATOR KOLTERMAN: YEAH. OKAY. THEN I SUPPORT THIS. I THINK WE REALLY DO NEED TO STUDY THIS, FOLKS. YOU KNOW, THIS REALLY PLAYS INTO WHAT

Floor Debate
April 20, 2015

SENATOR BOLZ, SHE HAS A BILL ON FINAL READING WHERE WE...AND IT TALKS REALLY WHAT SENATOR BRASCH WAS TALKING ABOUT. THERE'S A LOT OF ALTERNATIVES TO LONG-TERM CARE IN THIS STATE, AND THAT'S KEEPING PEOPLE IN THEIR HOMES. AND SO, AS YOU THINK ABOUT IT, WHEN WE MOVE INTO LB320, IT'S A PILOT PROJECT, IT REALLY GIVES PEOPLE IN THIS STATE AN OPPORTUNITY TO KNOW WHERE TO GO TO FIND OUT ANSWERS TO THESE QUESTIONS. AND I KNOW I'M PROMOTING THAT FOR DOWN THE FUTURE, BUT THAT'S A KEY ROLE THAT WE HAVE TO PLAY AS THE LEGISLATURE IN HELPING PEOPLE FIND THE MOST INEXPENSIVE ALTERNATIVES TO LONG-TERM CARE, BECAUSE THIS IS GOING TO BE AN ISSUE. AND SO I WOULD ENCOURAGE YOU TO ADVANCE THIS BILL AS PROPOSED AND GIVE US THE OPPORTUNITY THIS SUMMER TO STUDY THIS AND COME BACK WITH SOME CONCRETE IDEAS. THANK YOU. [LB72 LB320]

SENATOR GLOOR: THANK YOU, SENATOR KOLTERMAN AND SENATOR SCHUMACHER. SENATOR SCHNOOR, YOU'RE RECOGNIZED. [LB72]

SENATOR SCHNOOR: THANK YOU, MR. PRESIDENT. IT KIND OF CONCERNS ME WHEN WE'RE TALKING ABOUT PASSING A BILL. AND THEN, WELL, LET'S PASS THIS AND THEN WE CAN STUDY IT MORE OVER THE SUMMER. SO, YOU KNOW, WHEN WE TALK ABOUT GIVING HEALTH AND HUMAN SERVICES...I GUESS WHEN YOU HAVE TO FACTOR HEALTH AND HUMAN SERVICES INTO YOUR ESTATE PLANNING, IT'S A KIND OF A SAD DAY, I FEEL. WE HEAR, YOU KNOW, IN...FARMERS HEAR ABOUT HOW THEY WORK THEIR LIFE TO TAKE CARE TO RAISE A LIVING. AND THEY DO ACQUIRE PROPERTY OVER THE YEARS OR PURCHASE PROPERTY OVER THE YEARS, ONLY TO FIND THAT WHEN A SPOUSE GOES INTO THE NURSING HOME THAT HEALTH AND HUMAN SERVICES THEN GETS CONTROL OF THEIR PROPERTY AND THEY BASICALLY LOSE EVERYTHING. SO I'M REALLY CONCERNED ABOUT THIS. BUT I GUESS A COUPLE OF QUESTIONS I HAVE IF SENATOR SCHUMACHER WOULD PLEASE YIELD. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. [LB72]

SENATOR SCHNOOR: OKAY. CURRENTLY, WHAT SENATOR BLOOMFIELD SAID, PRESENTLY, IS IT FEDERAL LAW THAT SAYS THAT YOU CAN LOOK BACK FIVE YEARS ON YOUR...AND I'LL SAY ESTATE PLANNING, FOR LACK OF A BETTER TERM? [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: WHAT FEDERAL LAW SAYS IS THAT YOU...IF YOU'VE GIVEN AWAY ANYTHING OF SUBSTANCE WITHIN THE LAST FIVE YEARS, YOUR APPLICATION TO RECEIVE MEDICAID WILL BE DENIED. [LB72]

SENATOR SCHNOOR: OKAY. AND THEN WHERE DOES THE 15 YEARS COME INTO PLAY THEN? [LB72]

SENATOR SCHUMACHER: I DON'T KNOW OF ANY 15-YEAR LANGUAGE ANYPLACE. [LB72]

SENATOR SCHNOOR: OKAY. THEN ANY REAL ESTATE THAT YOU HAVE SOLD, THIS IS ONLY REAL ESTATE THAT IS GOING TO BE GIVEN AWAY TO YOUR HEIRS. IS THAT CORRECT? [LB72]

SENATOR SCHUMACHER: AS AMENDED, THE BILL ONLY IS REGARD TO, WITH REAL ESTATE, THAT IT REMAINS IN YOUR ESTATE AT THE TIME YOU DIE OR IN A REVOCABLE TRUST AT THE TIME YOU DIE. [LB72]

SENATOR SCHNOOR: OKAY. BUT THAT GOES BACK...IF YOU DIE TODAY, THAT YOU CAN LOOK BACK FIVE YEARS FROM THIS DATE. IS THAT HOW I'M UNDER... [LB72]

SENATOR SCHUMACHER: NO. THE FIVE YEARS IS ONLY...IS NOT HOW MUCH THE STATE CAN RECOVER, HOW MUCH YOU...THERE'S SUBJECT TO THE DHHS RECLAMATION PROCEEDINGS. IT IS SOMETHING WHILE YOU'RE ALIVE. YOU GO IN AND YOU SAY, I'D LIKE TO GET MEDICAID. AND THEY GIVE YOU A FORM AND THE FORM BASICALLY SAYS, HAVE YOU GIVEN AWAY ANYTHING IN THE LAST FIVE YEARS. AND IF YOU ANSWER THAT, YES, THEY SAY, SORRY, YOU'RE GOING TO HAVE TO WAIT A WHILE IN ORDER FOR YOU TO GET ON THE MEDICAID ROLLS. BUT IF YOU'RE OVER FIVE YEARS AGO, THEN YOU CAN GET ON MEDICAID IMMEDIATELY. THAT HAS NOTHING TO DO WITH LIENS ON YOUR PROPERTY OR THE STATE'S RECOVERY OF YOUR PROPERTY. IT'S A WAITING TIME FROM HAVING GIVEN AWAY SOMETHING TO THE TIME YOU QUALIFY FOR MEDICAID. [LB72]

SENATOR SCHNOOR: OKAY. AND THAT'S ONLY DEALING WITH THE REAL ESTATE THAT YOU'VE GIVEN AWAY. ANYTHING THAT YOU'VE SOLD, MAYBE EVEN SOLD TO YOUR HEIRS, THAT'S OUT OF THE PICTURE. IS THAT CORRECT? [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: AS LONG AS IT WAS...ANY FAIR-MARKET SALE IS OUT OF THE PICTURE. [LB72]

SENATOR SCHNOOR: OKAY. [LB72]

SENATOR SCHUMACHER: NEVER HAS BEEN IN THE PICTURE. [LB72]

SENATOR SCHNOOR: OKAY. THANK YOU FOR THAT EXPLANATION. THAT'S ALL I HAVE, SIR. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHNOOR AND SENATOR SCHUMACHER. SENATOR FRIESEN, YOU'RE RECOGNIZED. [LB72]

SENATOR FRIESEN: THANK YOU, MR. PRESIDENT. SENATOR SCHUMACHER, WOULD YOU YIELD TO A QUESTION? [LB72]

SENATOR GLOOR: WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. [LB72]

SENATOR FRIESEN: I THINK THERE IS A LOT OF KIND OF MISINFORMATION FLOATING AROUND BECAUSE THIS IS...WE'RE TALKING ABOUT MEDICAID ONLY. IS THAT CORRECT? [LB72]

SENATOR SCHUMACHER: WE'RE TALKING ABOUT MEDICAL PAYMENTS MADE ON BEHALF OF SOMEBODY 55 YEARS OR OLDER. BASICALLY THE MEAT AND POTATOES OF THIS IS MEDICAID FOR OLD AGE ASSISTANCE. [LB72]

SENATOR FRIESEN: OKAY. SO SOMEBODY THAT SUPPOSEDLY WOULD GIVE AWAY THEIR ASSETS, THEY WOULD NEED TO DO THIS, PUT IT IN A TRUST AT LEAST FIVE YEARS BEFORE THEY PLANNED ON DRAWING MEDICAID. IS THAT CORRECT? [LB72]

SENATOR SCHUMACHER: IRREVOCABLY GIVE IT AWAY, WHETHER A TRUST OR A CHEAP SALE OR A LIFE ESTATE. THAT...BUT LIFE ESTATES ARE OFF THE PICTURE NOW AFTER THE AMENDMENT. BUT BASICALLY, IN ORDER TO CURRENTLY BE

Floor Debate
April 20, 2015

ELIGIBLE FOR MEDICAID, IT'S GOT TO BE FIVE YEARS IRREVOCABLY GIVEN AWAY. [LB72]

SENATOR FRIESEN: SO IF I WAS DOING A REALLY GOOD JOB OF PLANNING, I WOULD PUT ASSETS INTO AN IRREVOCABLE TRUST SUPPOSEDLY FIVE YEARS BEFORE I PLANNED ON DRAWING. AND THEN I NEED TO KEEP ENOUGH ASSETS BACK TO KEEP ME GOING FOR THOSE FIVE YEARS. BECAUSE IF I HAD TRIED TO DRAW MEDICAID BEFORE THE FIVE YEARS WERE UP, I WOULD BE INELIGIBLE UNLESS I LIED ON THE APPLICATION. [LB72]

SENATOR SCHUMACHER: THAT'S CORRECT, BUT YOU PROBABLY, IF YOU WERE DOING REALLY GOOD PLANNING, WOULD NOT USE AN IRREVOCABLE VEHICLE BECAUSE IF THE...FOR AT LEAST ASSETS THAT APPRECIATED. BECAUSE WHEN YOU DIE WITH AN ASSET EITHER IN A REVOCABLE TRUST OR A LIFE ESTATE OR SOMETHING ELSE, YOU GET A STEPPED-UP BASIS AND YOU BEAT THE INCOME TAX--6.84 PERCENT AT NEBRASKA LEVEL, 15 OR 20 PERCENT AT FEDERAL LAW. SO YOU PROBABLY WANT TO STAY AWAY FROM, IF YOU'RE REALLY GOOD PLANNING ON APPRECIATED ASSETS, GIVING THEM AWAY BECAUSE THE HEIRS DEFINITELY WANT THE STEPPED-UP BASIS. [LB72]

SENATOR FRIESEN: SO WE DO ENCOURAGE PEOPLE TO PUT IT INTO A REVOCABLE TRUST IN ORDER TO TAKE ADVANTAGE OF THAT TAX PLANNING. [LB72]

SENATOR SCHUMACHER: THAT'S WHY MANY PLANNERS USE REVOCABLE TRUSTS. [LB72]

SENATOR FRIESEN: AND SO AT THIS POINT, I MEAN, YOU WOULD...IF YOU PUT ALL YOUR ASSETS INTO A REVOCABLE TRUST, AND THEN YOU WOULD HAVE TO KEEP ENOUGH INCOME, LIFE ESTATE IN ORDER TO SURVIVE, IN ORDER TO GET THROUGH THE FIVE YEARS. BUT WHEN YOU APPLY, YOU HAVE TO LIST YOUR ASSETS AND YOUR INCOME. IF YOU HAVE INCOME FROM A REVOCABLE TRUST, WOULDN'T YOU HAVE TO PUT THAT DOWN ON THE FORM? [LB72]

SENATOR SCHUMACHER: YES, YOU'RE SUPPOSED TO. BUT WHEN YOU'RE 80 YEARS OLD AND MAYBE ARE THERE WITH A CHILD, WHO HAD NOTHING TO DO WITH THE VISIT TO THE LAWYER FIVE, TEN YEARS BEFORE THAT SET THIS ALL UP, AND AN ANXIOUS YOUNG SOCIAL WORKER ASKING THE QUESTIONS TO HELP

Floor Debate
April 20, 2015

YOU OUT BECAUSE SHE FEELS SORRY FOR YOU, THERE'S ISSUES THERE THAT CAN HAPPEN. [LB72]

SENATOR FRIESEN: SO THERE ARE PROCEDURES IN PLACE. THEY'RE JUST BASICALLY NOT ENFORCEABLE, IS THAT WHAT YOU'RE SAYING? [LB72]

SENATOR SCHUMACHER: WELL, THERE ARE PROCEDURES IN PLACE. BUT WITH THAT REVOCABLE TRUST, DHHS HAS NO IDEA UNDER CURRENT LAW, AND THIS LAW WILL FIX THAT PART OF IT EVEN AS AMENDED, THAT THAT TRUSTEE HAS GOT THE PROPERTY AND IS ABOUT TO DIVVY IT OUT TO YOUR HEIRS. DHHS IS NOT THERE TO SAY, WHOOPS, WAIT A MINUTE, THIS FORM WAS CHECKED WRONG, OR, WHOOPS, WAIT A MINUTE, THERE'S A BIG BILL HERE THAT THIS FELLOW OWED BECAUSE IT WAS IN A REVOCABLE TRUST AND IS, THUS, CONSIDERED PART OF HIS ESTATE. AND, CONSEQUENTLY, WE'RE NOT COLLECTING THE MONEY. WE'RE JUST COLLECTING A PITTANCE. [LB72]

SENATOR FRIESEN: CORRECT. YES, I UNDERSTAND THE PROCESS NOW A LITTLE BETTER BECAUSE IN THE END, THOUGH, WHEN YOU FILL OUT THOSE APPLICATIONS, THERE IS NO PENALTY OR NO PUNISHMENT FOR FORGETTING TO PUT SOMETHING ON THERE. I GUESS THAT'S MAYBE A PROCESS WE NEED TO LOOK AT TOO. THANK YOU, MR. PRESIDENT. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR FRIESEN. SENATOR BLOOMFIELD, YOU'RE RECOGNIZED. [LB72]

SENATOR BLOOMFIELD: THANK YOU AGAIN, MR. PRESIDENT. I WONDER IF SENATOR SCHUMACHER WOULD YIELD AGAIN. [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER, WOULD YOU YIELD? [LB72]

SENATOR SCHUMACHER: YES, I WILL. [LB72]

SENATOR BLOOMFIELD: THANK YOU, SENATOR. MY CONCERN IS SOMEWHAT ALONG THE LINE THAT SENATOR BRASCH EXPRESSED. SHOULD WE MAYBE STUDY THIS BEFORE WE VOTE TO PASS THE LAW THAT WE DON'T KNOW WHAT'S GOING TO BE IN YET OR AM I JUST NOT UNDERSTANDING THINGS YET? [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: THE PART THAT NEEDS STUDY WE ARE GOING TO STUDY. THE PART THAT DOESN'T NEED STUDY THAT'S PRETTY STRAIGHTFORWARD, WHETHER OR NOT A TRUSTEE SHOULD BE ALLOWED TO DIVVY UP THE ASSETS AMONG THE HEIRS WHILE THERE'S A BIG BILL SITTING OVER AT DHHS AND WHETHER OR NOT DHHS SHOULD BE NOTIFIED THAT SOMETHING IS HAPPENING IN THE COURTS INVOLVING THE MONEY, INVOLVING THE PERSON'S...THE DECEDENT'S THINGS THAT HE HAD AN ESTATE IN, THERE'S NO NEED TO STUDY THOSE THINGS. AND THAT'S WHAT THE BILL IS AT RIGHT NOW. [LB72]

SENATOR BLOOMFIELD: OKAY. THANK YOU. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR BLOOMFIELD. SENATOR BRASCH, YOU'RE RECOGNIZED. [LB72]

SENATOR BRASCH: THANK YOU, MR. PRESIDENT, AND THANK YOU, COLLEAGUES. THIS BILL IS VERY INTERESTING TO ME. I THINK THERE'S SO MANY MOVING PARTS HERE THAT THERE ARE INDIVIDUALS, FOR EXAMPLE, THAT THEY PRIVATE PAY. MY MOTHER-IN-LAW, 15 YEARS, SHE HAD A HEALTH CONDITION. WE WERE PRIVATE PAY. WE DIDN'T HIDE ANY CASH. EVERYTHING WAS THERE. SO, THEREFORE, WE DON'T HAVE A BILL WITH HHS. IF THINGS HAD BEEN THE OTHER WAY AROUND, THEN HHS, DO THEY KEEP A TALLY AND A TABULATION ON EVERY INDIVIDUAL WHO FILES FOR MEDICAID? AND, SENATOR SCHUMACHER, WOULD YOU YIELD TO THAT QUESTION, PLEASE? [LB72]

SENATOR GLOOR: SENATOR SCHUMACHER? [LB72]

SENATOR SCHUMACHER: YES, I WILL YIELD. IT'S MY UNDERSTANDING THAT, YES, THEY HAVE A TALLY ON YOU AND IT'S INDEXED AGAINST YOUR SOCIAL SECURITY NUMBER AND THEY KNOW HOW MUCH THEY'VE SPENT ON YOUR NURSING HOME. [LB72]

SENATOR BRASCH: THANK YOU, SENATOR SCHUMACHER. AND THEN THE NEXT QUESTION IS, AND IF THE ESTATE TAKES A YEAR OR SO AND WE HAVE I DON'T KNOW HOW MANY INDIVIDUALS ON MEDICAID, WOULD IT BE IN THE MILLIONS OF DOLLARS RETURNED TO THE STATE? DO WE HAVE AN ESTIMATE OF WHAT THAT CASH RETURN, SENATOR SCHUMACHER? [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: WELL, THE BEST ESTIMATE I HAVE IS THE ONE THAT I READ BEFORE FROM THE 2003 STUDY THAT THE LEGISLATURE AUTHORIZED. AND THIS IS WHAT THEY SAID IN 2003. IF NEBRASKA WERE TO RECOVER AN EQUIVALENT PROPORTION OF ITS LONG-TERM CARE, AND THAT'S EQUIVALENT TO WHAT OTHER STATES WHO WERE DOING SOMETHING WAS RECOVERING, FROM THE ESTATES OF DECEDENT RECIPIENTS AT A SIMILAR RATE OF RECOVERY, THE STATE WOULD GENERATE APPROXIMATELY \$12 MILLION PER YEAR IN NONTAX REVENUE AT A COST OF \$590,000, NETTING APPROXIMATELY \$10 MILLION PER YEAR MORE THAN THE STATE CURRENTLY RECOVERS. SO WE'RE...AND I THINK THAT NUMBER IS A 2003 NUMBER. IT'S JUST GOTTEN BIGGER BECAUSE PEOPLE HAVE DROPPED THEIR NURSING HOME COVERAGE BECAUSE PEOPLE SAVE LESS. [LB72]

SENATOR BRASCH: THANK YOU, SENATOR SCHUMACHER. AND THEN IS THAT RETURNED TO THE GENERAL FUND? SENATOR SCHUMACHER, IS THAT THE PLAN? [LB72]

SENATOR SCHUMACHER: IT'S RETURNED TO SOMEBODY AT THE STATE. I'M PRESUMING IT'S THE GENERAL FUND. I ACTUALLY DON'T KNOW WHETHER IT WOULD GO BACK TO DHHS OR THE GENERAL FUND, BUT I PRESUME IT'S THE GENERAL FUND. [LB72]

SENATOR BRASCH: AND IF IT'S GOING BACK TO THE HHS, THEN DO THEY BUDGET \$10 MILLION A YEAR LESS OF REQUESTS FROM TAXPAYERS' DOLLARS? [LB72]

SENATOR SCHUMACHER: I HONESTLY DON'T KNOW EXACTLY HOW THE CASH WOULD FLOW. ALL I KNOW IS IT'S \$10 MILLION MORE SOMEWHERE AT THE STATE LEVEL. [LB72]

SENATOR BRASCH: VERY GOOD. AND THEN WHEN THE ATTORNEYS WHO ARE HANDLING THE TRUST OR THE ESTATE, THERE IS SOME SORT OF A FEE WITH THAT ON THEIR PART. THEN DOES THE ATTORNEY...I'M NOT CLEAR ON HOW THIS IS...THIS CYCLE OF CASH FLOW FOR WHERE IT'S GOING TO THE...THROUGH THE ATTORNEYS. DOES HE MAKE MONEY AGAIN OR SHE OR HHS? IT'S NOT CLEAR WHERE THE DOLLARS WILL BE RETURNED TO IS WHAT YOU JUST SAID, CORRECT? [LB72]

Floor Debate
April 20, 2015

SENATOR SCHUMACHER: THE NET RECOVERY OR AT LEAST IN 2003 THE GUESSTIMATE WAS STATE WOULD GET \$10 MILLION. YOU PROBABLY KNOW THE ATTORNEYS FOR THE ESTATE ARE GETTING PAID ANYWAY, AND THEY PROBABLY WILL...IF THERE'S ANYTHING LEFT FOR THE HEIRS, THEY PROBABLY WILL SEND THEM A BILL. BUT THEY WOULD HAVE GOTTEN A BILL ANYWAY. [LB72]

SENATOR GLOOR: ONE MINUTE. [LB72]

SENATOR BRASCH: VERY GOOD. I AM A LITTLE CONCERNED THAT WE ARE NOT CLEAR. WE ARE SAYING THAT THERE IS ABUSE THERE, THAT PEOPLE ARE HIDING CASH. SHOULDN'T THERE BE ANOTHER MECHANISM IN PLACE TO SEE? YOU KNOW, PERHAPS THE FAMILY IS OPERATING THE PARTICULAR BUSINESS OR FARM AND THAT THERE'S COSTS INCURRED WITH THAT, THAT I THINK THERE'S MUCH MORE TO LOOK AT MORE THOROUGHLY. AND AS YOU INDICATED, THAT MORE WILL BE LOOKED INTO. SO THANK YOU, SENATOR SCHUMACHER. THANK YOU, COLLEAGUES. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR BRASCH. THANK YOU, SENATOR SCHUMACHER. MEMBERS, WE'VE BEEN NOTIFIED THAT OUR WIRELESS NETWORK IS DOWN. HOPEFULLY THAT'S A SHORT-TERM, TEMPORARY PROBLEM, BUT CURRENTLY OUR WIRELESS NETWORK IS DOWN. THERE ARE NO SENATORS REMAINING IN THE QUEUE. SENATOR SCHUMACHER, YOU'RE RECOGNIZED TO CLOSE ON THE ADVANCEMENT OF LB72. [LB72]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. LB72 AS AMENDED DOES BASICALLY TWO THINGS. IT SAYS THAT IF THERE'S A REVOCABLE TRUST OUT THERE AND IT'S GOT A PILE OF MONEY OR LAND OR SOMETHING IN IT, BEFORE THAT'S DIVVIED UP TO THE HEIRS AND THEY CASH IN ON THE ESTATE OF THEIR DECEASED PARENT, THAT A CHECK NEEDS TO BE MADE WITH DHHS TO SEE IF THERE'S ANYTHING ON THE TAB OF THAT PERSON WHO PASSED AWAY ARISING FROM OLD AGE MEDICAID ESSENTIALLY. AND IF THERE IS, THAT THE TRUSTEE, BEFORE HE CAN DISTRIBUTE IT, HAS GOT TO SQUARE UP WITH DHHS OR COME TO A SETTLEMENT WITH DHHS UNDER ITS ADMINISTRATIVE PROCEDURES. IT ALSO SAYS THAT IF THERE IS AN INHERITANCE TAX DETERMINATION THAT IS FILED WITH THE COURT, THAT'S AN INDICATION THAT THE PERSON DIED WITH SOME INTEREST IN SOME TYPE OF PROPERTY, THAT DHHS RECEIVE NOTICE OF IT SO THAT THEY CAN CHECK THEIR RECORDS TO SEE IF ANYTHING IS DUE. AND IF THERE'S ANY WAY THAT THEY CAN GET REIMBURSED OUT OF THAT PROPERTY OF THE DECEDENT, THAT THEY

Floor Debate
April 20, 2015

CAN BEGIN REIMBURSEMENT PROCEEDINGS. IT IS A FIRST STEP, AS IT'S AMENDED, TO BEGIN TO CLOSE WHAT'S BEEN CALLED A LOOPHOLE WHICH HAS ENABLED PEOPLE BASICALLY TO HAVE THEIR CAKE AND EAT IT TOO. THEY PASS AN ESTATE ON TO THEIR HEIRS AND THEY HAVE THE TAXPAYERS PICK UP ESSENTIALLY THEIR NURSING HOME BILLS, THINK OF IT AS A STATE-PAID NURSING HOME INSURANCE. STILL RESERVED IS A MORE COMPLICATED ISSUE WHICH WE INTEND TO ADDRESS DURING THE SUMMER AS TO HOW TO TREAT SITUATIONS WHERE THERE IS OUT-OUT GIFTS, WHETHER USING A VEHICLE CALLED A LIFE ESTATE OR A IRREVOCABLE TRUST OR JUST PLAIN OLD GIFTS OR CHEAP SALES, HOW TO HANDLE THAT IN THE CONTEXT OF WHAT WE ARE ALLOWED TO DO UNDER FEDERAL LAW NOW, AND TO BRING OURSELVES UP TO SPEED WITH THE MAJORITY OF OTHER STATES WHO ARE GETTING FAR MORE AGGRESSIVE IN TRYING TO CONSERVE THEIR MEDICAID BUDGETS FOR PEOPLE WHO ARE TRULY NEEDY INSTEAD OF PEOPLE WHO ARE PLANNING TO HAVE THEIR CAKE AND EAT IT TOO. I THINK THIS IS A GOOD FIRST STEP. I WOULD ASK THE BODY TO PRESS GREEN ON LB72. THANK YOU. [LB72]

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. MEMBERS, YOU'VE HEARD THE CLOSING ON LB72. THE QUESTION IS THE ADVANCEMENT OF LB72 TO E&R INITIAL. THOSE IN FAVOR VOTE AYE; THOSE OPPOSED VOTE NAY. HAVE ALL VOTED WHO CARE TO? RECORD, MR. CLERK. [LB72]

CLERK: 31 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT OF LB72. [LB72]

SENATOR GLOOR: THE BILL ADVANCES. MR. CLERK. [LB72]

CLERK: MR. PRESIDENT, LB72A BY SENATOR SCHUMACHER. (READ TITLE.) [LB72A]

SENATOR GLOOR: SENATOR SCHUMACHER, YOU'RE RECOGNIZED TO OPEN ON LB72A. [LB72A]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. I LEARNED SOMETHING ON THIS LB72A. I GUESS I HAD NEVER RECOGNIZED THAT WE NEED AN A BILL WHEN YOU'RE BRING MONEY INTO THE SYSTEM, AND APPARENTLY WE DO. SO I'D ASK YOUR APPROVAL OF LB72A SO IF WE BRING SOME MONEY IN WE CAN TAKE IT. THANK YOU. [LB72A]

Floor Debate
April 20, 2015

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. SENATOR SCHUMACHER, THERE ARE NO SENATORS IN THE SPEAKING QUEUE. YOU'RE RECOGNIZED TO CLOSE. SENATOR SCHUMACHER WAIVES. THE QUESTION IS THE ADVANCEMENT OF LB72A TO E&R INITIAL. THOSE IN FAVOR VOTE AYE; THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB72A]

CLERK: 28 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT OF LB72A. [LB72A]

SENATOR GLOOR: THE BILL ADVANCES. MR. CLERK, ITEMS FOR THE RECORD? [LB72A]

CLERK: THANK YOU, MR. PRESIDENT. I HAVE A SERIES OF RESOLUTIONS. LR191 AND LR192 BY SENATOR CRAIGHEAD; SENATOR GARRETT, LR193; SENATOR CAMPBELL, LR194; SENATOR MORFELD, LR195. I ALSO HAVE A CONFIRMATION HEARING NOTICE FROM THE HEALTH AND HUMAN SERVICES COMMITTEE. THAT'S ALL THAT I HAVE, MR. PRESIDENT. THANK YOU. (LEGISLATIVE JOURNAL PAGES 1208-1211.) [LR191 LR192 LR193 LR194 LR195]

SENATOR GLOOR: THANK YOU, MR. CLERK. CONTINUING WITH THE AGENDA, LB469. [LB469]

CLERK: LB469 WAS A BILL ORIGINALLY INTRODUCED BY SENATOR SMITH. (READ TITLE.) INTRODUCED ON JANUARY 20, REFERRED TO NATURAL RESOURCES, ADVANCED TO GENERAL FILE. THERE ARE COMMITTEE AMENDMENTS, MR. PRESIDENT. (AM833, LEGISLATIVE JOURNAL PAGE 876.) [LB469]

SENATOR GLOOR: THANK YOU, MR. CLERK. SENATOR SMITH, YOU'RE RECOGNIZED TO OPEN ON LB469. [LB469]

SENATOR SMITH: THANK YOU, MR. PRESIDENT, AND GOOD MORNING, COLLEAGUES. I'D LIKE TO FIRST THANK SENATOR LINDSTROM FOR PRIORITIZING LB469. THIS IS AN IMPORTANT BILL. IT IS A TIME-SENSITIVE BILL. AND IN ORDER FOR IT TO HAVE ANY IMPACT, IT NEEDS TO PASS THIS SESSION. THE BILL WAS HEARD ON FEBRUARY 5 BY THE NATURAL RESOURCES COMMITTEE AND IT HAD BROAD SUPPORT, INCLUDING THE COAL INDUSTRY, ETHANOL PRODUCERS, THE WIND INDUSTRY, AND THE FARM BUREAU. IT ADVANCED WITH 7 VOTES IN FAVOR AND 1 MEMBER OF THE COMMITTEE ABSENT. AS INTRODUCED, LB469 WOULD

Floor Debate
April 20, 2015

REQUIRE THE STATE ENERGY OFFICE TO PERFORM AN ASSESSMENT OF ANY STATE PLAN DEVELOPED TO REGULATE CARBON DIOXIDE EMISSIONS, PURSUANT TO FEDERAL EMISSIONS GUIDELINES. THERE WILL BE A COMMITTEE AMENDMENT TO THE BILL, AM833, WHICH MAKES SOME SUBSTANTIAL CHANGES AND BECOMES THE BILL. SO I WILL CONCENTRATE AT THIS POINT ON PROVIDING A LITTLE BACKGROUND FOR MY OPENING AND SPEAK TO THE SPECIFICS AFTER INTRODUCTION OF THE COMMITTEE AMENDMENT. DURING THE PAST FEW YEARS, THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY, THE EPA, HAS TAKEN UPON ITSELF TO GET INVOLVED IN THE STATES' BUSINESS OF DEVELOPING THEIR INDIVIDUAL ENERGY POLICIES. DESPITE THE CLEAN AIR ACT EXPRESSLY ALLOWING STATES TO DEVELOP STANDARDS OF PERFORMANCE FOR ENERGY SOURCES, THE EPA HAS BEEN IN THE PROCESS OF FORMULATING REGULATIONS THAT WOULD ATTEMPT TO REDUCE CARBON DIOXIDE EMISSIONS THROUGHOUT THE UNITED STATES. THEIR FIRST SET OF REGULATIONS FOCUSED ON NEW FOSSIL-FIRED POWER PLANTS AND IMPOSED STANDARDS SO STRINGENT THAT THERE IS NO ECONOMICALLY FEASIBLE TECHNOLOGY EXISTING TODAY TO MEET THOSE STANDARDS. IN EFFECT, THE RULES ASSURE NO NEW COAL-BASED POWER PLANTS WILL BE BUILT IN NEBRASKA, OR ANY OTHER STATE FOR THAT MATTER. THE SECOND SET OF STANDARDS FOCUSING ON EXISTING POWER PLANTS UNDER THE EPA REGULATIONS, ALSO REFERRED TO AS 111(d), NEBRASKA HAS BEEN DIRECTED TO REDUCE CO2 EMISSIONS 26 PERCENT BY THE YEAR 2030. BY JUNE OF NEXT YEAR, 2016, THE STATE IS REQUIRED OR THE DEPARTMENT OF ENVIRONMENTAL QUALITY IS REQUIRED TO SUBMIT A STATE IMPLEMENTATION PLAN, OR A SIP, S-I-P, TO DETAIL TO THE FEDERAL GOVERNMENT WHAT STEPS WILL BE TAKEN TO REACH THIS REDUCTION MANDATE. UNDER THE GREEN COPY OF LB469, DEQ IS TO PREPARE A REPORT ASSESSING HOW THAT STATE PLAN WOULD IMPACT THE AFFORDABILITY AND RELIABILITY OF OUR PUBLIC POWER SYSTEM, AS WELL AS THE STATE'S ECONOMY. I'D LIKE TO JUST STOP FOR A MOMENT, JUST CREDIT THE OMAHA WORLD-HERALD OVER THE LAST SEVERAL WEEKS IN THEIR SERIES OF LOOKING AT PUBLIC POWER IN NEBRASKA AND RECOGNIZING SOME OF THE ISSUES WE'RE HAVING WITH MAINTAINING THE AFFORDABILITY IN THIS STATE AND THE COMPETITIVENESS OF OUR RATES. THIS BILL FOLDS INTO SOME OF THOSE DISCUSSIONS. AT THE HEARING, IT WAS ORIGINALLY SUGGESTED DEQ MIGHT NOT BE THE VERY BEST AGENCY TO CONDUCT THE ASSESSMENT, AND THIS IS CHANGED THE COMMITTEE AMENDMENT. IT WAS DECIDED THAT THE STATE ENERGY OFFICE IS BETTER EQUIPPED WITH STAFF, WITH THE STAFF HAVING THE EXPERTISE NECESSARY TO CONDUCT THE ASSESSMENT. WHY IS THIS ASSESSMENT IMPORTANT, COLLEAGUES? TRANSPARENCY. I DON'T OPPOSE THE GOAL OF REDUCING CO2 EMISSIONS; HOWEVER, IT IS IMPERATIVE WE

Floor Debate
April 20, 2015

KNOW EXACTLY HOW THE ONE-SIZE-FITS-ALL, THE FAR-REACHING APPROACH THAT THE EPA IS TAKING, WILL IMPACT OUR STATE AND OUR CITIZENS. AND MAKE NO MISTAKE, IT WILL IMPACT THE STATE, COLLEAGUES. THE FACT IS, LIKE IT OR NOT, NEBRASKA IS A COAL STATE. CURRENTLY 72 PERCENT OF NEBRASKA'S ELECTRICITY IS GENERATED USING COAL. THE EPA MANDATE TARGETS 24 ELECTRIC GENERATING UNITS AND 11 PLANTS LOCATED IN OUR STATE. THOSE PLANTS, ALONG WITH THE RAIL INDUSTRY THAT MAKES...THAT MOVES THE COAL, DIRECTLY REPRESENT OVER 22,000 NEBRASKA JOBS. THE STATE PLAN WILL IMPACT THE \$1.4 BILLION IN LABOR INCOME AND THE \$142 MILLION IN INCOME, SALES, AND PROPERTY TAXES THESE TWO INDUSTRIES GENERATE FOR OUR STATE. WHILE OUR OWN PUBLIC POWER SYSTEM HAS MADE GREAT STRIDES IN INVESTING AND DEVELOPING OTHER ENERGY SOURCES, THE SIMPLE TRUTH IS, COLLEAGUES, WIND, NATURAL GAS, NUCLEAR, AND SOLAR ARE NOT YET TO THE POINT OF PROVIDING THE RELIABLE AND AFFORDABLE POWER WE HAVE BECOME ACCUSTOMED TO IN OUR STATE, NOR WILL WE BE THERE IN THE SHORT AMOUNT OF TIME THAT THE EPA IS EXPECTING DRASTIC REDUCTIONS IN CO2 EMISSIONS TO OCCUR. THIS ASSESSMENT WILL PROVIDE US, AS POLICYMAKERS, INFORMATION THAT WILL BE VALUABLE AS WE MOVE FORWARD IN DEVELOPING A COMPREHENSIVE ENERGY PLAN FOR THE STATE. THIS IS WHY THIS ASSESSMENT IS CRITICAL, COLLEAGUES. THE POINT OF THE BILL ISN'T TO HAMPER DEQ'S ABILITY TO COMPLY WITH THE FEDERAL MANDATE. THE COMMITTEE AMENDMENT MAKES THE CHANGES NECESSARY TO ENSURE THAT. THE POINT OF THE BILL IS TO PROVIDE THE LEGISLATURE AND THE PUBLIC WITH INFORMATION, WITH THE TRANSPARENCY. IT IS OUR RIGHT TO KNOW WHAT EFFECT THIS FEDERAL MANDATE WILL HAVE ON OUR STATE AND ON THE RATEPAYERS IN THIS STATE. LAST YEAR, THE LEGISLATURE ADOPTED LR482 WHICH ASKED THE FEDERAL GOVERNMENT TO RECOGNIZE EACH STATE'S PRIMACY IN REGULATING ITS ENERGY INDUSTRY AND TO PROVIDE FLEXIBILITY IN DEVELOPING A STATE PLAN THAT MEETS OUR UNIQUE ENERGY RESOURCES AND NEEDS. LB469 IS A CONTINUATION OF LAST YEAR'S EFFORTS. THE ASSESSMENT WILL PREPARE US FOR THE IMPACTS OF IMPLEMENTATION OF THE STATE PLAN. THE ASSESSMENT WILL GIVE US THE INFORMATION NECESSARY TO PREPARE FOR OUR FUTURE AND TO DEVELOP A RESPONSIBLE ENERGY POLICY FOR ALL OF NEBRASKA. I SUPPORT THE COMMITTEE AMENDMENT THAT WILL FOLLOW AND ENCOURAGE YOU TO VOTE GREEN ON AM833, WHICH WILL BECOME THE BILL. AND THEN I ASK YOU, COLLEAGUES, WILL YOU THEN HELP ME ADVANCE LB469? JUST TO LET YOU KNOW THAT WE'RE NOT THE ONLY STATE...HOW MUCH TIME DO I HAVE, MR. PRESIDENT? [LB469]

SENATOR GLOOR: THREE MINUTES. [LB469]

Floor Debate
April 20, 2015

SENATOR SMITH: JUST TO LET YOU KNOW WE'RE NOT ALONE IN THIS, I HAVE SOME INFORMATION THAT WAS SHOWN IN COLORADO LAST WEEK. COLORADO, THE HEADLINE WAS: COLORADO SENATE GOP WANTS SOME SAY IN PLAN TO CURB AIR POLLUTION. AND THERE'S A SIMILAR BILL OVER THERE THAT WOULD REQUIRE THEIR PUBLIC UTILITIES COMMISSION AND BOTH CHAMBERS OF THE LEGISLATURE TO SIGN OFF ON THE STATE AIR QUALITY CONTROL PLAN ON REDUCING CARBON DIOXIDE EMISSIONS. IN THAT ARTICLE, COLLEAGUES, THEY STATE THE SAME CASE THAT I'M STATING HERE. WE HAVE TO HAVE TRANSPARENCY IN OUR STATE. WE HAVE TO UNDERSTAND WHAT THESE FEDERAL MANDATES ARE DOING TO OUR STATE, TO OUR CITIZENS, AND TO THE COST OF OUR UTILITY RATES. COLLEAGUES, I THINK THIS IS THE RIGHT THING TO DO. THIS PROVIDES TRANSPARENCY FOR OUR CITIZENS, PROVIDES TRANSPARENCY FOR US AS POLICYMAKERS. THANK YOU, MR. PRESIDENT. THANK YOU, COLLEAGUES. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR SMITH. AS THE CLERK STATED, THERE ARE AMENDMENTS FROM THE NATURAL RESOURCES COMMITTEE. SENATOR SCHILZ, AS CHAIRMAN OF THAT COMMITTEE, YOU'RE RECOGNIZED TO OPEN ON THE COMMITTEE AMENDMENTS. [LB469]

SENATOR SCHILZ: THANK YOU, MR. PRESIDENT AND MEMBERS OF THE BODY. GOOD MORNING. AND THANK YOU FOR THE OPPORTUNITY FOR SENATOR SMITH AND MYSELF TO BRING THIS LEGISLATION, THIS BILL, TO YOU. THE COMMITTEE ADOPTED AM833, WHICH IN ESSENCE BECOMES LB469. THE AMENDMENT COMBINES THE REVISED PROVISIONS OF LB469 AND LB583, MY BILL TO REQUIRE THE NEBRASKA ENERGY OFFICE TO CREATE A STATE ENERGY PLAN. FIRST, I'LL TAKE A MOMENT TO EXPLAIN LB583. I WAS FORTUNATE TO BE ON THE NATURAL RESOURCES COMMITTEE IN 2010 WHEN THE LEGISLATURE PASSED LB1048. THAT WAS A BILL TO ALLOW DEVELOPMENT OF WIND ENERGY FOR EXPORT HERE IN THE STATE OF NEBRASKA. THAT BILL REPRESENTED A SIGNIFICANT POLICY SHIFT IN THE WAY THE STATE HANDLES WIND ENERGY GENERATION PROJECTS. WE'VE HAD NOW A FEW YEARS TO ABSORB HOW THOSE CHANGES IN THE MARKET AND ADVANCES IN TECHNOLOGY CAN PROVIDE A DIFFERENT ENERGY LANDSCAPE IN NEBRASKA. AND IT WILL TAKE SOME COLLABORATIVE BUT CAREFUL PLANNING TO MAKE SURE THAT WE AS A STATE ARE ABLE TO TAKE ADVANTAGE OF THE ECONOMIC DEVELOPMENT OPPORTUNITIES AND MAINTAINING THE MOST COST-COMPETITIVE RATES POSSIBLE IN ENERGY. AS YOU KNOW, NEBRASKA IS UNIQUE AS THE ONLY FULLY PUBLIC POWER STATE. IT ISN'T IN THE NORMAL COURSE OF BUSINESS FOR AND IT ISN'T THE DUTY OF OUR POWER UTILITIES TO PLAN FOR THE PRODUCTION AND TRANSMISSION OF

Floor Debate
April 20, 2015

ENERGY THAT THE STATE DOES NOT NEED. THIS IS WHY A STATE ENERGY PLAN TO...THIS IS ONE OF THE REASONS WHY THE STATE ENERGY PLAN, DEVELOPED UNDER THE GUIDANCE OF THE STATE ENERGY OFFICE AND WITH THE COOPERATION OF OUR PUBLIC POWER ENTITIES, WILL HELP US SET A VISION THAT CAN BE USED TO GUIDE POLICY FOR STATE AND LOCAL GOVERNMENTS. THE AMENDMENT IN SECTIONS 6 AND 8 REQUIRES THE STATE ENERGY OFFICE TO DEVELOP A STRATEGIC STATE ENERGY PLAN AND TO MAKE POLICY RECOMMENDATIONS TO THE GOVERNOR AND LEGISLATURE. THE PLAN IS TO IDENTIFY GOALS AND RECOMMENDATIONS ON A NUMBER OF ENERGY TOPICS. THE DISCUSSION ABOUT RENEWABLES IN PUBLIC POWER IS WHAT LED TO THIS BILL. BUT I WANT TO BE CLEAR THAT IT'S MY INTENTION AND THE INTENTION OF THIS LEGISLATION THAT THIS ENERGY PLAN BE COMPREHENSIVE IN SCOPE AND THAT NATURAL GAS, BIOFUELS, PETROLEUM, PROPANE, AND ANY OTHER OPPORTUNITY AND ASPECTS OF ENERGY NEED TO BE INCLUDED FOR THIS TO BE A TRULY COMPREHENSIVE STATE PLAN. WE HAVE WORKED WITH THE STATE ENERGY OFFICE TO ENSURE THE LANGUAGE ALLOWS THEM TO CREATE A COMPREHENSIVE STATE ENERGY PLAN. THE LB469 PORTION OF AM833 THAT I WILL LET SENATOR SMITH EXPLAIN IS A SIGNIFICANT COMPONENT OF THIS BILL AND OF A STATE ENERGY PLAN. IT REQUIRES THE ENERGY OFFICE TO ANALYZE IMPACTS RESULTING FROM FEDERAL REGULATIONS TO REDUCE CARBON DIOXIDE EMISSIONS FROM FOSSIL FUEL-FIRED ELECTRIC GENERATING UNITS. THERE ARE FEDERAL REGULATIONS COMING, AND ONCE THEY'RE FINALIZED THE STATE WILL BE REQUIRED TO SUBMIT AN IMPLEMENTATION PLAN OF COMPLIANCE. I BELIEVE THAT POLICYMAKERS NEED TO UNDERSTAND THIS PROCESS AND BE AWARE AND OVERSEE THE POLICY DISCUSSIONS THAT WILL BE MADE IN RESPONSE TO FEDERAL REGULATIONS THAT WILL AFFECT EVERY PERSON IN THIS STATE. AGAIN, I WANT TO THANK SENATOR LINDSTROM AND SENATOR SMITH FOR WORKING WITH ME AND THE COMMITTEE ON THIS BILL, AND FOR LINDSTROM FOR PRIORITIZING IT. I ASK FOR YOUR SUPPORT. AND WITH THAT, I WOULD GIVE THE REST OF MY TIME TO SENATOR SMITH. [LB469 LB583]

SENATOR GLOOR: SENATOR SMITH, 6:30. [LB469]

SENATOR SMITH: ALL RIGHT. THANK YOU, MR. PRESIDENT. THANK YOU, SENATOR SCHILZ, FOR THAT OPENING ON THE COMMITTEE AMENDMENT AND FOR GIVING ME SOME TIME TO TALK ABOUT AM833 AS IT RELATES TO THE CO2 EMISSION ISSUE. AS I MENTIONED IN MY OPENING, THE PURPOSE OF THIS PORTION OF LB469 IS TO PROVIDE INFORMATION SPECIFIC TO THE STATE IMPLEMENTATION PLAN THAT IS THE RESULT OF THE EPA CO2 EMISSIONS

Floor Debate
April 20, 2015

REDUCTION MANDATE. UNDER AM833, PRIOR TO THE DEPARTMENT OF ENVIRONMENTAL QUALITY SUBMITTING THE STATE IMPLEMENTATION PLAN TO THE EPA, IT MUST PROVIDE A COPY TO THE STATE ENERGY OFFICE. THE ENERGY OFFICE WOULD THEN PREPARE AN ASSESSMENT OF THE PLAN. WHILE DEQ IS THE AGENCY RESPONSIBLE FOR DEVELOPING THE STATE IMPLEMENTATION PLAN, WHICH IT'S BEGINNING TO DO NOW, IN CONSULTATION WITH OUR PUBLIC POWER INDUSTRY, IT WAS DECIDED THE ENERGY OFFICE WOULD BE BETTER EQUIPPED TO CONDUCT THE ASSESSMENT. THIS DECISION WAS MADE WITH INPUT FROM BOTH OFFICES AND THE INDUSTRY. THE SCOPE OF THE ASSESSMENT TO BE PREPARED IS SIGNIFICANTLY SCALED BACK FROM THE GREEN COPY TO ACCOMMODATE THE FISCAL NOTE. AM833 DIRECTS THE ENERGY OFFICE TO PREPARE AN ASSESSMENT OF THE STATE PLAN ON THE FOLLOWING POINTS: THE TYPE AND AMOUNT OF ELECTRIC GENERATING CAPACITY THAT IS LIKELY TO RETIRE OR SWITCH TO ANOTHER FUEL; THE STRANDED INVESTMENTS; THE INVESTMENT NEEDED TO OFFSET CAPACITY CHANGES; THE POTENTIAL RISKS TO ELECTRIC RELIABILITY; THE PRICE OF ELECTRICITY, WHETHER IT WILL INCREASE OR DECREASE; AND EMPLOYMENT, INCLUDING DIRECT AND INDIRECT JOBS AND JOB LOSSES. CURRENTLY THE SIP MUST BE SUBMITTED TO THE EPA BY NEXT JUNE. HOWEVER, THERE IS A POSSIBILITY STATES WILL BE GRANTED AN EXTENSION. NOTHING IS KNOWN AT THIS POINT BECAUSE THE EPA IS NOT FINISHED DRAFTING THE RULES. BUT IF AN EXTENSION IS GRANTED, DEQ COULD HAVE UNTIL 2017 TO PREPARE THE S-I-P, THE SIP. IN THIS LATTER CASE, THE AMENDMENT PROVIDES THAT DEQ WOULD SUBMIT A COPY OF THE SIP TO THE ENERGY OFFICE AT LEAST 120 DAYS PRIOR TO THE EXTENSION DEADLINE. ONCE THE ENERGY OFFICE HAS RECEIVED A COPY OF THE STATE PLAN, IT WILL HAVE 30 DAYS TO COMPLETE AND SUBMIT THEIR ASSESSMENT TO THE LEGISLATURE. THE COMMITTEE AMENDMENT MAKES IT CLEAR THAT NOTHING IN THE BILL IS TO PREVENT THE DEPARTMENT OF ENVIRONMENTAL QUALITY FROM COMPLYING WITH FEDERAL LAW. THE INTENT OF THE BILL ISN'T TO ACT AS A ROADBLOCK BUT IS TO PROVIDE TRANSPARENCY, INFORMATION, AND ALLOW THOROUGH ASSESSMENT SO WE, AS POLICYMAKERS, COLLEAGUES, HAVE THE INFORMATION NECESSARY TO DEVELOP AND IMPLEMENT A WORKABLE STATE ENERGY PLAN. THANK YOU, MR. PRESIDENT. THANK YOU, SENATOR SCHILZ. [LB469]

SENATOR GLOOR: SENATOR SMITH, YOU ARE NEXT IN THE QUEUE. SENATOR SMITH WAIVES. SENATORS IN THE QUEUE: LINDSTROM, SCHILZ, McCOLLISTER, AND KEN HAAR. SENATOR LINDSTROM, YOU'RE RECOGNIZED. [LB469]

Floor Debate
April 20, 2015

SENATOR LINDSTROM: THANK YOU, MR. PRESIDENT. THANK YOU, COLLEAGUES. I STAND IN SUPPORT OF LB469 AND ITS AMENDMENTS, AM833. LB469 WAS ORIGINALLY CONSTRUCTED TO FACILITATE THE IMPLEMENTATIONS OF FEDERAL EPA CARBON DIOXIDE REGULATIONS. AS AN OMAHA SENATOR, I REMEMBER QUITE WELL THE RECENT ISSUES THAT WE'VE HAD WITH PAYING FOR UNFUNDED MANDATES FROM THE EPA AND DO NOT WANT THE STATE OF NEBRASKA TO GO DOWN THE SAME PATH. I PRIORITIZED AND SUPPORT LB469 AND AM833. THIS BILL ALLOWS THE STATE OF NEBRASKA TO CREATE ITS OWN STATE ENERGY PLAN IN ADVANCE OF FEDERAL REGULATIONS PENDING FROM THE EPA. THIS BILL IS ESPECIALLY IMPORTANT IN NEBRASKA AS WE ARE THE ONLY PURELY PUBLIC POWER STATE IN THE COUNTRY. WE NEED TO BE ABLE TO CREATE A PLAN THAT SHOWS THAT WE ARE DOING WHAT WE CAN TO FOLLOW CARBON EMISSION REGULATIONS BUT, AT THE SAME TIME, SHOW THE EPA THAT WE ARE UNIQUE AND CANNOT CONFORM TO A ONE-SIZE-FITS-ALL PLAN. BY NOT DEVISING OUR OWN STATE PLAN, WE WOULD BE REQUIRED TO ADHERE TO THE MORE COSTLY EPA PLAN. THE ENERGY DEPARTMENT AND DEPARTMENT OF ENVIRONMENTAL QUALITY HAVE ALREADY BEEN WORKING TOGETHER TO FIGURE OUT LOGISTICS TO PROCEED WITH LB469 AND ITS AMENDMENT. THEY'RE PLANNING ON TAKING PUBLIC INPUT AND INPUT FROM ALL ENERGY ENTITIES ACROSS OUR STATE. AND I ASK THAT YOU ADVANCE LB469 AND THE AMENDMENT ON THE BILL, AM833. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR LINDSTROM. SENATOR SCHILZ, YOU'RE RECOGNIZED. [LB469]

SENATOR SCHILZ: THANK YOU, MR. PRESIDENT. I THINK IT'S IMPORTANT. I HEARD SENATOR SMITH TALKING ABOUT THE FISCAL NOTE. AND I THINK IF YOU WOULD LOOK AND TAKE...TAKING A LOOK A EACH OF THESE BILLS' FISCAL NOTES BEFORE COMPARED TO WHAT IT IS NOW, I THINK THAT YOU CAN SEE THAT BY COMBINING THESE TWO AND PUTTING IT UNDER THE UMBRELLA OF THE ENERGY OFFICE TO BE ABLE TO DO THAT, WE'VE REDUCED IT FROM ABOUT \$2 MILLION OVER FOUR YEARS DOWN TO ABOUT \$600,000 OVER FOUR YEARS. SO I THINK YOU CAN SEE THAT COMBINING THESE BILLS AND WORKING TOGETHER ON THEM AND UNDERSTANDING THAT HAS REALLY REDUCED THE COST THAT THIS IS GOING TO BE. I WOULD ALSO LIKE TO SAY, AS WE TALK ABOUT THIS, SOME PEOPLE ARE LIKE, WELL, WHAT DOES IT MEAN, AN ENERGY PLAN FOR THE STATE OF NEBRASKA? AND I WANT TO BRING UP A COUPLE EXAMPLES OF SOME THINGS THAT WORK AND HAVE WORKED BETTER BECAUSE OF THINGS WE'VE DONE ON THE ENERGY FRONT HERE IN NEBRASKA. AND THE FIRST THING I'D LIKE TO TALK ABOUT IS ETHANOL. AND WHEN WE MADE THE DECISION IN THE

Floor Debate
April 20, 2015

STATE OF NEBRASKA TO REALLY UP WHAT WE DO IN SUPPORTING THE ETHANOL INDUSTRY AND PROVIDING SOME MONEY FOR THEM TO GET OFF THE GROUND AND BE ABLE TO GO, AND WHAT IT HAS DONE HAS BEEN AMAZING IF YOU LOOK AT IT. FIRST OF ALL, IT'S RAISED THE PRICE OF CORN, SOME WILL SAY QUITE A BIT. BUT IT HAS RAISED IT A FEW CENTS, WHICH IS A GOOD THING FOR OUR PRODUCERS. THE OTHER THING THAT IT'S DONE IS THAT IT'S GIVEN US THE OPPORTUNITY FOR THE BY-PRODUCT OR THE COPRODUCT, DISTILLERS GRAIN. AND WHAT HAS DISTILLERS GRAIN DONE FOR THE STATE OF NEBRASKA BUT LAUNCHED US INTO THE NUMBER ONE POSITION FOR CATTLE ON FEED AND RED MEAT PRODUCTION IN THE UNITED STATES? SO WHEN YOU TAKE THE CORN, THE CATTLE, THE WATER, AND THE ABILITY TO ADD THE VALUE THROUGH THE ETHANOL, IT'S A WIN-WIN-WIN ALL THE WAY AROUND. WHERE ELSE ARE WE MISSING OUT OR COULD THOSE OPPORTUNITIES BE FOUND? AND THAT'S ONE OF THE THINGS THAT THIS ENERGY PLAN IS GOING TO LOOK TO DO. ARE THERE WAYS THAT WE CAN LOWER THE CONGESTION THAT'S ON OUR POWER LINES FROM OUR POWER PLANTS HERE IN NEBRASKA TO GET THE ENERGY TO WHERE THE PEOPLE NEED TO USE IT? AND EVERYBODY SAYS, WELL, IT'S ALL ABOUT THE TRANSMISSION, AND HOW DO YOU DO THAT AND HOW DO YOU LESSEN THAT? WELL, WHAT OTHER INDUSTRY OUT THERE NEEDS TRANSMISSION TO GO PLACES? AND ARE THERE WAYS TO WORK TO EXPORT POWER OUT OF HERE WHILE AT THE SAME TIME, THROUGH WIND ENERGY PRODUCTS, WHILE AT THE SAME TIME BUILDING TRANSMISSION TO BE ABLE TO ALLOW OUR PUBLIC POWER UTILITIES TO MOVE THEIR ENERGY MORE FREELY AND MORE EASILY TO THOSE PLACES WHERE IT'S REQUIRED. AND IF YOU CAN DO THAT, THEN OUR POWER ENTITIES GET MORE MONEY FOR THE POWER THAT THEY PRODUCE BECAUSE OF THE LESSER CONGESTION THAT'S ON THE SYSTEM. SO THOSE ARE TWO SITUATIONS THAT ONE HAS ALREADY HAPPENED. AND WE'VE SEEN HOW ENERGY HAS IMPACTED OTHER INDUSTRIES IN THE STATE OF NEBRASKA IN A POSITIVE WAY. AND THAT'S ONE OF THE THINGS THAT THIS PLAN WILL DO IS LOOK FOR THOSE OPPORTUNITIES, AND NOT ONLY OPPORTUNITIES BUT LOOK FOR THE CHALLENGES THAT ARE COMING UP IN THE FUTURE THAT CAN BE ANSWERED BY A PLAN LIKE THIS. ONE OF THE OTHER THINGS THAT I THINK IS EXTREMELY IMPORTANT IS THAT US AS A LEGISLATURE BE ABLE TO UNDERSTAND WHAT'S GOING ON WITH OUR POWER ENTITIES AND PUBLIC POWER AND HOW THAT RELATES TO US HERE IN THE LEGISLATURE. I THINK IT'S EXTREMELY IMPORTANT FOR US TO UNDERSTAND WHAT'S HAPPENING ON THAT SIDE SO THAT WHEN THINGS COME UP, WE KNOW THE PLAN THAT PUBLIC POWER HAS, WE KNOW THE PLAN THAT THE STATE OF NEBRASKA HAS TO MOVE FORWARD SO THAT WE'RE NOT HAVING TO ASK QUESTIONS EITHER. AND THIS PLANNING PROCESS SHOULD BE ONE THAT IS ENGAGED IN BY THE

Floor Debate
April 20, 2015

LEGISLATURE, AS WELL AS ALL THE OTHER STAKEHOLDERS THAT ARE INVOLVED WITH THIS. I BELIEVE THAT'S EXTREMELY IMPORTANT, BECAUSE HAVING SERVED ON THE NATURAL RESOURCES COMMITTEE... [LB469]

SENATOR GLOOR: ONE MINUTE. [LB469]

SENATOR SCHILZ: ...FOR THE PAST SIX YEARS, THANK YOU, MR. PRESIDENT, IT HAS BECOME CLEAR TO ME THAT A GREATER UNDERSTANDING OF WHAT IS GOING ON BY FOLKS, MEMBERS OF THE LEGISLATURE, AS WELL AS THE EXECUTIVE BRANCH WILL MAKE THIS PROCESS AND EVERYTHING ELSE MOVE MUCH SMOOTHER AND POSSIBLY PROVIDE BETTER OPPORTUNITIES IN THE FUTURE FOR BOTH ECONOMIC DEVELOPMENT AND FOR RATEPAYERS. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR SCHILZ. SENATOR McCOLLISTER IS NEXT IN THE QUEUE. (VISITORS INTRODUCED.) AND, SENATOR McCOLLISTER, YOU ARE RECOGNIZED. [LB469]

SENATOR McCOLLISTER: THANK YOU, MR. PRESIDENT, AND GOOD MORNING, MEMBERS, AND A PARTICULAR GOOD WELCOME TO THE KIDS FROM LOVELAND SCHOOL WHERE MY CHILDREN ATTENDED. I'M A MEMBER OF THE NATURAL RESOURCES COMMITTEE AND SUPPORTED THE BILL, THE MOVEMENT OF THE BILL ONTO THE FLOOR, LB469 AND NOW AM833. BUT I DO HAVE SOME QUESTIONS, PARTICULARLY WITH REGARD TO THE FISCAL NOTE. SO I WOULD ASK SENATOR SCHILZ TO YIELD. [LB469]

SENATOR GLOOR: SENATOR SCHILZ, WOULD YOU YIELD FOR A QUESTION FROM SENATOR McCOLLISTER? [LB469]

SENATOR SCHILZ: YES, I WILL. [LB469]

SENATOR McCOLLISTER: THE FISCAL NOTE ORIGINALLY WAS OVER \$1 MILLION. IS THAT CORRECT? [LB469]

SENATOR SCHILZ: THAT IS CORRECT. [LB469]

SENATOR McCOLLISTER: AND SINCE IT'S NOW AMENDED INTO ANOTHER BILL, THE FISCAL NOTE IS WHAT? [LB469]

Floor Debate
April 20, 2015

SENATOR SCHILZ: THE FISCAL NOTE NOW IF YOU LOOK AT LB469 WITH THE AMENDMENT AM833, WHAT WE'LL HAVE IN FISCAL YEAR '15 AND '16 IS A COST OF \$411,000 OR \$411,750, AND IN FISCAL YEAR '16 AND '17, \$218,472. SO ABOUT \$700,000. [LB469]

SENATOR McCOLLISTER: ALL RIGHT. ARE YOU FAMILIAR WITH THE STATE ENERGY PLAN DEVELOPED IN 2011? [LB469]

SENATOR SCHILZ: I HAVE HEARD OF IT. YES, I'M FAMILIAR THAT THEY DO A PLAN, SO TO SPEAK, YES. [LB469]

SENATOR McCOLLISTER: I'VE SEEN A COPY OF IT, AND I WAS VERY IMPRESSED WITH HOW COMPLETE IT WAS. YOU KNOW, DESPITE THE FACT IT WAS AN INTERNAL DOCUMENT, I THOUGHT IT WAS VERY THOROUGH AND WELL DONE. AND I WOULD ENCOURAGE YOU AND THE REST OF THE COMMITTEE TO SIMPLY ALLOW THE STATE ENERGY OFFICE TO CONDUCT THIS SURVEY AND DO THE RESEARCH BECAUSE THEY HAVE THE FACILITIES TO DO IT WITHOUT GOING ON THE OUTSIDE TO DEVELOP THIS PLAN. AND I WOULD ENCOURAGE YOU TO DO THAT. SECONDLY, INVOLVE THE STAKEHOLDERS. WE HAVE A LOT OF SOPHISTICATED ENERGY COMPANIES THAT CAN HELP US, A LOT OF THE POWER COMPANIES THAT ARE MORE THAN WILLING TO PROVIDE THE MANPOWER TO DO THE WORK. SO A \$700,000 FISCAL NOTE, I WOULD GUESS, AT LEAST IN MY ESTIMATION WOULD BE TOO HIGH. AND DO YOU ENVISION, SENATOR SCHILZ, IF YOU'LL YIELD FOR ANOTHER QUESTION, THAT WE'LL ESTABLISH MINIMUM RENEWABLES AS A PART OF THIS PLAN? [LB469]

SENATOR SCHILZ: SENATOR McCOLLISTER, THANK YOU FOR YOUR QUESTION. I WOULD THINK NOT. THIS ISN'T ABOUT...NOW, THEY COULD TALK ABOUT IT IN THERE AND TALK ABOUT SCENARIOS WITH THAT. BUT THAT WOULD BE SOMETHING THAT EACH ONE OF THE POWER COMPANIES HAS DONE NOW INTERNALLY AND SAID WHAT THEY WANTED TO DO. AND I AM OF NO PERSUASION HERE ON THE FLOOR OF THE LEGISLATURE TO PASS ANY OF THAT INTO A LAW OR EVEN INTRODUCE A BILL TO TALK ABOUT THOSE KIND OF MINIMUMS. [LB469]

SENATOR McCOLLISTER: FINALLY, MEMBERS, JUST AN OBSERVATION. THE ENERGY MARKETS ARE CHANGING SO QUICKLY. MARKET FORCES FOR ENERGY, FOR WIND ENERGY ARE HAVING SUCH AN IMPACT ON THE STATE THAT SOMETIMES WRITING A PLAN, THE MINUTE IT'S PUBLISHED, IT'S OBSOLETE. SO

Floor Debate
April 20, 2015

LET'S BE CAREFUL HOW MUCH MONEY WE INVEST IN THIS PROJECT BECAUSE IT COULD BE SOMETHING THAT LOSES ITS VALUE RATHER RAPIDLY THE DAY THAT IT'S PUBLISHED. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR McCOLLISTER AND SENATOR SCHILZ. SENATOR KEN HAAR, YOU'RE RECOGNIZED. [LB469]

SENATOR HAAR: MR. PRESIDENT, MEMBERS OF THE BODY, I RISE IN SUPPORT OF LB469 AND AM833. I DO WANT TO TALK ABOUT SOME ASPECTS OF IT AND THEN PERHAPS WORK WITH SENATOR LINDSTROM ON SELECT FILE TO ADD A COUPLE THINGS TO IT. BUT GENERALLY, I'M VERY MUCH IN FAVOR OF THE IDEA OF TRANSPARENCY. WE NEED TO KNOW WHERE PUBLIC POWER IS GOING, HOW IT'S INFLUENCED BY THE EPA, AND THE CLEAN POWER RULE THAT THE EPA IS WORKING ON RIGHT NOW. I WISH CITIZENS WERE MORE AWARE OF THAT AND ESPECIALLY IN THE LEGISLATURE WE NEED TO BE. SO THE PART OF THE PLAN THAT I TOTALLY AGREE WITH IS WE NEED TO LOOK AT THE TOTALITY OF OUR ENERGY POTENTIAL IN NEBRASKA. ACTUALLY, NEBRASKA HAS AN ENORMOUS ENERGY RESOURCE. SOMEONE HAS ALREADY TALKED ABOUT ETHANOL AND WHAT THAT'S DONE FOR THE STATE. I'LL JUST BRING UP ANOTHER ONE THAT SOME OF YOU MAY BE AWARE OF, BUT, WELL, SOLAR AND WIND, OF COURSE, BUT NEBRASKA ALSO HAS A GREAT RESOURCE IN MANURE. AND WE HAVE A HOG FARMER UP IN WESTERN...NORTH, I'M SORRY, NORTHEAST NEBRASKA, DANNY KLUTHE, WHO'S GOT 3,000 HEAD OF HOGS. HE CAPTURES ALL THE MANURE AND RUNS IT INTO A POND WHERE, THROUGH THE PROCESS OF ANAEROBIC DIGESTION, HE CAPTURES THE METHANE THAT COMES OFF AND HE RUNS A DIESEL GENERATOR AND SELLS ELECTRICITY BACK TO THE UTILITY IN THAT AREA. RECENTLY HE'S BEGUN TO COMPRESS THAT METHANE, WHICH IS NATURAL GAS, AND RUN IT IN HIS FARM PICKUP WITH A SMALL PERCENTAGE OF DIESEL FUEL, AND HE GETS ABOUT 70 TO 80 MILES PER GALLON WITH THAT BLEND OF NATURAL GAS PRODUCED BY HIS OWN HOGS AND A LITTLE BIT OF DIESEL FUEL. AND, OF COURSE, NEBRASKA BEING THE CATTLE FEEDING STATE THAT WE ARE, WE HAVE A GREAT POTENTIAL IF WE CAN FIGURE OUT HOW TO USE ALL THE MANURE THAT'S PRODUCED IN THIS STATE TO USE METHANE. AND THINK OF THE COST THAT AGRICULTURE SPENDS ON FUEL. AND SO WHEN WE THINK ABOUT AN ENERGY PLAN, THERE ARE ALL KINDS OF ASPECTS OF THIS THAT WE NEED TO LOOK AT AND WE NEED TO PLAN FOR, INCLUDING, OF COURSE, WIND AND SOLAR. ANOTHER IMAGINE, AND THIS IS COMING, THERE'S A LOT OF RESEARCH GOING ON, ON MASS STORAGE OF ELECTRICITY. SO IMAGINE AN IRRIGATION SCENARIO IN WHICH THE FARMER USES DRIP TUBE IRRIGATION WHICH IS UNDERGROUND TUBING THAT SUPPLIES WATER. IT CONSERVES WATER,

Floor Debate
April 20, 2015

USES LESS ELECTRICITY, AND IT'S POWERED BY SOLAR POWER THAT'S STORED IN AN ON-SITE BATTERY SETUP. WE DON'T HAVE THIS AVAILABLE TODAY, ALL ELEMENTS THAT MAKE IT COST-EFFECTIVE. BUT IT'S THE SORT OF THING THAT WOULD CUT DOWN ON TRANSMISSION NEEDS. IT WOULD CUT DOWN ON THE AMOUNT OF ENERGY WE NEED TO GENERATE. [LB469]

SENATOR GLOOR: ONE MINUTE. [LB469]

SENATOR HAAR: THANK YOU. AND SO AN ENERGY PLAN I THINK HAS A LOT OF ASPECTS TO IT AND A LOT OF UNKNOWNNS BECAUSE WHEN WE LOOK AT ENERGY PRODUCTION AND USE 10, 20, 30 YEARS FROM NOW, IT'S GOING TO BE MUCH DIFFERENT FROM WHAT WE SEE TODAY. SENATOR McCOLLISTER MENTIONED THE CHANGE IN THE MARKETPLACE, AND IT'S A COMPLEX FIELD SINCE WE'VE ENTERED SOUTHWEST POWER POOL. BUT THE MARKETPLACE, HOW WE BUY AND SELL ELECTRICITY, IS CHANGING DRAMATICALLY AND WE'RE GOING TO SEE A CHANGE AGAIN. THE NEXT 10, 20, 30 YEARS IT MAY NOT EVEN BE RECOGNIZABLE. SO THE TRANSPARENCY AND WHAT'S GOING ON IN OUR PUBLIC POWER SYSTEM IS IMPORTANT. AND THE DIMENSION I'D LIKE TO TALK ABOUT A LITTLE BIT TODAY AND THEN TALK ABOUT SOME MORE WITH SENATOR McCOLLISTER BEFORE I... [LB469]

SENATOR GLOOR: TIME. SENATOR SCHUMACHER, YOU'RE RECOGNIZED. [LB469]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. I'VE READ THROUGH THE AMENDMENT, WHICH REPLACES THE BILL, AS I TAKE IT. AND THE GENERAL GIST OF IT IS BEFORE WE SIGN ON TO A PLAN OR SUBMIT A PLAN TO WASHINGTON TO TRY TO CONFORM TO THESE CARBON DIOXIDE EMISSION STANDARDS, THAT IT BE SUBMITTED TO THE STATE ENERGY OFFICE AND THERE BE SOME DISCLOSURE OF HOW MUCH IT'S GOING TO COST US IN TERMS OF JOBS, IN TERMS OF EXPENSE, IN TERMS OF RESOURCES, AND THOSE KIND OF THINGS. AND THIS IS IN THE INTEREST OF TRANSPARENCY AND THE PUBLIC UNDERSTANDING THE GREAT COST OF COMPLYING WITH THE FEDERAL REGULATIONS. WHAT PROBABLY NEEDS TO ALSO BE IN THERE OR SOME MECHANISM FOR THE DELIVERY OF IT IS THE FLIP SIDE OF THE COIN. ALL OF US HAVE HAD OPPORTUNITIES TO LISTEN TO THE UNIVERSITY'S PRESENTATION OF WHAT COULD, MIGHT, MAYBE WILL, MAYBE WON'T, BUT PROBABLY WILL HAPPEN IF WE DO NOT PROCEED AGGRESSIVELY WITH CARBON DIOXIDE CONTROLS IN THE ATMOSPHERE AND THAT WE COULD HAVE A RATHER SEVERE IMPACT UPON OUR RAIN PATTERNS, UPON OUR "FARMABILITY" OF OUR LAND,

Floor Debate
April 20, 2015

UPON OUR PRODUCTIVITY. SO I WOULD THINK THAT AS PART OF THIS, THAT SHOULD BE PART OF THE PUBLIC DISCLOSURE AND EQUATION, THAT THERE IS A PROBABILITY OR A POSSIBILITY THAT TAKING ON THESE TREMENDOUS EXPENSES AND THE LIABILITIES THAT COME FROM COMPLYING WITH THIS FEDERAL LAW MAY HAVE AN UPSIDE IN ENVIRONMENTAL THINGS. IT'S A HOT TOPIC, BUT IF WE'RE TALKING ABOUT A FULLY TRANSPARENT DISCLOSURE AS TO WHAT'S GOING ON, THAT HAS GOT TO BE PART OF OUR STATE ENERGY CALCULUS. AND THE FACT THAT WE ARE ON A TINY BLUE PLANET, AND NOT TO SOUND LIKE A TREE-HUGGER, WE MIGHT HAVE TO WORRY ABOUT SOME OF THOSE KIND OF THINGS IF WE'RE TO PASS A PLANET THAT IS FRIENDLY TO LIFE AS WHEN WE INHERITED IT. THE SECOND THING FOR A MINUTE OR TWO, WE TALK ABOUT ALTERNATIVE FORMS OF ENERGY. WE TALK ABOUT WAYS THAT WE WON'T HAVE PROBLEMS MAYBE AS MUCH WITH CARBON DIOXIDE. AND I'M GOING TO BEAT THIS DRUM A LITTLE BIT TODAY, NOT VERY LONG, BUT QUITE A BIT NEXT YEAR AND IN MY FINAL THREE SESSIONS IN THE LEGISLATURE. AND THAT IS SOMETHING THAT I'VE BEEN VERY DISAPPOINTED WITH THE NATIONAL ADMINISTRATION ON. I WAS HOPING FOR A...IT NOT TO GET BOGGED DOWN IN SOME OF THE MECHANICS OF ENERGY BUT ACTUALLY TO LOOK BACK TO THE 1950s IN WHICH SERIOUS EXPERIMENTS WERE DONE WITH THE ELEMENT THORIUM AS OPPOSED TO URANIUM FOR PUBLIC POWER OR FOR NUCLEAR ENERGY GENERATION. THE THORIUM ATOM IS MUCH SMALLER THAN THE URANIUM ATOM. IT IS SPLIT IN A MUCH MORE SAFE WAY. IT HAS A GREAT ENERGY CAPACITY. IT IS NOT WEAPONIZABLE. RADIOACTIVE COMPONENTS ARE FAR LESS IN TIME THAN THE URANIUM ATOM. AND IT IS GENUINELY A GOOD THING. WE'VE DEVELOPED THE TECHNOLOGY. WE CHOSE NOT TO USE IT BECAUSE WE COULDN'T MAKE BOMBS OUT OF THE BY-PRODUCTS LIKE WE COULD WITH URANIUM. BUT, NEVERTHELESS, THE OAK RIDGE LABORATORY HAS GOT THE DESIGNS AND REACTORS BEING BUILT SUPPOSEDLY IN INDIA NOW. CHINA HAS LOOKED AT IT. IT IS SOMETHING THAT WE HAVE AN OBLIGATION, BECAUSE WE ARE THE MASTERS OF OUR PUBLIC POWER COMPANIES, TO START PRESSURING THEM TO GET INVOLVED IN. YES, THEY WILL FIND RESISTANCE AT THE NATIONAL LEVEL. [LB469]

SENATOR GLOOR: ONE MINUTE. [LB469]

SENATOR SCHUMACHER: BUT WE ARE THE ONLY PUBLIC ENTITY THAT IS IN THE POSITION TO RAISE THESE ISSUES ON THORIUM AT THE NATIONAL LEVEL. AND I THINK OVER THE NEXT THREE YEARS I'M GOING TO BEAT THAT DRUM SOME BECAUSE IT TRULY HOLDS POTENTIAL AS A PRAGMATIC AND REAL WAY TO

Floor Debate
April 20, 2015

DEAL WITH HIGH-ENERGY PRODUCTION AND LOW CARBON DIOXIDE, IN FACT, NO CARBON DIOXIDE EMISSIONS. THANK YOU. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR SCHUMACHER. THE CHAIR RECOGNIZES SENATOR SCHILZ. [LB469]

SENATOR SCHILZ: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. I DON'T WANT TO BELABOR THE POINT TOO MUCH. I'D LIKE TO THANK SENATOR McCOLLISTER FOR HIS QUESTIONS. I THINK THAT WE SHOULD ALWAYS BE MINDFUL OF WHAT THINGS COST. BUT I ALSO BELIEVE A COUPLE THINGS. THE 2011 STUDY THAT HE TALKED ABOUT, IN OUR DISCUSSIONS WITH THE ENERGY OFFICE, AND I WANT TO MAKE SURE EVERYBODY UNDERSTANDS THAT THIS BILL, THE LANGUAGE THAT YOU SEE IN THE AMENDMENT, WAS CRAFTED WITH THE ENERGY OFFICE'S HELP. THEY WORKED WITH US VERY CLOSELY ON THIS, AND THIS IS WHAT CAME OF THAT. ON THE OTHER SIDE, YEAH, IT'S ABOUT A \$700,000 COST. BUT I WOULD CAUTION PEOPLE TO UNDERSTAND THAT WE HAVE ABOUT \$10 (BILLION) TO \$20 BILLION THAT IS TIED UP IN THE PUBLIC POWER INFRASTRUCTURE AND ASSETS THAT ARE OUT THERE. SO WHEN YOU START TO TALK ABOUT A \$700,000 STUDY FOR A \$20 BILLION ISSUE, THERE'S A LOT OF ZEROS IN FRONT OF...AND IT'S A VERY SMALL PERCENTAGE OF WHAT WE'RE DEALING WITH. SO I THINK WE NEED TO KEEP THAT INTO PERSPECTIVE AS WELL. I ALSO BELIEVE THAT THERE WILL BE MORE PEOPLE WORKING WITHIN THIS THAN JUST THE ENERGY OFFICE. I THINK IF ANYBODY SAW THE NEWS ARTICLE AND THE ANNOUNCEMENT FROM LAST FRIDAY THAT NPPD MADE WITH MONOLITH MATERIALS TO COME AND CONVERT THE SHELDON STATION, ONE OF THEIR BOILERS, INTO A NATURAL GAS REACTOR TO BE ABLE TO SPLIT OFF THE HYDROGEN AND THE CARBON BLACK FROM THAT AND THEN BURN HYDROGEN THERE. I THINK THIS IS A CLASSIC EXAMPLE OF WHAT THIS KIND OF PLANNING SHOULD BE LOOKING AT--THE MELDING OF ENERGY OPPORTUNITIES WITH THE MELDING OF ECONOMIC DEVELOPMENT OPPORTUNITIES. AND IN THOSE SITUATIONS, WE CAN ADD MONEY TO THE BOTTOM LINE, REDUCE THE RATES OVERALL POSSIBLY, AND HAVE SOME TAX RELIEF THROUGH GROWTH AS WE MOVE FORWARD. SO THOSE ARE THE KINDS OF THINGS THAT CAN HAPPEN. AND AS WELL, WE CAN ALSO LOOK AT CONTINGENCIES, MAYBE NOT ON THE ECONOMIC DEVELOPMENT FRONT, BUT NEW TECHNOLOGIES, THINGS LIKE THAT, TO MAKE SURE THAT WE'RE DOING THINGS IN THE BEST MANNER POSSIBLE FOR THE RATEPAYERS OF THE STATE. AND I WOULD SAY, I MEAN, DON'T GET ME WRONG, WE HAVE PEOPLE IN PUBLIC POWER TODAY THAT UNDERSTAND THIS STUFF AND THAT ARE WORKING FOR IT. BUT I THINK IT'S A MUCH BROADER QUESTION AND WE SHOULDN'T PLACE IT ALL ON THE BACKS

Floor Debate
April 20, 2015

OF PUBLIC POWER TO BE ABLE TO ANSWER SOME OF THESE QUESTIONS. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR SCHILZ. SENATOR KEN HAAR, YOU'RE RECOGNIZED. [LB469]

SENATOR HAAR: MR. PRESIDENT, MEMBERS OF THE BODY, I CAN'T REMEMBER WHETHER SENATOR SCHUMACHER SAID HE WAS A TREE-HUGGER OR NOT, BUT I AM. AND IT JUST BRINGS UP THE FACT THAT ARBOR DAY IS THIS WEEK. AND TWO YEARS AGO WHEN I WAS CUTTING TREES ON ARBOR DAY IS WHEN I HAD MY LITTLE HEART ATTACK. SO I'M GOING TO STAY INDOORS ON ARBOR DAY. BUT AS A TREE-HUGGER, I WANT TO TALK A LITTLE BIT ABOUT THE FLIP SIDE OF THE COIN THAT SENATOR SCHUMACHER BROUGHT UP, AND THAT'S THE OPPORTUNITIES. IF WE'RE TALKING ABOUT TRANSPARENCY, AND I THINK THAT'S REALLY A MAJOR ISSUE IN THIS ENERGY PLAN, THAT WE HAVE TO TALK ABOUT THE OPPORTUNITIES AS WELL OF SWITCHING TO MORE RENEWABLE FUELS, STOP BURNING LESS CARBON FUELS, AND SO ON. FOR EXAMPLE, THE POTENTIAL BENEFITS OF INVESTING IN 1,000 MEGAWATTS OF WIND IS ABOUT \$1.7 BILLION. FOR IOWA, THIS HAS MEANT THE INVESTMENT OF ABOUT \$11 BILLION IN THEIR WIND INDUSTRY COMPARED TO OUR \$2 BILLION INVESTMENT IN NEBRASKA. SO THERE ARE ALWAYS OPPORTUNITIES THAT COME ALONG WITH THE CHALLENGES. AND SWITCHING OFF OF BURNING FOSSIL FUELS IS A CHALLENGE, NO DOUBT. THEN I HOPE WE WILL ALSO TALK ABOUT RISK. FOR EXAMPLE, THE RISK OF KEEPING LARGE FIRE...I'M SORRY, LARGE COAL-FIRED POWER PLANTS BURNING IS GETTING GREATER AND GREATER. I DON'T KNOW WHEN IT'S GOING TO HAPPEN, BUT EVENTUALLY THERE WILL BE SOME SORT OF TAX ON CARBON, OF PUTTING CO₂ INTO THE ATMOSPHERE. AND COAL, OF COURSE, IS THE GREATEST POLLUTER WHEN IT COMES TO THAT. SO THE RISK, I HOPE WE'LL LOOK AT THE RISK. THE COST OF COAL HAS DOUBLED IN THE LAST DECADE. THE COST OF TRANSPORTATION HAS GONE UP AND UP AS RAILROADS FIGURE THAT THEY CAN CHARGE MORE FOR TRANSPORTATION. SO WHEN WE LOOK AT THIS ISSUE, AND I HOPE WE DO, I SUPPORT LB469 AND AM833, THAT WE WILL LOOK AT BOTH SIDES OF THE COIN, NOT ONLY THE CHALLENGES BUT ALSO THE OPPORTUNITIES THAT COME WITH THIS AS WE MOVE INTO A FUTURE, AS SENATOR McCOLLISTER HAS POINTED OUT, OF NEW MARKETS, NEW WAYS OF DOING BUSINESS THAT ARE GOING TO TURN THE ELECTRIC UTILITY INDUSTRY ON ITS HEAD. I WISH WE HAD A CRYSTAL BALL. WE DON'T, SO I THINK THE ENERGY PLAN IS REALLY IMPORTANT. AND I THINK WE SHOULD LOOK AT BOTH THE CHALLENGES AND THE OPPORTUNITIES AS WE GO INTO THE FUTURE. AND TO THIS END, I WILL TALK WITH SENATOR LINDSTROM AND SENATOR SMITH TO

Floor Debate
April 20, 2015

MAYBE ADD SOME OF THE FLIP SIDE OF THE COIN TO LB469 BEFORE SELECT FILE. BUT AGAIN, I SUPPORT LB469 AND AM833 AND THANK YOU VERY MUCH. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR HAAR. SENATOR McCOLLISTER, YOU ARE NEXT IN THE QUEUE. [LB469]

SENATOR McCOLLISTER: THANK YOU, MR. PRESIDENT, AND ONCE AGAIN, GOOD MORNING, MEMBERS. DURING MY TIME AT THE PLATTE INSTITUTE, I SUPPOSE WE WROTE 30 OR 35 PAPERS WITH SCHOLARS ON A VARIETY OF TOPICS, SOME OF WHICH INCLUDED ENERGY. AND BEFORE THOSE STUDIES WERE INITIATED, WE WOULD ASK THOSE AUTHORS ABOUT THE SCOPE OF THE STUDY, WHETHER THERE ARE SIMILAR PAPERS OR PLANS EXISTED THAT WOULD GIVE US AN IDEA OF WHAT WE WERE PAYING FOR. AND I WOULD HOPE THAT WHEN WE DEVELOP THE SCOPE OF THE STUDY FOR OUR STATE ENERGY PLAN, WE SHOULD DO THE VERY SAME THING. WE SHOULD BE CAREFUL ABOUT WHAT WE GET AND MONITOR THE RESULTS. A STATE ENERGY PLAN HAS TO BE FAIRLY COMPREHENSIVE BUT YET DYNAMIC BECAUSE THE MARKET IS CHANGING SO QUICKLY. SO I WOULD HOPE THAT AS THIS BILL AND AMENDMENT PASSES, AS I HOPE THEY WILL, THAT WE WOULD ASK THE STATE ENERGY OFFICE FOR SOME DETAILED INFORMATION ON WHAT THIS STATE ENERGY PLAN MIGHT ENTAIL SO WE COULD HAVE A LOOK AT THAT PRIOR TO THE NEXT...PRIOR TO THIS BILL COMING BACK UP FOR THE NEXT READING. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR McCOLLISTER. (VISITORS INTRODUCED.) SEEING NO FURTHER SENATORS IN THE QUEUE, SENATOR SCHILZ, YOU'RE RECOGNIZED TO CLOSE ON THE COMMITTEE AMENDMENTS. [LB469]

SENATOR SCHILZ: THANK YOU, MR. PRESIDENT AND MEMBERS OF THE BODY. I THINK IT'S IMPORTANT TO NOTE THAT THIS PUTS BOTH LB469 TOGETHER WITH LB583, REDUCES THE FISCAL NOTE, AND KIND OF PUTS IT INTO PLACE. WE HAVE LONG-TERM GOALS, WHICH WOULD BE THE OVERALL STRATEGIC ENERGY PLAN, AS WELL AS THE SHORTER TERM GOALS, WHICH IS LOOKING AT THE IMPACTS OF WHAT THESE EPA REGULATIONS WILL CAUSE US TO HAVE TO DO AS PUBLIC POWER AND OTHERS. SO I THINK THAT THEY GO TOGETHER WELL. AND I THINK THAT IT'S A GOOD STEP AND I THINK THAT WE'LL BE HAPPY WITH THE RESULTS WHEN IT'S ALL SAID AND DONE. AND WITH THAT, I WOULD APPRECIATE YOUR GREEN VOTE ON AM833. THANK YOU. [LB469 LB583]

Floor Debate
April 20, 2015

SENATOR GLOOR: MEMBERS, THE QUESTION IS, SHALL THE COMMITTEE AMENDMENTS TO LB469 BE ADOPTED? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB469]

CLERK: 41 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADOPTION OF COMMITTEE AMENDMENTS. [LB469]

SENATOR GLOOR: THE AMENDMENT IS ADOPTED. DISCUSSION CONTINUES ON THE ADVANCEMENT OF LB469. SEEING NO SENATORS WISHING TO SPEAK, SENATOR SMITH, YOU'RE RECOGNIZED TO CLOSE. [LB469]

SENATOR SMITH: THANK YOU, MR. PRESIDENT. AND, COLLEAGUES, IT APPEARS THAT SENATOR SCHUMACHER NEVER WANTS TO PASS UP AN OPPORTUNITY TO TALK ABOUT THE TRANSMUTATION OF ELEMENTS, WHATEVER THAT IS. AND WE HAD LONG DISCUSSION ON THAT LAST YEAR, DIDN'T WE, SENATOR? BUT I THINK THE POINTS THAT SENATOR SCHUMACHER MADE THAT THERE NEEDS TO BE ADDITIONAL POINTS OF DISCUSSION IN THE ASSESSMENT, MY SENSE IS THAT MANY OF THE THINGS THAT HE WAS BRINGING UP WERE MORE SUBJECTIVE IN NATURE; THEY'RE NOT OBJECTIVE AS ARE THE POINTS THAT I'M TRYING TO BRING FORWARD IN AN ASSESSMENT. BUT I HAVE NO DOUBT THAT THE POINTS THAT HE MAKES WOULD CERTAINLY BE A PART OF A DISCUSSION AND A DIALOGUE ON THE FLOOR OF THE LEGISLATURE ONCE WE HAVE THE REPORT BACK FROM THE STATE ENERGY OFFICE. YOU KNOW, I DO BELIEVE, COLLEAGUES, THAT ENERGY...THE ENERGY SECTOR DRIVES OUR ECONOMY, IS CRITICAL TO NEBRASKA. AND GENERATION OF ELECTRICITY, OF COURSE, IS A HUGE COMPONENT OF THAT. I THINK WE ARE ADDRESSING BOTH OF THESE IN THE COMMITTEE AMENDMENT THAT WE JUST ADOPTED AND THE UNDERLYING BILL AS WELL. I AM VERY PROUD OF OUR PUBLIC POWER STATE. BUT I THINK THERE'S A COUPLE OF THINGS WE NEED TO BE VERY MINDFUL OF, THAT THE THREE LEGS OF THE STOOL OF PUBLIC POWER, RELIABILITY, AFFORDABILITY, AND ACCOUNTABILITY. AND WE NEED TO MAKE CERTAIN THAT PUBLIC POWER REMAINS AFFORDABLE SO WE CAN HAVE A PRO-GROWTH STATE, PRO-GROWTH ECONOMY. SO I THINK THAT WE ARE...THIS MOVES US TOWARDS THAT GOAL, THAT ENDGAME, COLLEAGUES. I ASK YOU TO PLEASE SUPPORT LB469. THANK YOU, MR. PRESIDENT. [LB469]

SENATOR GLOOR: THANK YOU, SENATOR SMITH. THE QUESTION IS THE ADVANCEMENT OF LB469 TO E&R INITIAL. THOSE IN FAVOR VOTE AYE; THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB469]

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Floor Debate
April 20, 2015

CLERK: 39 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT OF LB469.
[LB469]

SENATOR GLOOR: THE BILL ADVANCES. CONTINUING WITH GENERAL FILE. MR.
CLERK FOR A PRIORITY MOTION. [LB469]

CLERK: MR. PRESIDENT, SPEAKER HADLEY WOULD MOVE TO RECESS THE BODY
UNTIL 1:30 P.M.

SENATOR GLOOR: MEMBERS, YOU'VE HEARD THE MOTION TO RECESS. THOSE IN
FAVOR SAY AYE. THOSE OPPOSED SAY NAY. WE STAND RECESSED.

RECESS

SENATOR KRIST PRESIDING

SENATOR KRIST: 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. ROLL
CALL. MR. CLERK, PLEASE RECORD.

CLERK: I HAVE A QUORUM PRESENT, MR. PRESIDENT.

SENATOR KRIST: DO YOU HAVE ANY ITEMS FOR THE RECORD?

CLERK: I HAVE NONE.

SENATOR KRIST: THANK YOU, MR. CLERK. WE'LL PROCEED TO THE FIRST ITEM
ON THIS AFTERNOON'S AGENDA, PLEASE.

CLERK: LB85 BY SENATOR DAVIS. (READ TITLE.) INTRODUCED ON JANUARY 8 OF
THIS YEAR, REFERRED TO THE AGRICULTURE COMMITTEE. THE BILL WAS
ADVANCED TO GENERAL FILE. I HAVE NO COMMITTEE AMENDMENTS. I DO HAVE
AN AMENDMENT TO THE BILL, MR. PRESIDENT. [LB85]

SENATOR KRIST: THANK YOU, MR. CLERK. SENATOR DAVIS, YOU'RE RECOGNIZED
TO OPEN ON YOUR BILL. [LB85]

Floor Debate
April 20, 2015

SENATOR DAVIS: THANK YOU, MR. PRESIDENT, MEMBERS OF THE LEGISLATURE. LB85 WOULD INCREASE THE MAXIMUM BRAND INSPECTION FEE THAT THE NEBRASKA BRAND COMMITTEE MAY IMPOSE FROM THE CURRENT 75 CENTS TO \$1.25. DECLINING CATTLE NUMBERS OVER THE LAST FEW YEARS, COMBINED WITH RISING COSTS TO PROVIDE BRAND INSPECTION, HAVE THE BRAND COMMITTEE IN A BIND. THEY ARE AT THE MAXIMUM FEE THEY CAN IMPOSE WITHOUT THE AUTHORITY TO RAISE IT FURTHER. IN 1981 THE LEGISLATURE NEARLY DOUBLED THE CEILING ON THE FEE FROM 35 CENTS TO 65 CENTS, AND AGAIN IN 2005 IT RAISED THE CEILING 15 PERCENT, FROM 65 CENTS TO THE CURRENT 75 CENTS. IT IS TIME TO DO IT AGAIN. THE BRAND COMMITTEE IS CHARGED WITH OVERSEEING COMPLIANCE OF NEBRASKA'S BRAND LAWS. NEBRASKA LAW REQUIRES A BILL OF SALE WHENEVER A BOVINE ANIMAL CHANGES HANDS AND THIS LAW APPLIES TO THE ENTIRE STATE, BUT IT IS ONLY IN THE WESTERN TWO-THIRDS OF THE STATE WHERE A PHYSICAL BRAND INSPECTION IS REQUIRED AND A FEE APPLIED. THIS IS KNOWN AS THE BRAND AREA AND I'VE INCLUDED A MAP IN YOUR HANDOUTS. THE ONLY EXCEPTION TO BRAND INSPECTION WITHIN THE BRAND AREA IS FOR A REGISTERED FEEDLOT, WHICH I WILL DISCUSS LATER. WITHIN THE BRAND AREA THERE ARE OVER 7,000 BRAND OWNERS, 99 REGISTERED FEEDLOTS, AND 260 NONREGISTERED FEEDLOTS. THE MEMBERS OF THE BRAND COMMITTEE ARE APPOINTED BY THE GOVERNOR. THEY MUST BE CATTLE OWNERS RESIDING WITHIN THE BRAND AREA AND MUST INCLUDE REPRESENTATIVES OF THE CATTLE FEEDING INDUSTRY AS WELL AS THE RANCHING OR STOCKER SEGMENT OF THE INDUSTRY. MEMBERS ARE OFTEN PROMOTED BY THE INDUSTRY GROUPS WITH WHICH THEY ARE AFFILIATED, SUCH AS THE NEBRASKA CATTLEMEN, FARM BUREAU, AND THE INDEPENDENT CATTLEMEN OF NEBRASKA. THE COMMITTEE OPERATES LIKE ANY BOARD OF DIRECTORS, HIRING STAFF AND SETTING POLICY FOR THE ENTITY. ONE OF THE BRAND COMMITTEE'S RESPONSIBILITIES IS MAINTAINING ADEQUATE FUNDING FOR THE COMMITTEE'S WORK. WORKING WITHIN CAPS SET BY THE LEGISLATURE ON INSPECTION AND OTHER FEES, THE COMMITTEE DEVELOPS ITS ANNUAL BUDGET. LONGTIME POLICY EXISTS THAT THEY MAINTAIN A CASH RESERVE BETWEEN 20 AND 45 PERCENT OF THE PROJECTED BUDGET. IF THE CASH RESERVE STAYS UNDER 20 PERCENT OR RISES ABOVE 45 PERCENT AND THE OUTLOOK IS FOR THAT TREND TO CONTINUE, THE COMMITTEE WILL CONSIDER AN ADJUSTMENT IN THE PER-HEAD INSPECTION FEE OR OTHER FEES. IN THIS CASE, IN THE CASE OF ANY POTENTIAL FEE INCREASES, THE COMMITTEE MUST HOLD A PUBLIC HEARING TO INVITE INPUT FROM AREA PRODUCERS AS WELL AS THE GENERAL PUBLIC. WHILE THE COMMITTEE HAS THE AUTHORITY TO TAKE STEPS TO CHANGE THE BRAND INSPECTION FEE, THE STATUTORY CEILING IS SET BY THE LEGISLATURE. THE

Floor Debate
April 20, 2015

LEGISLATURE LAST RAISED THE CEILING TO 75 CENTS PER HEAD IN 2005, AND THE FEE HIT THAT CEILING IN 2007 WHERE IT HAS STAYED TO THIS DAY. INCLUDED IN THE PACKET I'VE HANDED OUT TO YOU IS A RECORD OF THE FEE CHARGES OVER TIME. THE BRAND COMMITTEE KEEPS EXPENSES LOW AND EMPLOYS OTHER METHODS TO ADD REVENUE AND AVOID FEE INCREASES. IN 2012, THE COMMITTEE BEGAN ASSESSING A MANDATORY STOP FEE OF \$10 FOR EACH INSPECTION LOCATION TO COVER MILEAGE. THIS FEE PROVIDED SOME FINANCIAL STABILITY IN THE WAKE OF FALLING INCOME AND RISING EXPENDITURES. HOWEVER, THE CASH RESERVE HAS BEEN BELOW 20 PERCENT SINCE JULY 2014. I HAVE INCLUDED A GRAPH AND SPREADSHEET ON THEIR CASH RESERVE IN YOUR PACKET. IF 2014 NUMBERS ARE A GUIDE, THE COMMITTEE WILL RUN A LOSS IN FIVE OF THE ENSUING...FIVE OF THE SEVEN ENSUING MONTHS, WHICH WILL ERODE THE CASH RESERVE BY AN ADDITIONAL \$270,000 BY NOVEMBER 2015. I HAVE ALSO INCLUDED A GRAPH SHOWING THE FALLING INCOME, RISING EXPENSES, AND ABRUPT DECREASES IN THE TOTAL NUMBER OF CATTLE INSPECTED. CATTLE NUMBERS DECLINED DRASTICALLY BETWEEN 2012 AND '13 AND 2013 AND '14. IN FACT, LAST YEAR'S TOTAL WAS THE LOWEST NUMBER OF CATTLE INSPECTED SINCE THE EARLY '90s. THE 2012-13 FIGURES REFLECT THE EFFECTS OF THE MASSIVE 2012 DROUGHT WHICH SIGNIFICANTLY REDUCED FORAGE AND LED TO A SUBSTANTIAL LIQUIDATION OF CATTLE. CATTLE HERDS DO NOT REBUILD EASILY AFTER A DROUGHT YEAR BECAUSE RANCHERS TEND TO GRAZE LIGHTLY THE FOLLOWING YEAR TO ALLOW THE FORAGE TO RECOVER. IN ADDITION, MANY OLDER RANCHERS WHO LIQUIDATED IN 2012 HAVE NOT REPLACED THEIR LIVESTOCK AND HIGH FEEDER PRICES HAVE PREVENTED THE REBUILDING OF HERDS AS CATTLEMEN SOLD HEIFERS INSTEAD OF RETAINING THEM FOR BREEDING. THE BRAND COMMITTEE INSPECTED THE TOTAL OF ABOUT 3.4 MILLION CATTLE IN 2013-14. SIX MONTHS INTO THIS FISCAL YEAR, THE RUNNING TOTAL IS DOWN ABOUT 9,500 HEAD FROM LAST YEAR'S SIX MONTH TOTAL, INDICATING THAT LIKELY CONTINUATION OF THE DOWNWARD TREND. ALL STATES WEST OF NEBRASKA HAVE A STATEWIDE BRAND INSPECTION PROGRAM, AS DO SOUTH DAKOTA AND NORTH DAKOTA. AS FOR THE PER-HEAD INSPECTION FEE, MOST WESTERN STATES, INCLUDING OREGON, WASHINGTON, NEVADA, SOUTH DAKOTA, NORTH DAKOTA, AND WYOMING, CURRENTLY ASSESS A BRAND INSPECTION FEE AT OR VERY CLOSE TO ONE DOLLAR. THE LAST PAGE IN YOUR HANDOUTS IS A LIST OF THE FEES IMPOSED BY THE BRAND COMMITTEE. A NUMBER OF ADDITIONAL FEE CAPS ARE ALSO SET BY THE LEGISLATURE ON THESE FEES AND MOST ARE AT THEIR MAXIMUM. I INTEND TO SEEK AN INCREASE IN THE CAPS FOR THESE FEES NEXT YEAR TO GIVE THE COMMITTEE ADDED FLEXIBILITY IN DEVELOPING A FEE STRUCTURE WHICH DOES NOT IMPOSE UNDUE HARDSHIP ON ANY ONE SEGMENT OF THE

Floor Debate
April 20, 2015

INDUSTRY. TWO FACTORS WHICH MUST BE ADDRESSED BY THE BRAND COMMITTEE IMMEDIATELY, THOUGH, ARE EMPLOYEE RETENTION AND THE NEED FOR NEW TECHNOLOGY. THE COMMITTEE IS CURRENTLY OPERATING WITH AN ANTIQUATED RECORD SYSTEM. THERE IS AN IMMEDIATE NEED FOR A NEW DATA ENTRY PROGRAM FOR CONSISTENCY AND ACCURACY, AND ELECTRONIC RECORDKEEPING AT THE SITE OF INSPECTION, WHICH WILL REQUIRE A SIGNIFICANT OUTLAY OF CAPITAL. THE COMMITTEE ALSO STRUGGLES TO RECRUIT AND KEEP GOOD EMPLOYEES AS THEIR SALARIES ARE NOT COMPETITIVE. IN EFFORTS TO KEEP COSTS LOW, THE COMMITTEE HAS PERIODICALLY FORGONE SALARY INCREASES. THIS GREATLY HINDERS THEIR ABILITY TO RECRUIT NEW EMPLOYEES AND KEEP THEM BEYOND A YEAR OR TWO, AS OTHER BETTER PAYING OPPORTUNITIES COME UP. THREE OF THE COMMITTEE'S CRIMINAL INSPECTORS ARE RETIRING SOON, SO THIS IS A PARTICULARLY URGENT NEED. STARTING SALARIES ARE AROUND \$2,400 PER MONTH, PLUS BENEFITS, BUT THE EMPLOYEE IS REQUIRED TO MOVE TO TRAINING CENTERS IN SCOTTSBLUFF OR KEARNEY AND OFTEN BETTER PAYING JOBS LURE THE EMPLOYEE AWAY. FIFTEEN YEARS AGO THERE WAS A WAITING LIST FOR EMPLOYMENT WITH THE BRAND COMMITTEE. INDIVIDUALS WAITED SEVERAL YEARS BEFORE BEING HIRED AT THAT TIME. THE LAST TIME THE COMMITTEE HIRED, ONLY TWO INDIVIDUALS APPLIED. IN LIGHT OF FALLING CATTLE NUMBERS, THE REDUCED TURNOVER IN ANIMAL SALES, THE NEED FOR HIGHER SALARIES AND TECHNOLOGICAL UPGRADES, THE BRAND COMMITTEE REQUESTED THIS INCREASE IN THE CAP FOR THE BRAND INSPECTION FEE BY A UNANIMOUS VOTE OF THE COMMITTEE AT THEIR DECEMBER 2015 MEETING, AND AGAIN IN FEBRUARY...THE DECEMBER 2014 MEETING, AND AGAIN IN FEBRUARY, FOLLOWING DISCUSSIONS WITH INDUSTRY GROUPS AND MYSELF. SUPPORT FOR THE FEE HAS BEEN EXPRESSED BY A BROAD BASE OF THOSE WHO PAY IT AND BENEFIT FROM THE SERVICE. ALL INDUSTRY GROUPS HAVE EXPRESSED SUPPORT FOR AN INCREASE IN THE MAXIMUM BRAND INSPECTION FEE, INCLUDING THE NEBRASKA CATTLEMEN, INDEPENDENT CATTLEMEN OF NEBRASKA, FARM BUREAU, AND THE NEBRASKA FARMERS UNION. FURTHERMORE, IN MARCH 2013 THE BRAND COMMITTEE CONDUCTED A SURVEY BOTH IN AND OUT OF THE BRAND INSPECTION AREA AND RECEIVED 4,385 COMPLETED SURVEYS, A 64 PERCENT RETURN. I HAVE DISTRIBUTED A COPY OF THIS SURVEY TO YOU AND I THINK IT DEMONSTRATES SOLID SUPPORT FOR THE CURRENT BRAND INSPECTION FEE PROCEDURES, ALONG WITH A LETTER FROM JOE PONGRATZ, ONE OF THE BRAND COMMITTEE MEMBERS. AN OVERWHELMING 91.3 PERCENT OF RESPONDENTS AGREED THAT THE PER-HEAD INSPECTION FEE IS THE FAIREST WAY TO ASSESS FEES ACROSS THE BOARD TO THE CATTLE INDUSTRY. THERE IS OPPOSITION TO THE PER-HEAD INCREASE BY SOME REGISTERED FEEDLOT

Floor Debate
April 20, 2015

OWNERS. BRAND INSPECTION OPERATES A BIT DIFFERENTLY IN A REGISTERED FEEDLOT. IN THOSE CASES, THE FEEDLOT ITSELF IS REQUIRED TO KEEP DETAILED RECORDS OF CATTLE SALES AND TRANSACTIONS, AND THESE RECORDS ARE SUBJECT TO AUDIT BY BRAND INSPECTORS. A REGISTERED FEEDLOT PAYS THE 75-CENT PER-HEAD FEE, BUT IT IS BASED ON ONE-TIME CAPACITY OF THE FEEDLOT. THEREFORE, A 1,000-HEAD FEEDLOT WILL PAY AN ANNUAL FEE OF \$7.50 PER THOUSAND HEAD. AT THE END OF THE YEAR, AUDIT DOCUMENTS ARE RECONCILED FOR THE REGISTERED FEEDLOT AND ADJUSTED TO REFLECT THE AVERAGE NUMBER OF ANIMALS IN THE LOT AND NOT THE CAPACITY. CREDITS ARE THEN ISSUED TO THE REGISTERED FEEDLOT. CATTLE SPEND VARYING AMOUNTS OF TIME IN A FEEDLOT, DEPENDING ON THE SIZE THEY ARE WHEN THEY ARE PLACED THERE. CALVES MIGHT SPEND SEVEN TO NINE MONTHS IN A LOT. YEARLINGS WOULD SPEND FIVE TO SIX MONTHS, AND COWS ARE OFTEN "LOTTED" FOR 60 TO 120 DAYS. SINCE THE REGISTERED FEEDLOT PAYS ON ITS ONE-TIME CAPACITY ONLY, THIS MEANS THAT THE ACTUAL COST FOR THE REGISTERED FEEDLOT TO COMPLY WITH THE LAW IS, IN REALITY, MUCH LOWER THAN 75 CENTS PER HEAD. IN FACT, THE ACTUAL COST VARIES, BUT IS PROBABLY BETWEEN 30 AND 37 CENTS PER HEAD, WHERE 30 CENTS WOULD REFLECT A TURNOVER OF 2.5 TIMES ANNUALLY, AND 37 CENTS A TURNOVER OF TWO TIMES ANNUALLY. IN ADDITION TO THE COST-EFFECTIVENESS, THE REGISTERED FEEDLOT PROGRAM ELIMINATES SOME OF THE MANUAL WORK ASSOCIATED WITH BRAND INSPECTION PRIOR TO THE MOVEMENT OF CATTLE. FOR ONE, THE REGISTERED FEEDLOT IS NOT REQUIRED TO SUBMIT TO A PHYSICAL INSPECTION OF THEIR LIVESTOCK BEFORE SELLING. THEREFORE, THEY'RE ABLE TO MOVE CATTLE QUICKLY AND AT ANY TIME OF DAY WITHOUT INSPECTION. A PHYSICAL INSPECTION OF CATTLE WOULD NEED TO BE DONE DURING DAYLIGHT HOURS AND THE CATTLE MIGHT NEED TO BE WASHED TO REMOVE MUD OBSCURING THE BRAND. ADDITIONALLY, HEAVY COATS MIGHT NEED TO BE SHAVED TO READ THE BRAND, ESPECIALLY IF THERE ARE MULTIPLE BRANDS ON THE ANIMAL. EACH OF THESE ACTIONS WOULD REQUIRE THAT EACH ANIMAL BE PLACED IN A CHUTE, WHICH WOULD ADD A SIGNIFICANT AMOUNT OF TIME TO THE READING OF THE BRANDS AND A CERTAIN DEGREE OF RISK OF BRUISING OR INJURY TO THE ANIMAL. [LB85]

SENATOR KRIST: ONE MINUTE. [LB85]

SENATOR DAVIS: THANK YOU, MR. PRESIDENT. EVEN WITHOUT MUD OR A HEAVY COAT, THE BRAND INSPECTOR STILL MUST INSPECT EACH ANIMAL AS THE ANIMAL MOVES BY THE BRAND INSPECTOR SO THE FEEDLOT WOULD NEED TO PROVIDE LABOR TO HELP MOVE THE CATTLE PAST THE INSPECTOR. WITH FAT

Floor Debate
April 20, 2015

CATTLE, THERE'S ALWAYS THE RISK OF THE ANIMAL WILL FALL AND INJURE ITSELF WHICH COULD RESULT IN BRUISING AND CONDEMNATION AT THE PLANT, OR THE TOTAL LOSS OF THE ANIMAL IF IT BREAKS A LEG. THESE ARE VALUABLE BENEFITS TO THE REGISTERED FEEDLOT. NEBRASKA AND COLORADO ARE THE ONLY STATES WHICH PROVIDE A REDUCED FEE FOR REGISTERED FEEDLOTS OF ALL THE STATES WITH MANDATORY INSPECTION PROGRAMS. THE NEBRASKA REGISTERED FEEDLOT PROGRAM IS A CONVENIENCE TO THE FEEDLOT AND THE BRAND COMMITTEE, AND REPRESENTS A GOOD BUSINESS COLLABORATION ON THE PART OF BOTH. SURPRISINGLY, FEWER THAN 50 PERCENT OF FEEDLOTS IN NEBRASKA ARE REGISTERED. SOME FEEDLOTS HAVE CHOSEN NOT TO REGISTER BECAUSE THEY VALUE THE THIRD-PARTY VERIFICATION OF OWNERSHIP BEFORE THE CATTLE ARE SHIPPED AND ARE WILLING TO PAY FOR IT. WHILE NO ONE WANTS TO PAY HIGHER FEES, THE BRAND COMMITTEE MUST BE FUNDED ADEQUATELY TO DO ITS JOB. THIS IS REALLY A LAW ENFORCEMENT JOB AND SERVES A VALUABLE PURPOSE WITHIN THE BRAND AREA AND IT IS A USER FEE. THE BENEFICIARY OF THE PROGRAM PAYS THE FEES. FINALLY, CATTLE ARE WORTH ALMOST THREE TIMES TODAY WHAT THEY WERE WORTH 15 YEARS AGO. AS A PERCENTAGE OF THE TOTAL VALUE OF THE ANIMAL, THE BRAND INSPECTION FEE IS MUCH SMALLER THAN IT WAS IN 2005. TO PUT IT IN PERSPECTIVE, 1,000 HEAD OF CALVES ARE WORTH AROUND \$1.5 MILLION, AND A 33 PERCENT INCREASE IN THE BRAND FEES IS ONLY GOING TO ADD \$250 TO THE TOTAL COST. [LB85]

SENATOR KRIST: TIME, SENATOR. [LB85]

SENATOR DAVIS: DID YOU SAY TIME, SIR? [LB85]

SENATOR KRIST: TIME, SENATOR. [LB85]

SENATOR DAVIS: THANK YOU. [LB85]

SENATOR KRIST: MR. CLERK, WE HAVE AN AMENDMENT? [LB85]

ASSISTANT CLERK: MR. PRESIDENT, SENATOR BLOOMFIELD WOULD MOVE TO AMEND WITH AM1112. (LEGISLATIVE JOURNAL PAGE 1084.) [LB85]

SENATOR KRIST: SENATOR BLOOMFIELD, YOU'RE RECOGNIZED. [LB85]

Floor Debate
April 20, 2015

SENATOR BLOOMFIELD: THANK YOU, MR. PRESIDENT. GOOD AFTERNOON, COLLEAGUES. THIS IS A VERY, VERY SIMPLE AMENDMENT. IF YOU GO TO PAGE 2, LINE 28, AND INSTEAD OF HAVING THE RAISE GO TO A DOLLAR TWENTY-FIVE, IT WOULD GO TO A DOLLAR AND A DIME. SENATOR DAVIS AND I HAVE BEEN QUIBBLING ABOUT NUMBERS ON THIS SINCE BEFORE THE BILL CAME OUT OF COMMITTEE AND WE AGREED ON THE DOLLAR AND A DIME NUMBER. SO, I AM HOPEFUL THAT SENATOR DAVIS WILL BE SUPPORTING THIS. SEVENTY-FIVE CENTS TO A DOLLAR AND A DIME IS STILL A 46 PERCENT INCREASE, WHEREAS GOING TO A DOLLAR AND A QUARTER IS A 66 PERCENT INCREASE. WE'RE TOLD THE NUMBERS HAVE DECLINED, SO THESE PEOPLE NEED MORE MONEY. WELL, THE REASON THE NUMBERS HAVE DECLINED IS THE FARMERS AND RANCHERS THAT HAVE THESE CRITTERS CAN'T AFFORD TO REPLACE THEM. THEY CAN'T AFFORD TO BUY THE FEED. IT'S NOT BECAUSE THEY'RE INDEPENDENTLY WEALTHY ALL OF A SUDDEN AND WE SHOULD RAISE THEIR FEE ON THIS, WHICH IS ACTUALLY A TAX THAT NOBODY WANTS TO CALL A TAX, BY 66 PERCENT. SO, ALL I'M ASKING YOU TO DO IS TO HOLD THAT LID, WHICH THEY SAY THEY AREN'T GOING TO GO TO ANYWAY AT THIS TIME, TO A DOLLAR AND A DIME INSTEAD OF A DOLLAR AND A QUARTER. MY ORIGINAL INTENT WAS TO EITHER TAKE IT CLEAR OUT OR TO HOLD IT TO A DOLLAR. AND THIS DOLLAR AND A DIME IS THE MIDDLE POINT THAT WE AGREED ON, AND I HOPE YOU'LL SUPPORT IT. I'LL YIELD THE REMAINDER OF MY TIME TO SENATOR DAVIS. [LB85]

SENATOR KRIST: SENATOR DAVIS, 7:59. [LB85]

SENATOR DAVIS: THANK YOU, MR. PRESIDENT. SENATOR BLOOMFIELD AND I VISITED ABOUT THIS AT LENGTH AND I AM WILLING TO SUPPORT THE AMENDMENT. I THINK IT'S REASONABLE. IT STILL GIVES THE COMMITTEE THE AUTHORITY TO DO WHAT IT NEEDS TO DO. AND AS SENATOR BLOOMFIELD SAID, THEY PROBABLY WILL NOT BE GOING IMMEDIATELY TO THOSE FIGURES, TO THAT \$1.10. IT WILL PROBABLY BE A NUMBER OF YEARS BEFORE THEY GET THERE. THEY'RE A VERY REASONABLE GROUP OF PEOPLE AND THEY WORK HARD. I WOULD CHALLENGE SENATOR BLOOMFIELD ON ONE THING. I THINK A LOT OF WHAT'S HAPPENING IN THE CATTLE INDUSTRY HAS TO DO WITH WEATHER CONDITIONS AND CLIMATE. AND WHEN YOU HAVE A MAJOR DROUGHT LIKE WE HAD IN 2012, IT TAKES YEARS FOR THE GRASS TO RECOVER, FIRST OF ALL. SECONDLY, WHEN CATTLE PRICES GOT HIGH, WHEN COW PRICES GOT HIGH, A LOT OF PEOPLE GOT VERY CONCERNED ABOUT RESTOCKING AT THOSE HIGH RATES BECAUSE YOU HAVE TO HAVE A SIGNIFICANT AMOUNT OF RETURN OUT OF THOSE ANIMALS AFTER YOU BUY THEM IN ORDER TO MAKE IT WORK. SO PEOPLE HAVE BEEN HESITANT AND RELUCTANT. THEY'VE LET THEIR

Floor Debate
April 20, 2015

GROUND SETTLE WITH A FEW...WITH LIGHTER NUMBERS. BUT ONE OTHER THING THAT HAS HAPPENED THAT CHANGES THINGS IS PEOPLE RETAIN OWNERSHIP LONGER. SO, YOU KNOW, IN MY OPERATION, WHEN I WAS RUNNING MY RANCH, WE RAISED CALVES. WE KEPT THOSE TO YEARLINGS. WE MOVED THOSE YEARLINGS ON TO THE FEEDLOT AND I RETAINED THEM ALL THE WAY THROUGH, WHEREAS, MANY YEARS AGO, PEOPLE SOLD CALVES. THEN THEY SOLD YEARLINGS. THEN THEY SOLD TO THE FEEDLOT; THE FEEDLOT, THEN ON TO THE PACKER. SO THERE WERE FOUR CHANGES OF HANDS THIS TIME WITH ONE. AND WHEN MY ANIMALS WERE ALL WITHIN THE BRAND AREA, I NEVER HAD TO INSPECT THEM AGAIN. SO, I THINK I'VE SAID WHAT I NEED TO SAY. THE BRAND COMMITTEE HAS DEMONSTRATED A LONG-TERM COMMITMENT TO OPERATING FRUGALLY AND EFFICIENTLY. THEY KNOW WHAT THEY'RE DOING. AND IF YOU BELIEVE IN LOCAL CONTROL LIKE I DO, THEN I URGE YOU TO VOTE FOR LB85 AND THE AMENDMENT AND RAISE THE CAP ON THE FEE WITHOUT ANY CONDITIONS. THANK YOU. [LB85]

SENATOR KRIST: THANK YOU, SENATOR BLOOMFIELD AND SENATOR DAVIS. (VISITORS INTRODUCED.) THOSE WISHING TO SPEAK ON LB85 AND AM1112: SENATOR SCHILZ, WILLIAMS, JOHNSON, KUEHN, AND GROENE. SENATOR SCHILZ, YOU'RE RECOGNIZED. [LB85]

SENATOR SCHILZ: THANK YOU, MR. PRESIDENT. MEMBERS OF THE BODY, GOOD AFTERNOON. I KNOW WE'VE SEEN BILLS LIKE THIS IN THE PAST THAT HAVE COME AROUND AND I'VE BEEN HERE FOR A FEW OF THEM. BUT IT'S ONE OF THOSE THINGS I WANT TO JUST TAKE A STEP BACK AND TALK ABOUT A LITTLE BIT OF HOW THE BRAND COMMITTEE FUNCTIONS, ESPECIALLY WHEN IT COMES TO HOW THEY GET THEIR MONEY TO FUNCTION. AND I THINK THIS IS REALLY IMPORTANT. AND I UNDERSTAND THE NEED TO MAKE SURE THAT THEY HAVE THE MONEY IN THE COFFERS TO BE ABLE TO DO WHAT THEY NEED TO DO. SO, I'M NOT HERE TO SAY THAT ONE LEVEL IS BETTER THAN ANOTHER, SO TO SPEAK, IN THE SYSTEM THEY'RE IN NOW. BUT WHAT I'D LIKE TO STAND UP AND TALK ABOUT IS WHAT WE COULD DO AND WHAT WE CAN DO GOING FORWARD TO ADDRESS SOME OF THE ONGOING ISSUES THAT WE SEE. AND IT DOES COME DOWN TO FUNDING IN A LOT OF AREAS AND FOR A LOT OF REASONS. YOU KNOW, AS SENATOR DAVIS TALKED ABOUT AND SENATOR BLOOMFIELD TALKED ABOUT, WE HAVE NUMBERS OF CATTLE GOING UP AND GOING DOWN. THE VOLATILITY IN THOSE NUMBERS CAN BE VERY GREAT FOR ALL THE REASONS THAT EVERYBODY TALKED ABOUT, WHETHER IT'S WEATHER, DROUGHT, ANY OF THOSE TYPES OF THINGS AND PRICE AS WELL. AND SO, WE'LL SEE THAT...WE'LL SEE THOSE NUMBERS FLUCTUATE AND THAT'S WHERE WE RUN INTO THE

Floor Debate
April 20, 2015

PROBLEM ON THE BRAND COMMITTEE IN KEEPING IT LEVEL, EVEN, STEADY STREAM OF FUNDING COMING IN. SO I THINK THAT MOVING FORWARD IS IMPORTANT, THAT WORKING WITH THE BRAND COMMITTEE, WORKING WITH THE LEGISLATURE, WORKING WITH STAKEHOLDERS IN THE INDUSTRY, AND THAT I DO MEAN ALL STAKEHOLDERS, BE IT RANCHERS, STOCKERS, FEEDERS, EVERYBODY ELSE THAT HAS TO DEAL WITH THE BRAND LAWS AND THE BRAND ISSUES, TO COME TOGETHER TO TALK ABOUT WHAT CAN WE DO. ARE THERE THINGS WE CAN PUT IN PLACE TO EVEN OUT THIS FUNDING EQUATION AND TO GIVE THE BRAND COMMITTEE AND THE PEOPLE THAT USE THAT SERVICE THE ABILITY TO NOT HAVE TO WORRY EVERY FEW YEARS OF COMING BACK AND GETTING AN INCREASE OR WORRYING ABOUT HOW THEY'RE GOING TO MAKE IT THROUGH THIS YEAR? AND I KNOW IN LOOKING AT THE NUMBERS, HAVING SERVED AS THE CHAIR OF THE AG COMMITTEE AS WELL AS BEING INVOLVED IN THE INDUSTRY MYSELF, THOSE NUMBERS CAN FLUCTUATE GREATLY. AND SO I THINK IT'S ESSENTIAL THAT, FIRST OF ALL, WE TAKE A LOOK AT THAT AS SOON AS POSSIBLE, POSSIBLY THROUGH AN INTERIM STUDY THIS SUMMER TO TALK ABOUT THAT. BECAUSE NOT ONLY DO WE HAVE TO TALK ABOUT HOW WE MODERNIZE THE FUNDING SITUATION, BUT WE ALSO PROBABLY NEED TO TALK ABOUT HOW WE MODERNIZE THE WHOLE ID SITUATION AS IT APPLIES TO LIVESTOCK, CATTLE, AND EVERYTHING ELSE. BECAUSE, AS I'VE SEEN MOVING FORWARD AND COMING UP THROUGH THE INDUSTRY AND BEING INVOLVED IN THAT, OUR BRAND LAWS ARE A SUBSET OF THIS ID QUESTION AND HOW WE'RE GOING TO IDENTIFY ANIMALS AND CATTLE AS THEY GO THROUGH THE SYSTEM. SO, AND I THINK WE'RE GOING TO SEE MORE AND MORE OF THAT AS WE MOVE ALONG. SO WE NEED TO MAKE SURE THAT TECHNOLOGICALLY WE'RE READY FOR SOME OF THOSE ADVANCES, THAT WE'RE THINKING SMARTLY ABOUT HOW WE SHOULD FUND THIS THING. SHOULD IT BE FUNDED ON A PER-HEAD BASIS OR SHOULD IT BE FUNDED OVER THE YEARS, SAY WITH...FOR LACK OF A BETTER TERM, AS A MEMBERSHIP? IF YOU'RE A RANCHER THAT'S OUT THERE THAT YOU KNOW YOU'RE GOING TO HAVE SO MANY HEAD PER YEAR FOR THE NEXT FIVE YEARS, IS THERE SOME WAY TO DO IT BESIDES A PER-HEAD FEE THAT MAYBE YOU COULD SAY, OKAY, FOR THESE NEXT FIVE YEARS I'M PAYING THIS MUCH EVERY YEAR TO MAINTAIN THAT SERVICE. AND WE COULD HAVE PARAMETERS AROUND THAT SO THAT IF YOU USE THE SERVICE MORE THAN WHAT WOULD BE CUSTOMARY... [LB85]

SENATOR KRIST: ONE MINUTE. [LB85]

SENATOR SCHILZ: ...THERE COULD BE OPPORTUNITIES TO GET SOME...TO GET THE BRAND COMMITTEE TO CHARGE FOR THAT EXTRA STUFF. AND THEN I

Floor Debate
April 20, 2015

THINK WE NEED TO UNDERSTAND AS WELL THE DIFFERENT ENVIRONMENTS THAT WE DEAL WITH, WHETHER YOU'RE IN A FEEDYARD OR ON A RANCH SITUATION IN THE BRAND AREA, OUT OF THE BRAND AREA, AND HOW THAT WORKS GOING BACK AND FORTH AND BRINGING THEM IN AND OUT, BECAUSE THEY ARE TWO COMPLETELY DIFFERENT ENVIRONMENTS, WITH ACCOUNTING FOR THOSE ANIMALS TAKEN CARE OF COMPLETELY DIFFERENTLY. AND I THINK THAT NEEDS TO BE RECOGNIZED AS WELL. WE DO REGISTER FEEDYARDS. POSSIBLY WE COULD LOOK AT REGISTERED RANCHES. POSSIBLY WE COULD LOOK AT EXPANDING THE REGISTERED FEEDYARD PROGRAM BECAUSE, AS WE'VE SAID, WE'RE RUNNING OUT OF OPPORTUNITIES TO FIND THE HELP THAT WE NEED TO BE ABLE TO MAKE THAT WORK AS WELL. SO, I THINK IT'S ESSENTIAL THAT WE TAKE A LOOK AT ALL OF THESE QUESTIONS, AND I BELIEVE THE BEST PLACE TO DO THAT IS IN AN INTERIM STUDY. THANK YOU, MR. PRESIDENT. [LB85]

SENATOR KRIST: THANK YOU, SENATOR SCHILZ. SENATOR WILLIAMS, YOU'RE RECOGNIZED. [LB85]

SENATOR WILLIAMS: THANK YOU, MR. PRESIDENT, AND WELCOME THIS AFTERNOON. SENATOR BLOOMFIELD SAID THAT HE AND MY GOOD FRIEND, SENATOR DAVIS, QUIBBLED ON THIS A LITTLE BIT. WELL, SENATOR DAVIS AND I HAVE QUIBBLED A LITTLE BIT ALSO ON THIS. BUT LET ME TELL YOU WHERE WE AGREE AND WHERE I PARTICULARLY AGREE AND THAT'S THE FACT THAT THE BRAND COMMISSION IS NECESSARY. IT'S DOING A GOOD JOB AND WE NEED TO FIND WAYS TO CONTINUE SUPPORTING THAT IN THIS CHANGING ENVIRONMENT THAT WE ARE IN. THEY ARE CAUGHT IN THE SITUATION WITH A DATA PROCESSING SYSTEM THAT NEEDS UPDATING, CLEARLY. THEY ARE STRUGGLING, KEEPING AND HIRING QUALIFIED PEOPLE. AND AS WE ALL KNOW, THAT'S THE KEY TO ANY OF OUR BUSINESS AND ANY OF OUR SUCCESS THAT WE HAVE WITH THOSE KIND OF THINGS. MY CONCERNS REST ON THE AREA AND THE DIFFERENCES AS IT RELATES TO THE COW-CALF PERSON VERSUS THE REGISTERED FEEDLOT. AND IN MY PARTICULAR DISTRICT, WE HAVE A GREAT COMBINATION OF BOTH, BUT WE HAVE SOME OF THE LARGEST REGISTERED FEEDLOT OPERATIONS THAT EXIST IN OUR STATE. THOSE OPERATIONS ARE CRITICAL TO THE LONG-TERM SUCCESS OF THE LIVESTOCK INDUSTRY IN OUR STATE, AND THOSE ARE THE TYPES OF INVESTMENTS THAT WE CONTINUE TO WANT TO MAKE TO HELP GROW OUR STATE. UNDER SENATOR BLOOMFIELD'S AMENDMENT, WE ARE STILL LOOKING AT A 46 PERCENT POTENTIAL INCREASE IN THIS FEE, EVEN THOUGH WE HAVE BEEN ASSURED BY BRAND COMMISSION MEMBERS THAT THEY DO NOT INTEND TO GO UP TO THAT MAXIMUM AT THIS

Floor Debate
April 20, 2015

POINT. THE OTHER THING I WOULD POINT OUT, THAT IN THE LAST FIVE FISCAL YEARS OF OPERATION OF THE BRAND COMMISSION, THEY TALK ABOUT LOSING MONEY, BUT THE ACTUAL NUMBERS SHOW THAT IN THE LAST FIVE COMPLETED FISCAL YEARS, THEIR REVENUES HAVE EXCEEDED THEIR EXPENSES BY \$416,000, AND THEIR CASH RESERVES ARE CLOSE TO, AT THAT PERIOD OF TIME, AT THE END OF THAT, WE'RE JUST SLIGHTLY OVER A MILLION DOLLARS. NOW, THE YEAR THAT THEY ARE IN RIGHT NOW, AS SENATOR DAVIS DOCUMENTED, IS CLEARLY GOING TO BE A DOWN YEAR. THEY WILL USE SOME OF THOSE CASH RESERVES AND THEY WILL HAVE SOME LOSSES. THE SITUATION THAT WE HAVE, AND SENATOR DAVIS TALKED ABOUT IT, WITH HOW REGISTERED FEEDLOTS ARE ASSESSED THE 75-CENT FEE, I HAVE ONE FEEDLOT IN MY DISTRICT THAT IS ASSESSED A FEE IN EXCESS OF \$100,000 AND THE BRAND COMMISSION, IN THEIR QUARTERLY INSPECTIONS, SPENDS ABOUT 20 HOURS IN THAT FEEDLOT DOING THAT INSPECTION. AND IT'S VERY HARD FOR THE OWNERS OF THAT FEEDLOT TO LOOK AT THAT AS BEING A JUSTIFIABLE EXPENSE, \$100,000 FOR 20 HOURS OF WORK. I WOULD CONTEST THAT THERE NEEDS TO BE MORE THOUGHT AND MORE STUDY PUT INTO THIS. SENATOR SCHILZ MENTIONED THE POSSIBILITY OF DOING A STUDY THIS SUMMER ON THIS, AND I WOULD CERTAINLY SUPPORT SOMETHING LIKE THAT. IT'S NECESSARY THAT WE DO THIS. IT'S NECESSARY THAT WE HAVE THE BRAND COMMISSION AND WE SUPPORT THAT GOING FORWARD. IT SEEMS TO ME, THOUGH, IT'S VERY DIFFICULT FOR ME IN MY DISTRICT TO SUPPORT EITHER AM1112, OR THE UNDERLYING BILL, LB85. THANK YOU, MR. PRESIDENT. [LB85]

SENATOR KRIST: THANK YOU, SENATOR WILLIAMS. SENATOR JOHNSON, YOU'RE RECOGNIZED. [LB85]

SENATOR JOHNSON: THANK YOU, MR. PRESIDENT. OF COURSE, THIS WAS HEARD IN THE AG COMMITTEE AND I BELIEVE SENATOR SCHILZ AND I COMPARED NOTES OR SOMETHING BECAUSE BASICALLY THAT WAS WHAT I WAS GOING TO REFER TO, AND THEN SENATOR WILLIAMS KIND OF CAPS IT OFF. I GUESS PUT IT THAT WAY. A COUPLE, THREE YEARS AGO, OR THREE YEARS AGO NOW THIS SUMMER WE DID AN INTERIM STUDY ABOUT THE LOCATION OR HOW BIG THE BRAND INSPECTION AREA SHOULD BE, AND WE PRETTY WELL PUT THAT TO BED, I BELIEVE. WE MADE SOME CHANGES TO THAT. WE DID NOT DISCUSS AT THAT TIME THE FEES AND THAT HAS DEFINITELY SURFACED SINCE. JUST TO KIND OF CUT IT SHORT HERE, IF WE PASS AM1112 AND LB85, IT WILL HELP THEM TO MOVE A LITTLE BIT. I DO SUPPORT LOOKING AT THE NUMBERS. THE INSPECTION VOLUME IS BASED ON TURNS AND BASED ON THE NUMBER OF ANIMALS, AND THAT DOES GO UP AND DOWN. IT'S PROBABLY A LITTLE HARD

Floor Debate
April 20, 2015

FOR THE DEPARTMENT OR THE COMMISSION TO DO SOME LONG-RANGE PLANNING, WITH IT NOT KNOWING FOR SURE HOW MANY INSPECTIONS THEY'RE GOING TO HAVE IN THE COMING YEAR. THE ISSUE OR THE SUBJECT OF REGISTERED FEEDLOTS HAS ALSO SURFACED. MOST OF THIS CAME ABOUT AFTER WE HAD OUR HEARING, ALTHOUGH IT WAS SOMEWHAT ON THE TABLE. I WOULD SUPPORT, AND I'VE TALKED WITH THE STAFF WITHIN THE AG COMMITTEE, MY OFFICE, AND WE WOULD DEFINITELY SUPPORT DOING AN INTERIM STUDY. I THINK IT'S GOING TO BE ALMOST IMPOSSIBLE, THOUGH, TO SAY, HERE'S THE EXACT NUMBER THAT, LET'S SAY FOR INSTANCE, A REGISTERED FEEDLOT SHOULD PAY PER ANIMAL. WE CAN PUT A LOT OF NUMBERS TOGETHER AND COME OUT WITH A FORMULA. RIGHT NOW, I BELIEVE IN THE STATUTES, IT DOESN'T ACTUALLY SAY THAT THERE IS A FORMULA FOR THAT. I THINK THAT'S BEEN KIND OF IMPLIED OVER THE YEARS AND THAT'S WHAT THE COMMISSION HAS DONE. I THINK WE HAVE TO FIGURE OUT THAT RELATIONSHIP BETWEEN THE FUNDS NEEDED AND THE ACTUAL COST PER ANIMAL FOR INSPECTIONS AND LOOK AT IT THAT WAY AND COME UP WITH A DIFFERENT SYSTEM. SO, I WOULD DEFINITELY SUPPORT AN INTERIM STUDY, BUT I WOULD SUPPORT THE AMENDMENT AND LB85. THANK YOU, MR. PRESIDENT. [LB85]

SENATOR KRIST: THANK YOU, SENATOR JOHNSON. SENATOR KUEHN, YOU'RE RECOGNIZED. [LB85]

SENATOR KUEHN: THANK YOU, MR. PRESIDENT, AND GOOD AFTERNOON, COLLEAGUES. I WOULD RISE TODAY IN SUPPORT OF AM1112 AND THE UNDERLYING BILL, LB85, BROUGHT BY SENATOR DAVIS. I HAVE TO POINT OUT IT'S KIND OF COOL, ONLY IN NEBRASKA WOULD YOU TALK ABOUT HOT IRON BRANDING TITLE CHANGE ISSUES AND A COUPLE BILLS LATER BE TALKING ABOUT UBER AND LYFT. SO, IT REPRESENTS THE GENUINE DIVERSITY THAT OUR STATE REPRESENTS. I THINK THAT'S PRETTY NEAT. CERTAINLY BEING THE NUMBER ONE CATTLE ON FEED STATE HERE IN NEBRASKA, ISSUES OF ANIMAL IDENTIFICATION AND ALL OF THE CHANGES THAT HAVE TAKEN PLACE IN HOW WE IDENTIFY ANIMALS FROM BIRTH THROUGH HARVEST, HOW WE IDENTIFY THEM FOR PURPOSES OF TITLE ARE COMPLICATED ISSUES FOR THE INDUSTRY AS A WHOLE TO ADDRESS. I'VE CERTAINLY BEEN A PART OF A NUMBER OF, WHETHER THEY BE STUDIES, TASK FORCES, ETCETERA, THAT HAVE LOOKED AT ANIMAL IDENTIFICATION. AND NO MATTER HOW WE COME IN TERMS OF TECHNOLOGY, WHETHER THAT'S ELECTRONIC EAR TAGS, WHETHER THAT'S TATTOOING, WHETHER THAT'S FEDERALLY VERIFIED EAR CLIPS, HOT IRON BRANDING ON THE HIDE STILL REMAINS THE ONLY 100 PERCENT PERMANENT METHOD OF ANIMAL IDENTIFICATION THAT WE HAVE. AND FOR THE PURPOSES

Floor Debate
April 20, 2015

OF CONFERRING TITLE TO THAT ANIMAL, THE HOT IRON BRAND REMAINS THE KEYSTONE ELEMENT OF IDENTIFYING OWNERSHIP OF THAT ANIMAL AND IS A CRITICAL PART OF THE LIVESTOCK INDUSTRY HERE IN NEBRASKA. AS YOU'VE PROBABLY HEARD TODAY FROM SOME OF MY COLLEAGUES, THE NATURE OF BRANDING AND BRAND INSPECTION IS RATHER COMPLICATED. IF YOU LOOK AT THE MAP THAT SENATOR DAVIS PROVIDED FOR US AT OUR DESK, IF YOU LOOK DOWN INTO MY DISTRICT, DISTRICT 38, MY DISTRICT ENCOMPASSES TWO DIFFERENT BRAND AREAS, A BRAND SERVICE AREA, AND COUNTIES WHICH ARE NOT IN THE BRAND AREA. SO CERTAINLY JUST SHIPPING CATTLE OF MY OWN AROUND MY OWN LOCALE SOMETIMES CREATES SOME INTERESTING SCENARIOS WITH BRAND INSPECTION VERSUS FEEDER, STOCKERS, AND THE FEEDLOT. SO CERTAINLY WE HAVE A NUMBER OF ISSUES FROM A REGULATORY SENSE WHICH NEED TO BE IDENTIFIED AND ADDRESSED GOING FORWARD, BUT ULTIMATELY I SUPPORT LB85 AND SENATOR BLOOMFIELD'S AMENDMENT FOR A COUPLE OF REASONS. ONE, IT'S IMPORTANT TO KEEP THIS AGENCY FINANCIALLY SOLVENT AND HAVE THEM ABLE TO DO THE INSPECTIONS IN A TIMELY BASIS. MY FAMILY'S FEEDYARD IS NOT A REGISTERED FEEDYARD AND WE HAVE HAD ISSUES GETTING CATTLE SHIPPED SIMPLY BECAUSE OF UNAVAILABILITY OF INSPECTORS ON THE MORNING OF BEING SHIPPED. SO CERTAINLY THE EMPLOYEE ISSUE AND MAINTAINING HIGH-QUALITY EMPLOYEES IS CRITICAL TO THE AGENCY AND TO THE MOVEMENT OF LIVESTOCK THROUGHOUT OUR STATE. SO, I FULLY UNDERSTAND THEIR NEED FOR ADDITIONAL FUNDS TO MAINTAIN THAT LEVEL OF EMPLOYMENT. THE SECOND REASON I SUPPORT THIS BILL AND ITS AMENDMENT FOR ELEVATING THE ABILITY OF RAISING THE FEE PER HEAD IS THAT WE HAVE MULTIPLE LEVELS OF CONTROL, BOTH WITH THE BRAND COMMITTEE ITSELF. INCREASES IN THE INSPECTION FEE HAVE TO BE PASSED BY A FIVE-MEMBER BRAND COMMITTEE, WHICH GIVES IT A FIRST LEVEL OF CONTROL. THIS IS NOT JUST A GROUP OF GOVERNMENT BUREAUCRATS AND THE BRAND COMMISSION AND THE BRAND OFFICE THAT HAVE THE OPPORTUNITY TO RAISE THIS FEE AS THEY WISH. IT HAS A CHECK AND BALANCE THERE. ADDITIONALLY, I THINK WE AS A LEGISLATURE HAVE AN OPPORTUNITY TO GIVE A LOOK TO THE EXPENSES, AS WELL AS THE EXPENDITURES OF THE BRAND COMMITTEE EVERY TWO YEARS IN THE PROCESS OF PUTTING TOGETHER OUR BY BIENNIAL BUDGET. THE APPROPRIATIONS COMMITTEE HAS TO EXAMINE AND GIVE THEM CASH FUND AUTHORITY, EXAMINES THEIR CASH FUND BALANCES, AND HAS AN OPPORTUNITY TO PUT EYES ON THE AMOUNT OF MONEY THAT'S COMING IN AND THE EXPENSES THAT ARE GOING OUT. SO I THINK WE HAVE AN ADDITIONAL CHECK ON THE SYSTEM FOR FEE ASSESSMENT, AS WELL AS EXPENDITURES WITHIN THE AGENCY. SO WITH THAT, I SUPPORT AM1112 AS

Floor Debate
April 20, 2015

WELL AS LB85 AND ENCOURAGE YOU AS MY COLLEAGUES TO DO SO AS WELL. THANK YOU, MR. PRESIDENT. [LB85]

SENATOR KRIST: THANK YOU, SENATOR KUEHN. SENATOR GROENE, YOU'RE RECOGNIZED. [LB85]

SENATOR GROENE: THANK YOU, MR. PRESIDENT. LINCOLN COUNTY, WHICH I REPRESENT, SITS RIGHT IN THE MIDDLE OF THE BRAND INSPECTION AREA. AND KIND OF LIKE SENATOR WILLIAMS, WE HAVE A MIX OF CATTLE YARDS FROM LARGE TO SMALL TO COW-CALF OPERATIONS IN THE GRASSLANDS OUT OF THE VALLEY. I GET BOTH SIDES OF IT. THE FEEDYARDS, OF COURSE, DON'T THINK WE NEED AN INCREASE BECAUSE THEY DO PAY QUITE A BIT OF THIS. THEY USUALLY GET HIT TWICE, IN AND OUT CHARGES. BUT THE COW-CALF FOLKS WANT TO INCREASE IT BECAUSE THE BRAND INSPECTION, BRAND IS VERY IMPORTANT AND, YOU KNOW, WE BASICALLY HAVE OPEN RANGE. YES, WE HAVE BARBED WIRE, BUT IF A BLIZZARD COMES THROUGH, CATTLE MINGLE AND WE NEED THAT ASSURANCE OF WHO OWNS WHAT, WHICH HEAD. SO, I STAND IN SUPPORT OF AM1112, BLOOMFIELD, BECAUSE--SENATOR BLOOMFIELD'S-- BECAUSE AS HE SAID, YOU START TALKING 60, 70 PERCENT INCREASES, 47 PERCENT IS QUITE A BIT OF A JUMP. AND SO I SUPPORT THE AMENDMENT AND THEN IF THE AMENDMENT PASSES I'LL SUPPORT LB85. IT'S A GOOD COMPROMISE BETWEEN THE TWO. AND IT IS "MAY" RAISE. THE BRAND BOARD MAY RAISE THE PRICE. IT'S NOT A "SHALL." AND SENATOR DAVIS GAVE US SOME GOOD INFORMATION. I TOOK NOTE ON THE RECORD OF BRAND INSPECTION FEE CHARGES. I UNDERSTAND HOW CONSERVATIVE CATTLEMEN ARE. YOU KNOW, CATTLEMEN, UNTIL RECENTLY, ONE OF THE FEW AGRICULTURAL ENTITIES THAT NEVER GOT A FARM SUBSIDY. THEY LIVED WITH WHAT THEY HAD, THE UPS AND DOWNS. THERE WASN'T ANY GOVERNMENT PAYMENTS. THEY'RE CONSERVATIVE PEOPLE. THEY WATCH THEIR MONEY CLOSELY. THEY SIT ON THOSE BOARDS AND I TRUST THEM TO DO THE RIGHT THING, TO NOT OVER ABUSE THEIR POWER OF GENERATING CASH FLOW. SO I TRUST THEM TO DO THE RIGHT THING. AND WHEN YOU LOOK AT SENATOR DAVIS' RECORD OF BRAND INSPECTION FEES, ACTUALLY FIVE TIMES THEY ACTUALLY LOWERED THE FEE. HOW MANY GOVERNMENT ENTITIES EVER DONE THAT? BUT IN THE PAST, AS RECENTLY AS 1998, THEY LOWERED IT FROM 60 TO 55 CENTS. SO I'M GOING TO TRUST THEM THAT THEY'LL ONLY RAISE THIS IN TIMES OF NEED, AND THEY WILL LOWER IT WHEN THE FUNDS ARE ADEQUATE. SO, I STAND IN SUPPORT OF AM1112, SENATOR BLOOMFIELD'S AMENDMENT, AND IF THAT PASSES, THEN I'LL BE VOTING YES ON LB85, SENATOR DAVIS'. SO, THANK YOU FOR YOUR TIME. [LB85]

Floor Debate
April 20, 2015

SENATOR KRIST: THANK YOU, SENATOR GROENE. SENATOR KEN HAAR, YOU'RE RECOGNIZED. [LB85]

SENATOR HAAR: MR. PRESIDENT, MEMBERS OF THE BODY, I RISE IN SUPPORT OF SENATOR DAVIS LB85. AND I DON'T KNOW A BUNCH ABOUT BRANDING, ALTHOUGH I WAS OUT AT ONE OF THE BIG RANCHES IN WESTERN NEBRASKA TO WATCH IT HAPPEN. AND IT WAS MENTIONED EARLIER, IT'S A TAX, IT'S A TAX. WELL, THIS IS A SERVICE. IT'S A SERVICE. IT'S AN IMPORTANT SERVICE AND I THINK WE HAVE TO BE USED TO THE FACT THAT WE HAVE TO PAY FOR SERVICES. SO, I WILL TAKE SENATOR DAVIS' WORD THAT THIS IS A GOOD BILL AND THEY NEED IT AND SUPPORT LB85. THANK YOU. [LB85]

SENATOR KRIST: THANK YOU, SENATOR HAAR. (VISITORS INTRODUCED.) SENATOR SCHNOOR, YOU'RE RECOGNIZED. [LB85]

SENATOR SCHNOOR: THANK YOU, MR. PRESIDENT. A COUPLE THINGS, THE...I DO NOT LIVE IN A BRAND INSPECTION AREA, SINCE IT'S, YOU KNOW, THE EASTERN PART OF THE STATE ISN'T COVERED IN THAT AREA. YOU CAN BE A PART OF IT IF YOU CHOOSE, BUT THIS DOES NOT AFFECT ME. I AM, HOWEVER, IN SUPPORT OF THIS. AND JUST TO KIND OF EXPLAIN THE CATTLE INDUSTRY A LITTLE BIT, IT'S ONE OF THE ONLY INDUSTRIES IN THE NATION WHERE I CAN CALL SOMEBODY UP IN WYOMING OR MONTANA OR I'VE EVEN DONE IT, I CALLED SOMEBODY UP IN TENNESSEE AND I'VE ORDERED A LOAD OF CATTLE, SIGHT UNSEEN, OVER THE PHONE. AND NOW THAT THOSE LOADS OF CATTLE CAN BE IN THE SIX FIGURE RANGE, AND THEY'LL SEND THEM TO YOU, AND YOU WRITE A CHECK AND MAIL IT BACK. IT'S STILL...THERE ARE STILL BUSINESSES THAT WORK THAT WAY AND THE CATTLE INDUSTRY IS ONE OF THEM. HOWEVER, THE VALUE OF THEM HAS INCREASED TREMENDOUSLY, PROBABLY THREE TIMES OVER THE LAST TEN YEARS, SO THE BRAND INSPECTION IS IMPORTANT. BUT ALSO THE NUMBERS HAVE DECREASED, SO THEY ARE LOSING SOME OF THEIR REVENUE. SO I AM IN FAVOR OF THIS. I AM IN FAVOR OF THE AMENDMENT. I THINK THAT'S A GOOD COMPROMISE. AND I'M IN FAVOR OF THE BILL. SO, THAT'S ALL I HAVE. THANK YOU, SIR. [LB85]

SENATOR KRIST: THANK YOU, SENATOR SCHNOOR. SEEING NO ONE ELSE IN THE QUEUE, SENATOR BLOOMFIELD, YOU'RE RECOGNIZED TO CLOSE ON AM1112. [LB85]

Floor Debate
April 20, 2015

SENATOR BLOOMFIELD: THANK YOU, MR. PRESIDENT, AND THANK ALL THE COLLEAGUES THAT CHIMED IN ON THIS. I THINK THERE ARE SOME QUESTIONS YET WITH THE FEEDLOT THING. SENATOR JOHNSON HAS SAID THAT HE WOULD ENTERTAIN DOING AN INTERIM STUDY ON THAT. I WILL CERTAINLY SUPPORT HIM IN THAT. AND OF ALL THE PEOPLE THAT STOOD AND SPOKE, YOU HEARD NO ONE SAY THAT A DOLLAR AND A DIME WASN'T ENOUGH. SO, COLLEAGUES, AGAIN, I ASK YOU TO SUPPORT AM1112. AND WITH THAT PASSED, THEN SUPPORT LB85. THANK YOU. [LB85]

SENATOR KRIST: THANK YOU, SENATOR BLOOMFIELD. YOU'VE HEARD THE CLOSING ON AM1112. THE QUESTION IS THE ADOPTION OF THE AMENDMENT TO LB85. ALL THOSE IN FAVOR VOTE AYE; OPPOSED, NAY. HAVE ALL THOSE VOTED THAT WISH TO? PLEASE RECORD, MR. CLERK. [LB85]

CLERK: 29 AYES, 1 NAY, MR. PRESIDENT, ON THE ADOPTION OF SENATOR BLOOMFIELD'S AMENDMENT. [LB85]

SENATOR KRIST: THE AMENDMENT IS ADOPTED. SEEING NO ONE ELSE IN THE QUEUE, SENATOR DAVIS, YOU'RE RECOGNIZED TO CLOSE ON LB85. [LB85]

SENATOR DAVIS: THANK YOU, MR. PRESIDENT. I APPRECIATE THE POSITIVE SUPPORT AND DISCUSSION THAT'S TAKEN PLACE HERE TODAY. I JUST WANT TO MAKE A FEW LITTLE POINTS THAT I THINK ARE IMPORTANT. I DO AGREE WITH SENATOR SCHILZ THAT WE CAN LOOK AT DOING SOME OTHER THINGS AND THAT THERE ARE SOME INNOVATIVE APPROACHES THAT COULD BE MADE. BUT IN REALITY IT TURNS OUT, IF YOU LOOK AT THE SURVEY, THAT, YOU KNOW, 91 PERCENT OF THE PEOPLE IN THE BRAND INSPECTION AREA THINK THAT A PER-HEAD FEE IS THE BEST WAY TO GO ABOUT IT. I TALKED ABOUT THE STOP FEE A FEW YEARS AGO, WHICH WAS PUT IN PLACE TO TRY TO ALLEVIATE THE FEAR OF RAISING THOSE FEES. IT WASN'T VERY MUCH APPRECIATED BY PEOPLE. AND HOW THE STOP FEE WORKS IS EVERYBODY PAYS TEN BUCKS WHEN YOU HAVE A BRAND INSPECTION. SO, IN REALITY, THE PEOPLE WHO DON'T HAVE A LOT OF ANIMALS ARE PAYING MORE ON A PER-HEAD BASIS THAN THE REST, SIMPLY BECAUSE THAT STOP FEE IS ABSORBED INTO IT. I DON'T HAVE A PROBLEM WITH THAT, BUT THAT IS A CONCERN THAT I HEARD FROM CONSTITUENTS OUT THERE. WE HAVE 99 REGISTERED FEEDLOTS, 7,000 BRAND OWNERS, AND OF THOSE 7,000, LIKE I SAID, 91 PERCENT THINK THAT THE PER-HEAD INSPECTION FEE IS THE FAIREST AND BEST WAY TO DO IT. SO, YOU KNOW, LET'S NOT LET THE TAIL WAG THE DOG HERE. THE PEOPLE WANT WHAT WE'RE DOING HERE. THAT'S WHAT

Floor Debate
April 20, 2015

THEY'VE CHOSEN. AND WHILE I UNDERSTAND THE CONCERNS AND THE FRUSTRATION THAT LARGE CONFINED LIVESTOCK PEOPLE HAVE, LET'S REMEMBER THAT A \$100,000 FEE IS SMALL IN COMPARISON TO PROBABLY A \$60 (MILLION) TO 80 MILLION INVESTMENT THERE. THIS IS A BILL ABOUT LAW ENFORCEMENT. IF WE DON'T FUND THE BRAND INSPECTION PROGRAM, THEY'RE NOT GOING TO BE ABLE TO DO THEIR JOB. WE'RE GOING TO HAVE MORE CATTLE THEFT. I'VE GOT NEWSPAPER ARTICLE AFTER NEWSPAPER ARTICLE AFTER NEWSPAPER ARTICLE WHO TALKS ABOUT THE RISING INSTANCE OF CATTLE THEFT, HOW COSTLY THAT IS TO INDUSTRY. A FEW YEARS AGO WE DID TRAVEL TO THE EASTERN PART OF THE STATE WHEN I INTRODUCED A BILL TO MAKE THE BRAND AREA STATEWIDE. AND I WILL NEVER FORGET, WE DID HAVE PEOPLE FROM NORFOLK WHO TALKED ABOUT CATTLE BEING STOLEN OUT OF A FEEDLOT AND SOLD SOMEWHERE ELSE. SO IT HAPPENS EAST OF THE LINE TOO. IT'S A GOOD PROGRAM. I'D URGE YOU TO SUPPORT THE BILL AND MOVE IT ON TO SELECT FILE. THANK YOU. [LB85]

SENATOR KRIST: THANK YOU, SENATOR DAVIS. YOU'VE HEARD THE CLOSING ON LB85. THE QUESTION IS THE ADVANCEMENT TO E&R INITIAL. ALL THOSE IN FAVOR VOTE AYE; OPPOSED, NAY. HAVE ALL THOSE VOTED THAT WISH TO? PLEASE RECORD, MR. CLERK. [LB85]

CLERK: 28 AYES, 2 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT OF LB85. [LB85]

SENATOR KRIST: LB85 ADVANCES. ANY ITEMS, MR. CLERK? [LB85]

CLERK: MR. PRESIDENT, TWO NEW RESOLUTIONS: LR196 BY SENATOR HANSEN CALLING FOR AN INTERIM STUDY WILL BE REFERRED TO THE EXECUTIVE BOARD; LR197, SENATOR BRASCH, THAT WILL BE LAID OVER. THAT'S ALL THAT I HAVE. (LEGISLATIVE JOURNAL PAGES 1212-1213.) [LR196 LR197]

SENATOR KRIST: THANK YOU, MR. CLERK. LET'S MOVE TO THE NEXT ITEM ON THIS AFTERNOON'S AGENDA.

CLERK: LB343 IS A BILL BY SENATOR KOLOWSKI. (READ TITLE.) INTRODUCED JANUARY 15, AT THAT TIME REFERRED TO THE EDUCATION COMMITTEE. THE BILL WAS ADVANCED TO GENERAL FILE. I DO HAVE COMMITTEE AMENDMENTS, MR. PRESIDENT. (AM913, LEGISLATIVE JOURNAL PAGE 941.) [LB343]

Floor Debate
April 20, 2015

SENATOR KRIST: THANK YOU, MR. CLERK. SENATOR KOLOWSKI, YOU ARE RECOGNIZED TO OPEN ON LB343. [LB343]

SENATOR KOLOWSKI: THANK YOU, MR. PRESIDENT, AND GOOD AFTERNOON, SENATORS. IN ORDER TO ACHIEVE THE EDUCATION COMMITTEE'S GOALS OF, NUMBER ONE, ESTABLISHING HIGH EXPECTATIONS FOR ALL EDUCATORS, PARENTS, STUDENTS, AND EDUCATION INSTITUTIONS AND, NUMBER TWO, DEVELOPING COLLABORATIVE EDUCATIONAL RELATIONSHIPS WITHIN THE COMMUNITY, A SECOND TIER OF K-12 SCHOOL FUNDING OUTSIDE OF TEEOSA IS NEEDED. THIS SECOND TIER SERVES AS A VEHICLE FOR INVESTING IN QUALITY CAREER AND COLLEGE READINESS INITIATIVES THAT INCREASE THE RIGOR, RELEVANCE AND RELATIONSHIPS IN NEBRASKA EDUCATION. LB343 CREATES THIS SECOND TIER OF FUNDING FOR PUBLIC SCHOOLS THAT IMPLEMENT AND OFFER QUALITY CAREER AND COLLEGE READINESS PROGRAMS INCLUDING, BUT NOT LIMITED TO, PROGRAMS OF EXCELLENCE SUCH AS ADVANCED PLACEMENT AND INTERNATIONAL BACCALAUREATE, DUAL-ENROLLMENT PROGRAMS, AND CAREER ACADEMIES AS DEFINED IN SECTION 79-777 OF NEBRASKA STATUTES. I'VE GIVEN YOU A COPY OF THAT SECTION THAT'S COMING AROUND AS WE SPEAK. THIS LEGISLATION GOES A STEP FURTHER TO SUPPORT COLLABORATION BY REQUIRING SCHOOL DISTRICTS TO WORK THROUGH THEIR EDUCATIONAL SERVICE UNITS TO APPLY AND RECEIVE FUNDING FOR THESE PROGRAMS. GRANTS WILL ALSO BE AVAILABLE THROUGH THE NEBRASKA DEPARTMENT OF EDUCATION TO INSTALL OR EXPAND SUCH PROGRAMS WITHIN NEBRASKA'S SCHOOL DISTRICTS. GRANTS AND REIMBURSEMENT FUNDS ARE AVAILABLE TO BOTH EQUALIZED AND NONEQUALIZED DISTRICTS. SCHOOL DISTRICTS WHO ARE CURRENTLY OFFERING CAREER AND COLLEGE READINESS PROGRAMS ARE ELIGIBLE TO BE REIMBURSED FOR EACH STUDENT WHO SUCCESSFULLY COMPLETES ONE OR MORE OF THESE PROGRAMS. THIS LEGISLATION IS UNIQUE IN THAT IT HOLDS SCHOOLS ACCOUNTABLE FOR THE SUCCESS OF THEIR STUDENTS. SCHOOL DISTRICTS WILL ONLY RECEIVE FUNDING FOR THEIR EFFORTS ONCE STUDENTS HAVE PROVEN THEIR MASTERY OF THE SUBJECT MATERIAL. UNLIKE NEARLY EVERY FEDERAL AND STATE PROGRAM, OUR PLAN FOR LB343 IS NOT ABOUT BODY COUNT; IT'S ABOUT MIND COUNT. SCHOOL DISTRICTS, THROUGH THEIR EDUCATIONAL SERVICE UNIT, WILL BE REQUIRED TO APPLY FOR REIMBURSEMENT TO THE NEBRASKA DEPARTMENT OF EDUCATION, WHICH IS CHARGED WITH PROMULGATING THE RULES AND REGULATIONS TO DETERMINE THE MECHANISMS FOR SUCCESSFUL STUDENT COMPLETION. IT IS IMPORTANT TO NOTE THAT THE CAREER AND COLLEGE READINESS PROGRAMS WE HAVE INCLUDED IN LB343 ARE ALL PROGRAMS THAT HAVE OUTSIDE SOURCE

Floor Debate
April 20, 2015

CREDENTIALING COMPONENTS SUCH AS A NATIONAL ADVANCE PLACEMENT TEST, OR EARNING A LICENSE AS A CERTIFIED MEDICAL ASSISTANT, OR GETTING A PASSING GRADE FOR A POSTSECONDARY INSTITUTE, OR A CREDENTIAL BY A MAJOR AGRICULTURAL CONGLOMERATE. THE INTENT OF THIS LEGISLATION IS TO APPROPRIATE \$2 MILLION FROM THE GENERAL FUND TO REIMBURSE SCHOOL DISTRICTS WHO OFFER THESE CAREER AND COLLEGE READINESS PROGRAMS. SCHOOL DISTRICTS WILL BE REIMBURSED A PERCENTAGE PER STUDENT, DEPENDING ON THE NUMBER OF SCHOOLS THAT APPLY FOR THE FUNDING AND THE NUMBER OF STUDENTS WHO SUCCESSFULLY COMPLETE THESE PROGRAMS. WHY IS THIS IMPORTANT TO THE DISTRICTS? WELL, THE INCREASED NUMBERS OF POVERTY STUDENTS AND ELL STUDENTS IMPACT EVERY DISTRICT IN OUR STATE. THIS PROPOSED FUNDING ASSISTS EVERY DISTRICT WITH ITS COLLEGE AND CAREER EXPANSION PLANS. I HAVE WORKED ON LB343 FOR NEARLY A YEAR WITH A DIVERSE GROUP OF STAKEHOLDERS. THIS LEGISLATION HAS STATEWIDE SUPPORT FROM STUDENTS AND TEACHERS, TO SCHOOL SUPERINTENDENTS AND SCHOOL BOARDS, TO CHAMBERS OF COMMERCE AND LABOR ORGANIZATIONS. LB343 EMPHASIZES LOCAL CONTROL WITH ACCOUNTABILITY AND RESPONSIBILITY. A SCHOOL DISTRICT LEADERSHIP DECIDES THEIR DISTRICT'S LEVEL OF INVOLVEMENT. I TRULY BELIEVE LB343 IS AN EDUCATIONAL GAME CHANGER FOR THE STATE OF NEBRASKA. THIS IS A VISION THAT WILL GROW OVER THE YEARS AS WE CONTINUE TO BUILD, ENHANCE, AND ALIGN THE RESOURCES OF THE STATE TO CREATE A MORE FLUID EDUCATIONAL SYSTEM THAT SUPPORTS CHILDREN FROM BIRTH THROUGH THEIR POSTSECONDARY LIFE AND CAREERS. THE DELIVERY OF ANY OF THESE COURSES AND EXPERIENCES FOR ANY LEVEL OF STUDENT SHOULD BE OPEN FOR EDUCATIONAL AND TECHNOLOGICAL INNOVATIONS. WITH LB343, WE MOVE CLOSER TO THE DELIVERY OF HIGH-QUALITY EDUCATION TO ANY STUDENT, ANY COURSE, ANYTIME, AND ANYWHERE IN THE STATE. THANK YOU FOR YOUR TIME TODAY. I'M HAPPY TO TAKE ANY QUESTIONS. ENCOURAGE YOUR SUPPORT FOR LB343. THANK YOU. [LB343]

SENATOR COASH PRESIDING

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. MEMBERS, YOU'VE HEARD THE OPENING TO LB343. AS THE CLERK HAS STATED, THERE IS AN AMENDMENT FROM THE EDUCATION COMMITTEE. SENATOR SULLIVAN, YOU'RE RECOGNIZED TO OPEN ON THE COMMITTEE AMENDMENT. [LB343]

SENATOR SULLIVAN: THANK YOU, MR. PRESIDENT, AND GOOD AFTERNOON, COLLEAGUES. TO DETAIL FOR YOU WHAT THIS AMENDMENT INCLUDES, IT

Floor Debate
April 20, 2015

REPLACES ORIGINAL PROVISIONS OF LB343, HOWEVER, WITH MODIFIED CONCEPTS OF THE ORIGINAL BILL, AS WELL AS LB402 TO OFFER FUNDING BASED ON STUDENTS WHO SUCCESSFULLY COMPLETE CERTAIN PROGRAMS AND COURSES AND ON DISTANCE EDUCATION COURSES PROVIDED BY THE DISTRICT. AS SENATOR KOLOWSKI INDICATED, SCHOOL DISTRICTS WOULD BE REIMBURSED THROUGH THEIR ESUs BASED ON STUDENTS WHO SUCCESSFULLY COMPLETE PROGRAMS OF EXCELLENCE, DUAL-ENROLLMENT COURSES, AND CAREER ACADEMIES. AND TO DEFINE SOME OF THOSE TERMS, PROGRAM OF EXCELLENCE WOULD MEAN A NATIONALLY RECOGNIZED PROGRAM OFFERED IN THE HIGH SCHOOL GRADES THAT INCLUDES A CURRICULUM AND PEDAGOGY, PROFESSIONAL DEVELOPMENT, AND A RIGOROUS EXTERNAL ASSESSMENT. THE ESUs WOULD BE REQUIRED TO APPLY ON BEHALF OF THE MEMBER SCHOOL DISTRICTS TO THE DEPARTMENT FOR A REIMBURSEMENT. AND THE REIMBURSEMENT FOR EACH APPROVED COMPLETION WOULD BE BASED ON THE APPROPRIATION DIVIDED BY THE STATEWIDE APPROVED COMPLETION. AGAIN, AS INDICATED BY SENATOR KOLOWSKI, THE LEGISLATIVE INTENT FOR THE AMOUNT OF THE REIMBURSEMENT APPROPRIATION WOULD BE \$2 MILLION FOR 2016-17 SCHOOL YEAR; \$5 MILLION FOR '17-18 SCHOOL YEAR; \$7 MILLION FOR 2018-19; AND \$10 MILLION FOR 2019-20. APPLICATIONS WOULD BE SUBMITTED BY AUGUST 1, BEGINNING IN 2016, BASED ON COMPLETIONS DURING THE IMMEDIATELY PRECEDING FISCAL YEAR. AND REIMBURSEMENTS WOULD BE DISTRIBUTED BETWEEN SEPTEMBER 1 AND OCTOBER 1 OF EACH YEAR. THE STATE BOARD OF EDUCATION WOULD BE CHARGED WITH ADOPTING AND PROMULGATING RULES AND REGULATIONS TO CARRY OUT THE REIMBURSEMENT PROVISIONS, INCLUDING BUT NOT LIMITED TO MECHANISMS FOR DETERMINING SUCCESSFUL STUDENT COMPLETION. NOW, WITH RESPECT TO THE DISTANCE EDUCATION COMPONENT, THAT WOULD REPLACE LOTTERY FUNDED INCENTIVES THAT ARE SET TO EXPIRE ON JUNE 30 OF 2016. YOU HEARD THAT IN THE LOTTERY BILL. THE FUNDING WOULD BE PROVIDED TO SCHOOL DISTRICTS AND ESUs FOR SENDING QUALIFIED DISTANCE EDUCATION COURSES, COORDINATED THROUGH THE ESU COORDINATING COUNCIL, INCLUDING BUT NOT LIMITED TO TWO-WAY INTERACTIVE VIDEO COURSES. AND THE APPLICATIONS WOULD BE DUE ANNUALLY ON OR BEFORE AUGUST 1. THE FUNDING WOULD BE DISTRIBUTED BASED ON THE APPROPRIATION AND THE NUMBER OF QUALIFIED COURSES, EXCEPT THAT THE FUNDING COULD NOT EXCEED \$1,000 PER QUALIFIED COURSE AND, HERE AGAIN, WITH LEGISLATIVE INTENT TO BE STATED TO APPROPRIATE \$500,000 FOR THE 2016-17 SCHOOL YEAR AND AMOUNTS AS DETERMINED BY THE LEGISLATURE THEREAFTER. THE RECEIPTS FOR BOTH THESE PROGRAMS, THE PROGRAM OF EXCELLENCE AND ALSO THE DISTANCE EDUCATION, WOULD BE INCLUDED IN WHAT'S CALLED THE

Floor Debate
April 20, 2015

SPECIAL RECEIPTS ALLOWANCE IN TEEOSA. THE ALLOWANCE ALLOWS STATE FUNDING OUTSIDE OF TEEOSA TO BE REFLECTED IN THE EXPENDITURES AND RECEIPTS OF SCHOOL DISTRICTS WITHOUT NEGATIVELY IMPACTING AID. THE REIMBURSEMENTS FOR CAREER ACADEMIES, DUAL-ENROLLMENT, AND PROGRAMS OF EXCELLENCE WOULD BE TREATED AS SPECIAL GRANT FUNDS AND WOULD BE OUTSIDE OF THE BUDGET LIMITATIONS. FOR DISTANCE EDUCATION FUNDING, SCHOOL DISTRICTS WOULD BE ALLOWED TO EXCEED THEIR BUDGET AUTHORITY FOR THE FIRST YEAR AND TO BUILD THAT AMOUNT INTO THE BASE FOR FUTURE BUDGET GROWTH. SHORTLY, SENATOR BAKER WILL BE OFFERING AN AMENDMENT TO THE COMMITTEE AMENDMENT. HIS AMENDMENT CORRECTS LANGUAGE IN THE COMMITTEE AMENDMENT TO REFLECT THAT FUNDING WOULD BE FOR DISTANCE EDUCATION COURSES THAT ARE SENT RATHER THAN RECEIVED BY THE SCHOOL DISTRICT OR ESU. I WOULD ASK THAT YOU SUPPORT THIS TECHNICAL AMENDMENT REGARDLESS OF YOUR POSITION ON THE MEASURE. THAT CONCLUDES MY INTRODUCTION TO THE COMMITTEE AMENDMENT. THANK YOU, MR. PRESIDENT. [LB343 LB402]

SENATOR COASH: THANK YOU, SENATOR SULLIVAN. MR. CLERK, DO YOU HAVE AMENDMENT TO THE COMMITTEE AMENDMENT? [LB343]

CLERK: MR. PRESIDENT, SENATOR BAKER WOULD MOVE TO AMEND THE COMMITTEE AMENDMENTS, AM987. (LEGISLATIVE JOURNAL PAGE 953.) [LB343]

SENATOR COASH: SENATOR BAKER, YOU'RE RECOGNIZED TO OPEN ON YOUR AMENDMENT TO THE COMMITTEE AMENDMENT. [LB343]

SENATOR BAKER: THANK YOU, MR. PRESIDENT. I BROUGHT LB402 ON BEHALF OF THE ESU COORDINATING COUNCIL TO PROVIDE FINANCIAL INCENTIVES FOR ORIGINATING DISTANCE LEARNING AND ON-LINE COURSES. AT THE HEARING THERE WAS STRONG SUPPORT FROM THROUGHOUT THE STATE, NOT THE LEAST OF WHICH BEING FROM THE WESTERN PART OF THE STATE WHERE DISTRICTS ARE IN MORE REMOTE AREAS AND MORE SPARSELY POPULATED AREAS. THE EDUCATION COMMITTEE DECIDED TO ROLL LB402 INTO LB343, WHICH I FULLY SUPPORT. IT'S A GOOD FIT. THE GOALS ARE MUCH THE SAME, ENCOURAGING SPECIFIC PATHWAYS ALONG THE LINE OF COLLEGE AND CAREER READINESS. SO WE ARE SEEKING TO PROVIDE QUALITY CAREER READINESS OPPORTUNITIES TO ALL THE STUDENTS IN NEBRASKA NO MATTER WHAT PART OF THE STATE THEY LIVE, DUAL-CREDIT COURSES AND THE LIKE. AM987 CONTAINS TECHNICAL CHANGES AS PART OF THE PROCESS OF MAKING THE LANGUAGE OF LB402

Floor Debate
April 20, 2015

COMPATIBLE WITH THAT OF LB343. IT ADDS ESUs AS AN ELIGIBLE ENTITY TO RECEIVE FUNDS FOR SENDING DISTANCE LEARNING AND ON-LINE COURSES. I ASK YOU TO SUPPORT AM987, AM913, AND THE UNDERLYING LB343. THANK YOU. [LB343 LB402]

SENATOR COASH: THANK YOU, SENATOR BAKER. MEMBERS, YOU'VE HEARD THE OPENING TO THE AMENDMENT TO THE COMMITTEE AMENDMENT. FLOOR IS NOW OPEN FOR DISCUSSION. THOSE WISHING TO SPEAK: SENATORS COOK AND SCHNOOR. SENATOR COOK, YOU ARE RECOGNIZED. [LB343]

SENATOR COOK: THANK YOU, MR. PRESIDENT, AND GOOD AFTERNOON, COLLEAGUES. I RISE IN SUPPORT OF LB343 AND THE UNDERLYING AMENDMENT. I RISE SIMPLY TO REINFORCE THE IMPORTANCE OF A PARTICULAR ASPECT OF THE BILL PROPOSALS. AND THOSE ARE THE ASPECTS OF GIVING OUR STUDENTS OPPORTUNITIES TO EARN COLLEGE CREDIT WHILE THEY ARE IN HIGH SCHOOL THROUGH DUAL-ENROLLMENT COURSES AND ALSO TO GAIN CAREER EXPERIENCE AND MARKETABILITY AS WORKERS THROUGH THE CAREER ACADEMIES. THESE ARE VERY IMPORTANT. THERE ARE MORE AND MORE CAREERS WHICH REQUIRE TECHNICAL SKILLS. AND IN LIGHT OF OUR NATIONAL...GROWING NATIONAL CONCERN ABOUT THE COST OF COLLEGE, STUDENTS GRADUATING WITH TENS OF THOUSANDS AND HUNDREDS OF THOUSANDS OF DOLLARS IN UNDERGRADUATE DEBT AND NOT BEING ABLE TO BE EMPLOYED, I THINK THIS IS AN IMPORTANT DIRECTION FOR US TO GO TO OFFER ALL STUDENTS, AS MANY STUDENTS AS POSSIBLE ACROSS THE STATE, OPPORTUNITIES TO EARN COLLEGE CREDIT AND OPPORTUNITIES TO GET TRAINED IN CAREERS WHERE THEY CAN WALK RIGHT OUT THE DOORS OF THEIR HIGH SCHOOLS INTO GAINFUL EMPLOYMENT WITH HEALTH INSURANCE BENEFITS. SO WITH THAT, I WOULD YIELD THE BALANCE OF MY TIME TO THE CHAIR. THANK YOU, MR. PRESIDENT. [LB343]

SENATOR COASH: THANK YOU, SENATOR COOK. SENATOR SCHNOOR, YOU'RE RECOGNIZED. [LB343]

SENATOR SCHNOOR: THANK YOU, MR. PRESIDENT. ON THE EDUCATION COMMITTEE, THIS DID NOT PASS WITH A UNANIMOUS VOTE. IT WAS 5-3, AND I'M ONE OF THOSE THAT WAS OPPOSED TO IT. AND I'M GOING TO GIVE THE SAME ARGUMENTS HERE THAT I GAVE IN THE COMMITTEE. THIS IS A SECOND TIER OF FUNDING FOR SCHOOL, ANOTHER TIER OUTSIDE OF TEEOSA FORMULA. THERE WAS AN ARGUMENT ABOUT PUTTING IT IN TEEOSA AND I FOUGHT AGAINST

Floor Debate
April 20, 2015

THAT AND ALL OF THE DISTRICTS DIDN'T WANT IT. MY THOUGHT PROCESS IS THAT SIMPLY WE'RE TRYING TO HIDE SOMETHING WITHIN THE FORMULA. SO IT WAS AGREED TO PUT IT OUTSIDE OF THE FORMULA. BUT WE HAVE SCHOOLS--I CAN'T SAY THE PERCENTAGE--AND I'LL JUST SAY ABOUT 75 PERCENT OF THE SCHOOLS ARE ALREADY DOING THIS. THEY'RE ALREADY DOING THESE PROGRAMS OF THESE CAREER ACADEMIES, DUAL-CREDIT COURSES, AND AP COURSES, WHICH IN MY OPINION ARE ALL COLLEGE COURSES. THIS IS HIGH SCHOOL. AND WE'RE NOW COMING WITH ANOTHER FUNDING FORMULA FOR COLLEGE COURSES WITHIN HIGH SCHOOL. THAT FALLS OUTSIDE OF WHAT WE'RE OBLIGATED TO DO IN THE CONSTITUTION, WHICH IS AGES 5 TO 21 WITHIN THE COMMON SCHOOLS. SO I AM STILL...I'M OPPOSED TO THESE AMENDMENTS AND I'M OPPOSED TO THE BILL. AND I WOULD LIKE TO POINT OUT WHAT IS THE NUMBER ONE COMPLAINT THAT WE HAVE HEARD HERE ON THE FLOOR OF THE LEGISLATURE? PROPERTY TAXES. SO WE HAVE NOW ADDED ANOTHER FUNDING SOURCE TO INCREASE PROPERTY TAXES TO THE TUNE OF AT LEAST \$7 MILLION; IT INCREASES EVERY YEAR. SO, YES, THERE IS STATEWIDE SUPPORT FOR THIS. BUT ANY SCHOOL IS GOING TO SAY, OF COURSE WE'LL TAKE THE MONEY THAT YOU'RE GOING TO GIVE US, BECAUSE IF YOU'RE GOING TO GIVE US EXTRA MONEY FOR SOMETHING THAT WE WERE ALREADY DOING, WHY NOT? BUT THE BOTTOM LINE IS THIS IS GOING TO BE AN INCREASE IN PROPERTY TAXES, WHICH ARE ALREADY TREMENDOUSLY HIGH. SO I AM OPPOSED TO ALL THE AMENDMENTS AND THE BILL. AND LIKE I SAID IN THE BEGINNING, THIS IS THE SAME ARGUMENT THAT I GAVE IN THE COMMITTEE. SO I JUST WANTED TO REITERATE THAT SO EVERYBODY CAN HEAR THAT. THANK YOU, SIR. [LB343]

SENATOR COASH: THANK YOU, SENATOR SCHNOOR. SENATOR PANSING BROOKS, YOU'RE RECOGNIZED. [LB343]

SENATOR PANSING BROOKS: THANK YOU. I WANT TO RISE IN SUPPORT OF LB343 AND ITS AMENDMENTS. AGAIN, I AM IN FAVOR OF THIS BECAUSE IT PROVIDES A WONDERFUL OPPORTUNITY FOR STUDENTS TO BE ABLE TO TAKE COURSES. AND, YES, THESE ARE COURSES THAT ALSO ALLOW THESE STUDENTS TO GET COLLEGE CREDIT, BUT WHAT A WONDERFUL BENEFIT FOR THOSE KIDS. THE AP COURSES, WHEN A STUDENT TAKES AN AP COURSE--THOSE ARE ADVANCED PLACEMENT COURSES--THEY GET CREDIT WITHIN THEIR HIGH SCHOOL. SO THERE IS NO DIFFERENCE AS FAR AS FUNDING OUR K-12 EDUCATION. THEY ARE GETTING CREDIT FOR AN AP COURSE AND THAT'S SOMETHING THEY WOULD HAVE TO TAKE TO BE ABLE TO GRADUATE. SO THE FACT THAT, IN ADDITION, THESE STUDENTS ALSO GET COLLEGE OR POSTSECONDARY CREDIT IS A WONDERFUL BENEFIT. AND WE SHOULD LOOK AT THAT FAVORABLY BECAUSE I

Floor Debate
April 20, 2015

BELIEVE THAT THE STUDENTS...WE OUGHT TO BE HELPING OUR STUDENTS TO PROMOTE EDUCATION, TO PROMOTE THE ABILITY TO SAVE DOLLARS AS THEY GO FORWARD. THE EXPERIENCES WITH THE CAREER ACADEMIES ARE THAT NOT EVERY CHILD IS CREATED OR READY TO PLAN TO GO TO A FOUR-YEAR INSTITUTION AFTER HIGH SCHOOL. AND THE CAREER ACADEMIES ALLOW THESE STUDENTS TO GET LICENSED IN A SPECIFIC FORM OF EMPLOYMENT, BE IT MANUFACTURING OR WHATEVER IT IS, AND PREPARES THEM TO BE ABLE TO GET OUT INTO THE JOB MARKET AND BE EMPLOYABLE, USUALLY AT A MUCH HIGHER SALARY, SOONER. SO I THINK THE FACT THAT...THIS IS A WIN-WIN FOR OUR NEBRASKA STUDENTS. THESE STUDENTS HAVE THE ABILITY TO TAKE THE CLASS AND ALSO GET CREDIT AT A COLLEGE FOR THAT CLASS AND NOT HAVE TO SPEND THOSE DOLLARS LATER AT THE COLLEGE. THIS IS MONEY THAT IS REQUIRED BY THE PUBLIC SCHOOLS THAT THEY'RE GOING TO. SO WITH THAT, I JUST WANT TO SUPPORT SENATOR KOLOWSKI'S BILL AND THE AMENDMENTS BELOW. AND I GIVE THE REST OF MY TIME TO SENATOR KOLOWSKI. [LB343]

SENATOR COASH: SENATOR KOLOWSKI, YOU'VE BEEN YIELDED 2 HOURS 30 SECONDS...2 MINUTES 30 SECONDS. [LB343]

SENATOR KOLOWSKI: I WAS HOPING IT WAS THE HOURS BUT THAT'S FINE. THANK YOU, MR. PRESIDENT. AND THANK YOU, SENATOR PANSING BROOKS. I THINK THERE IS A VERY PIVOTAL ISSUE THAT, AGAIN, I WILL REPEAT. THE DISTRICTS ONLY RECEIVE MONEY WHEN STUDENTS HAVE SUCCESSFULLY PASSED THE COURSE...SUCCESSFULLY PASSED THE COURSE. THERE'S A LOT OF KIDS IN A LOT OF DISTRICTS TAKING A LOT OF COURSES, AS SENATOR SCHNOOR HAS MENTIONED, BUT IT'S NOT UNIVERSAL. IT'S NOT ALL ACROSS THE ENTIRE STATE. AND DISTRICTS HAVE SAID, WE HAVE DIFFICULTY TRYING TO SET UP OR EXPAND IN THOSE AREAS BECAUSE OF THE GREAT NUMBER OF POVERTY STUDENTS, AS WELL AS ENGLISH LANGUAGE LEARNERS WE HAVE COMING INTO OUR DISTRICTS THAT TAKE A LOT OF RESOURCES. SO THEY'VE BEEN HANDICAPPED AND SLOWED DOWN OR STOPPED FROM EXTENDING AND ADDING MORE COURSES TO THEIR DISTRICT OVER TIME BECAUSE OF THAT IMPACT. THE DIFFERENCE WITH THIS BILL IS THAT YOU ONLY RECEIVE REIMBURSEMENT WHEN YOUR STUDENTS ARE SUCCESSFUL IN THE COURSE, NOT JUST THERE TAKING THE COURSE BUT SUCCESSFULLY PASSING THAT PARTICULAR COURSE. AND I THINK THERE'S A WORLD OF DIFFERENCE BETWEEN JUST ATTENDING, PASSING AND GETTING A SLIP-BY GRADE, WHATEVER THAT MIGHT BE, COMPARED TO IN AN AP COURSE GETTING A THREE OR BETTER; IN AN IB, INTERNATIONAL BACCALAUREATE COURSE GETTING A FOUR OR BETTER ON THE GIVEN EXAMS; FOR A DUAL-ENROLLMENT COURSE, A C OR BETTER FROM THAT

Floor Debate
April 20, 2015

COMMUNITY COLLEGE, COLLEGE, UNIVERSITY, OR WHOEVER THE SPONSORING AGENCY IS OUTSIDE OF YOUR SCHOOL DISTRICT. AND THAT CREDIT GIVING AND THAT GAINING OF CREDIT ONLY GOES ONE WAY AND THE PAYMENT ONLY GOES ONE WAY. IT CANNOT BE DUPLICATED OR DOUBLED OR TRIPLED IN ANY WAY. THE STATE DEPARTMENT OF ED WILL PROMULGATE ALL THOSE RULES AND WE'LL SEE WHERE THAT'S THE CASE. SO WE'RE VERY EXCITED ABOUT WHAT THIS MIGHT DO TO RAISE THE BAR FOR THE EXPRESSION OF QUALITY CREDIT EARNED FOR THESE STUDENTS INTO A COLLEGE OR POSTSECONDARY MODE. WE'VE ALL HEARD THE GOVERNOR SPEAK AT DIFFERENT TIMES. AND I THINK I'VE HEARD HIM AT LEAST THREE TIMES GIVE THE EXAMPLE IN LOUISVILLE... [LB343]

SENATOR COASH: TIME, SENATOR. [LB343]

SENATOR KOLOWSKI: THANK YOU VERY MUCH. [LB343]

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. SENATOR GROENE, YOU ARE RECOGNIZED. [LB343]

SENATOR GROENE: THANK YOU, MR. PRESIDENT. I APPRECIATE SENATOR KOLOWSKI'S PASSION BECAUSE HE TRULY BELIEVES IN THIS AND OFFERING MORE OPPORTUNITIES FOR CHILDREN. BUT MY PROBLEM...I WAS ONE OF THE THREE COMMITTEE MEMBERS THAT DID NOT VOTE FOR THIS TO COME OUT OF COMMITTEE. WE'RE ALREADY DOING THIS. SCHOOL DISTRICTS ACROSS THE STATE HAVE BEEN DOING THIS, ACROSS THE NATION. PUBLIC SCHOOLS HAVE OFFERED EDUCATION, RIGOR AND RELEVANCY, PROGRAMS OF EXCELLENCE, DUAL-ENROLLMENT COURSES, AP COURSES, AND CAREER ACADEMICS. IT'S ALREADY BEING DONE. I PASSED OUT A HANDOUT. WHAT THIS BILL ATTEMPTS TO DO IS JUST END AROUND TEEOSA. THESE PROGRAMS HAVE BEEN PAID THROUGH TEEOSA IN THE PAST AND WHEN WE, AS A COMMITTEE, SAID WE WOULD ALL SUPPORT IT IF IT WENT THROUGH TEEOSA FUNDING, BECAUSE IT'S ALREADY BEING DONE AND IT COULD BE PUT INTO THE FORMULA, ALL OF THE EDUCATIONAL LOBBYISTS AND SPECIAL INTERESTS CUT AND RUN. THEY DIDN'T SUPPORT IT ANYMORE. AS SOON AS IT WAS PUT BACK INTO THE GENERAL FUND AND ENOUGH SUPPORT WAS TO GET IT OUT OF COMMITTEE AND IT WAS GOING TO BE FREE MONEY AND EXTRA MONEY OUTSIDE THE TEEOSA FORMULA, THEY ALL CAME BACK IN FOLD AND NOW SUPPORT IT. OF COURSE, AS SENATOR SCHNOOR SAID, IT'S FREE MONEY, IT'S EXTRA MONEY. I PASSED OUT A HANDOUT JUST TO MAKE SURE NOBODY THINKS THIS BODY OR THE CITIZENS OF

Floor Debate
April 20, 2015

NEBRASKA HAVE SHIRKED THEIR RESPONSIBILITY TO SUPPORT PUBLIC EDUCATION. WE TALK ABOUT...ON THE FIRST PAGE OF IT, FROM THE REVENUE DEPARTMENT IT SHOWS WHAT PROPERTY TAXES HAVE DONE IN THE LAST TEN YEARS IN NEBRASKA. WE DON'T PAY OUR TAXES IN VALUATIONS. WE DON'T PAY OUR TAXES IN LEVIES. WE PAY THEM IN DOLLARS. IN THE LAST TEN YEARS, IF YOU LOOK AT THE SECOND TO LAST LINE, SCHOOL DISTRICTS, WE'VE GONE FROM \$1.3 BILLION TO \$2.14 BILLION, AN \$832 MILLION INCREASE. THAT'S A 63.6 PERCENT INCREASE THE PEOPLE IN NEBRASKA HAS PUT TOWARD THEIR SUPPORT IN PROPERTY TAXES TO PUBLIC EDUCATION IN THE LAST TEN YEARS. THE SECOND PAGE SHOWS WHAT WE'VE DONE IN TEEOSA, THIS BODY HAS DONE IN TEEOSA. THE HISTORY OF THE...IT'S GONE UP \$295 MILLION IN THE LAST TEN YEARS, THAT'S A 47.8 PERCENT INCREASE. THE THIRD PAGE HAS ENROLLMENT FROM THE DEPARTMENT OF EDUCATION. AND TAKING THE LAST TEN YEARS FROM '04-05 THE ENROLLMENT HAS ONLY GONE UP 6.5 PERCENT, 18,000 STUDENTS. WE'VE DONE OUR DUTY TO SUPPORT PUBLIC EDUCATION. WE DO NOT NEED TO START A SECOND TIER OF FUNDING TO KEEP TRACK OF HOW WE SPEND EDUCATION AND WHERE IT SHOULD COME FROM. IT SHOULD COME FROM ONE OR TWO FUNDINGS, PROPERTY TAXES OR TEEOSA. WE DON'T NEED TO START ANOTHER PROGRAM. BACK TO THE FIRST PAGE, IF YOU LOOK ON EDUCATIONAL SERVICE UNITS, WE'VE INCREASED BY 81.2 PERCENT; COMMUNITY COLLEGES, 128 PERCENT. WE HAVE DONE OUR DUTY. THAT MONEY HAS GONE SOMEWHERE. JUST GO TAKE A LOOK AT YOUR ADMINISTRATIVE PAYS AT YOUR SCHOOL DISTRICTS. OUR TEACHERS ARE NO LONGER MAKING BELOW-AVERAGE FAMILY INCOMES. WE'VE DONE OUR JOBS. WE DO NOT NEED TO CREATE ANOTHER SOURCE OF FUNDING. THERE'S OTHER ISSUES I HAVE WITH THIS BILL. I TALKED TO MY COMMUNITY COLLEGE PRESIDENT FRIDAY AND HE SAID THEY LEFT OUT THE MOST IMPORTANT PART, THE COMMUNITY COLLEGES. WHY DIDN'T THEY PUT POSTSECONDARY EDUCATION, CAREERS, PUBLIC SCHOOLS IN CONJUNCTION WITH COMMUNITY COLLEGES INSTEAD OF THE EDUCATIONAL SERVICE UNITS? [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR GROENE: EDUCATIONAL SERVICE UNITS OFFER NO COURSES. THEY HAVE NOTHING TO DO WITH THE BASIC COURSE STUDIES IN OUR SCHOOLS. THEY ARE AN ADJUTANT WHERE THEY HELP WITH SPECIAL NEEDS. BUT I DON'T UNDERSTAND WHY THEY'RE IN HERE. AS MY COLLEGE PRESIDENT SAID, ALL CREDIT HOURS OF HIGHER EDUCATION MUST BE IN A PARTNERSHIP WITH AN INSTITUTION OF HIGHER EDUCATION, EVEN THE CAREER ACADEMIES. IF YOU WANT TO HAVE A WELDING CERTIFICATE OR ANY CERTIFICATE IN THE CAREERS,

Floor Debate
April 20, 2015

IT HAS TO COME FROM A INSTITUTION OF HIGHER EDUCATION. THIS IS WELL-MEANING BUT IT'S AN END RUN AROUND TEEOSA. IT'S AN END RUN FOR GETTING SOME MORE MONEY OUT OF THE GENERAL FUND FOR EDUCATION. I ADMIRE THE EFFORT, BUT WE SHOULD NOT START FUNDING OUTSIDE OF TEEOSA. IF THEY NEED MORE MONEY, LET'S DO IT THROUGH TEEOSA. LET'S DO IT CORRECTLY. [LB343]

SENATOR COASH: TIME, SENATOR. [LB343]

SENATOR GROENE: I THANK YOU, MR. PRESIDENT, FOR THE TIME. [LB343]

SENATOR COASH: THANK YOU, SENATOR GROENE. SENATOR BLOOMFIELD, YOU'RE RECOGNIZED. [LB343]

SENATOR BLOOMFIELD: THANK YOU, MR. PRESIDENT. COLLEAGUES, THIS BILL HAS A PECULIAR ODOR TO IT. I THINK SENATOR GROENE IS ABSOLUTELY RIGHT. THIS IS GOING OUT AROUND OUR NORMAL FUNDING FEES AND WE SHOULD NOT GO THERE. I'D LIKE TO ASK SENATOR SULLIVAN A QUESTION OR TWO, IF SHE WOULD YIELD. [LB343]

SENATOR COASH: SENATOR SULLIVAN, WILL YOU YIELD? [LB343]

SENATOR SULLIVAN: YES, I WILL. [LB343]

SENATOR BLOOMFIELD: THANK YOU, SENATOR. YOU ARE MY USUAL SOURCE FOR INFORMATION ON EDUCATION BILLS, AS I WILL FREELY ADMIT TO NOT UNDERSTANDING THE FORMULA AND EVERYTHING ELSE THAT GOES ON IN THERE AT TIMES. BUT I WAS PLEASED TO SEE THAT YOU DID NOT VOTE FOR THIS BILL COMING OUT OF COMMITTEE. WOULD YOU BE WILLING TO TELL US WHY? AND IS SENATOR GROENE CORRECT THAT WE'RE DOING AN END RUN HERE? [LB343]

SENATOR SULLIVAN: THANK YOU, MR. BLOOMFIELD, FOR THE TIME. YOU'RE RIGHT. I WAS ONE OF THE THREE PEOPLE THAT VOTED AGAINST THIS BILL. THAT'S NOT TO SAY THAT IN CONCEPT AND PHILOSOPHY I DISAGREE WITH IT BECAUSE I DON'T. I THINK THAT CERTAINLY, AS SENATOR COOK HAD MENTIONED, CAREER AND COLLEGE READINESS IS SO IMPORTANT. AND OUR STUDENTS NEED TO BE PREPARED WHEN THEY LEAVE HIGH SCHOOL TO EITHER

Floor Debate
April 20, 2015

BE COLLEGE READY OR TO BE ABLE TO STEP INTO CAREERS AND SO WE NEED TO ATTEND TO THAT. BUT THAT'S BEEN ONE OF MY CONCERNS ABOUT THIS IS THAT, BY AND LARGE, WE ARE SEEING SCHOOL DISTRICTS DO THAT IN MANY, MANY DIFFERENT WAYS ALL ACROSS THE STATE, NOT JUST IN THE LARGER SCHOOL DISTRICTS. WE SEE CAREER ACADEMIES SPRINGING UP. WE'RE SEEING DUAL ENROLLMENT AND ADVANCE PLACEMENT CLASSES BEING TAUGHT ALL OVER THE STATE. SO TO A CERTAIN EXTENT, WE ARE ALREADY SUPPORTING THAT WITH OUR DOLLARS. ONE OF THE OTHER THINGS THAT I TRIED QUITE ACTIVELY TO DO WAS TO BUILD THIS IN AS AN ALLOWANCE TO THE TEEOSA FORMULA. WE ACTUALLY...I ACTUALLY GAVE IT A NAME CALLED ENHANCING ACADEMICS ALLOWANCE, BECAUSE BY DOING THAT YOU CAN MORE ACCURATELY TRACK WHAT DOLLARS WE ARE PUTTING IN TO SUPPORT EDUCATIONAL PRIORITIES IN THE STATE. AND WE CAN MORE ACCURATELY TRACK WHAT SCHOOL DISTRICTS ARE SPENDING TO DO THESE CERTAIN KINDS OF THINGS THAT WE THINK ARE IMPORTANT. BUT AGAIN, THAT WAS NOT SUPPORTED BY CERTAINLY THE EDUCATION COMMUNITY. IRONICALLY ENOUGH, BECAUSE THERE ARE SOME WHO, TO THE POINT OF EQUALIZATION, THEY WANT AS MUCH AS POSSIBLE TO BE IN THE EQUALIZATION FORMULA, WHERE IRONICALLY THIS WAS ONE ISSUE WHERE THEY DID NOT WANT IT. SO THOSE ARE TWO REASONS THAT I WAS NOT IN FAVOR OF THIS BILL, NOT AGAINST THE PHILOSOPHY OR THE CONCEPT BUT JUST SPECIFICALLY HOW IT'S BEING CARRIED OUT. AND THIRDLY, THIS IS MAYBE JUST KIND OF AN ASIDE BUT CERTAINLY IMPORTANT TO HOW WE FUND EDUCATION AND WHAT DOLLARS WE PUT INTO EDUCATION, THE EDUCATION COMMITTEE OVER THE NOONHOUR JUST SIGNED ON, ALL OF THEM, TO A RESOLUTION THAT WE HOPEFULLY WILL BE BRINGING TO YOU THAT WE'RE GOING TO BE CALLING THE SCHOOL FINANCE TAX MODERNIZATION COMMITTEE, BECAUSE WE KNOW FULL WELL THAT THE TAX MODERNIZATION COMMITTEE LEFT SOME OF THAT WORK UNDONE WITH RESPECT TO SCHOOL FUNDING AND PROPERTY TAXES. AND SO WE HOPE THAT WE WILL BE ADDRESSING WHAT WE KNOW IS SO IMPORTANT IN THIS BODY AND THAT'S HOW WE FUND OUR SCHOOLS AND THE DOLLARS THAT WE DEVOTE TO IT. SO I HOPE THAT HELPS SENATOR BLOOMFIELD. THAT WAS SOME OF MY BACKGROUND AND MY REASONING ON THIS BILL. [LB343]

SENATOR BLOOMFIELD: THANK YOU, SENATOR SULLIVAN. COLLEAGUES, LOOK AT THIS CLOSE. I THINK IT'S A PLACE WE DON'T NEED TO GO. I'D YIELD THE REMAINDER OF MY TIME TO SENATOR GROENE. [LB343]

SENATOR COASH: SENATOR GROENE, YOU'VE BEEN YIELDED 1:00. [LB343]

Floor Debate
April 20, 2015

SENATOR GROENE: ANOTHER ISSUE THAT CAME UP WITH MY COLLEGE PRESIDENT WAS WHEN A DUAL-CREDIT COURSE IS OFFERED, IT HAS TO COME THROUGH HIGHER EDUCATION. AND OUR COLLEGE IN A RELATIONSHIP TO THE SCHOOLS, OUR MID-PLAINS COMMUNITY COLLEGE RELATION TO THE LOCAL SCHOOLS PAYS \$700 PER CREDIT HOUR--40 PERCENT OF THAT TO THE TEACHER, EVEN IF THEY'RE AN EMPLOYEE AT THE SCHOOL SYSTEM. AND THEN THEY GIVE 60 PERCENT OF \$700--WHICH IS \$420 PER CREDIT HOUR--TO THE SCHOOL SYSTEM FOR TECHNOLOGY, TESTING FEES, BOOKS. THEY ARE GETTING MONEY THROUGH THE COMMUNITY COLLEGES OR CHADRON STATE OR WHATEVER ALREADY FOR THESE DUAL CREDITS. MY CONCERN IS, ARE THEY GOING TO DOUBLE DIP? ARE THEY GOING TO GET A GRANT FROM THE ESU--I DON'T KNOW WHY THE ESU IS INVOLVED WHEN THEY'RE NOT INVOLVED IN HIGHER EDUCATION--AND ALSO GET MONEY FROM OUR COMMUNITY COLLEGES BECAUSE THAT HIGHER ED CREDIT, HIGHER EDUCATION CREDIT HAS TO COME THROUGH A HIGHER EDUCATION INSTITUTION? SO... [LB343]

SENATOR COASH: TIME, SENATOR. [LB343]

SENATOR GROENE: THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR GROENE. SENATOR BAKER, YOU'RE RECOGNIZED. [LB343]

SENATOR BAKER: THANK YOU, MR. PRESIDENT. I WANT TO RESPOND TO SOME OF THE COMMENTS OF MY GOOD COLLEAGUE, SENATOR SCHNOOR. IT IS TRUE THAT SCHOOLS ARE ALREADY OFFERING DUAL-CREDIT COURSES. I'M GOING TO TALK SPECIFICALLY ABOUT THE DISTANCE LEARNING ASPECT OF IT. BUT IT IS ALSO TRUE THEY'VE BEEN FUNDED AND THEY ARE FUNDED THROUGH LOTTERY FUNDS THROUGH JUNE 30, 2016. SO THE OTHER COMMENT IS THAT THIS WOULD NOT BE AN INCREASE IN PROPERTY TAXES. THIS IS FROM THE STATE GENERAL FUND AND THERE ARE NO PROPERTY TAXES IN THERE. THE VERY SMALL DISTRICTS CANNOT AFFORD TO OFFER A LOT OF DUAL-CREDIT COURSES USING THEIR OWN STAFF. THEY RELY ON A NEED ACCESS TO DISTANCE LEARNING ON-LINE CLASSES. THIS BILL OFFERS INCENTIVES TO SENDING DISTRICTS BECAUSE IT DOES TAKE WORK AND EXTRA EFFORT TO ORIGINATE A DISTANCE LEARNING CLASS. IF THERE IS NO INCENTIVE TO SEND THEM, THOSE CLASSES WON'T BE THERE FOR THE SMALLER SCHOOL DISTRICTS AND OTHERS WHO NEED ACCESS. WITH REGARD TO THE COLLEGES, I CAN TELL YOU THAT AT NORRIS WE DID NOT PAY TEACHERS ANY EXTRA FOR DELIVERING ON-LINE COURSES. THE COLLEGES

Floor Debate
April 20, 2015

BENEFIT. WHEN A STUDENT IS TAKING A COURSE FOR DUAL CREDIT, COLLEGES GET PAID TUITION. IF A COURSE IS BEING OFFERED IN OUR OWN SCHOOL WE WOULD GET SOME MONEY BACK. WHAT WE DID AT NORRIS WAS USE THAT MONEY TO PAY STUDENTS' SHARE OF TUITION FOR STUDENTS WHO COULDN'T AFFORD TO BE IN THOSE COURSES OTHERWISE. THE FACT OF THE MATTER OF THIS BILL BEING OUTSIDE OF TEEOSA, THAT MAKES FUNDING AVAILABLE TO STUDENTS IN SCHOOLS THAT ARE NOT EQUALIZED. IF IT RUNS THROUGH THE TEEOSA FORMULA, THEN THEY MAY NOT GET ANY FUNDING FROM THAT. SO THIS DOES MAKE IT AVAILABLE TO ALL THE SCHOOL DISTRICTS IN NEBRASKA. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR BAKER. SENATOR MORFELD, YOU'RE RECOGNIZED. [LB343]

SENATOR MORFELD: THANK YOU, MR. PRESIDENT. I RISE IN SUPPORT OF LB343 AND THE COMMITTEE AMENDMENTS. I JUST WANT TO MAKE A FEW POINTS IN RESPONSE TO SOME OF THE THINGS THAT HAVE BEEN SAID ON THE FLOOR, IN OPPOSITION IN PARTICULAR. AS A PERSON THAT'S GRADUATED FROM HIGH SCHOOL NOT TOO LONG AGO, I UNDERSTAND THAT THIS BILL--AND I BELIEVE THAT THIS BILL--WILL HELP THE TRANSITION INTO COLLEGE. THIS WILL PROVIDE MORE OPPORTUNITIES FOR YOUNG PEOPLE IN PARTICULAR TO BE ABLE TO TAKE COLLEGE COURSES IN HIGH SCHOOL, REALIZE WHAT THEY LIKE, WHAT THEY DON'T LIKE, AND THEN BE ABLE TO GO INTO COLLEGE THAT MUCH MORE PREPARED. AS A FORMER ADVISER, AN UNDERGRADUATE ADVISER AT THE UNIVERSITY OF NEBRASKA-LINCOLN, I WORKED WITH A LOT OF STUDENTS WHO CAME IN, DIDN'T REALIZE WHAT THEY LIKED AND WHAT THEY DIDN'T LIKE IN TERMS OF COLLEGE COURSES AND PROFESSIONAL CAREER IN THAT SENSE. AND THEY WASTED A LOT OF TIME AND MONEY FIGURING THAT OUT THAT FIRST YEAR OF COLLEGE. AND THAT'S PRETTY EXPENSIVE. THAT'S FAIRLY COSTLY, ESPECIALLY WITH HOW EXPENSIVE HIGHER EDUCATION IS NOW. SO IT'S IMPORTANT THAT WE GIVE STUDENTS AND SCHOOLS MORE OPPORTUNITIES TO BE ABLE TO TAKE THESE COLLEGE LEVEL COURSES AND FIND WHAT THEY LIKE AND WHAT THEY DON'T LIKE. IN ADDITION, I BELIEVE THAT THIS BILL INCENTIVIZES SCHOOLS TO HAVE MORE RIGOR AND HIGHER STANDARDS BECAUSE THE FUNDING ONLY COMES AFTER THE STUDENT HAS SUCCESSFULLY COMPLETED THE PROGRAM, WHEREAS RIGHT NOW THAT IS NOT THE CASE. SO IT PROVIDES MORE ACCOUNTABILITY IN THAT SENSE. IN REGARD TO THE ARGUMENT THAT THIS IS AN END RUN AROUND TEEOSA, WELL, I FIND THAT ARGUMENT IRONIC COMING FROM SOME OF THE MEMBERS FROM RURAL AREAS WHO DON'T RECEIVE THE EQUALIZATION AID BECAUSE THE REASON WHY THIS

Floor Debate
April 20, 2015

WAS PUT IN WAS SO THAT RURAL SCHOOLS WHO ARE NONEQUALIZED WOULD HAVE THE OPPORTUNITY TO GET SOME OF THIS FUNDING. SO THIS ISN'T AN END RUN AROUND TEEOSA, IT'S JUST MAKING SURE THAT SCHOOLS THAT ARE NOT EQUALIZED HAVE THE OPPORTUNITY, THE SAME OPPORTUNITY AS EQUALIZED SCHOOLS, TO RECEIVE THIS FUNDING. I URGE THE BODY TO SUPPORT LB343 AND THE COMMITTEE AMENDMENTS. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR MORFELD. SENATOR KOLOWSKI, YOU'RE RECOGNIZED. [LB343]

SENATOR KOLOWSKI: THANK YOU, MR. PRESIDENT. I WANTED TO ASSURE EVERYONE THAT THE WORK THAT WENT INTO THIS PLANNING FOR LB343 WAS LONG AND ARDUOUS. IT TOOK US OVER EIGHT MONTHS. WE HAD A COMMITTEE OF A SMALL SCHOOL, MEDIUM-SIZED SCHOOLS, AND SOME OF THE LARGER AREAS REPRESENTED, AND ALL THE AGENCIES AND GROUPS THAT SUPPORT EDUCATION. IF THERE IS A SMELL THAT'S WITH THIS PARTICULAR BILL, IT'S BECAUSE IT'S SOMETHING NEW. IT'S SOMETHING CREATIVE. IT'S SOMETHING THAT IS HEADING IN A DIFFERENT DIRECTION THAN WHAT WE'VE HAD IN THE PAST. AND THERE IS NO DOUBLE-DIPPING. EVEN THE INSINUATION OF THAT IS REPULSIVE TO ME IN THE SENSE THAT NO ONE WOULD DO THAT WITH ANY OF THE PROGRAMS OR POSSIBILITIES THAT WOULD EXIST WITH THESE PARTICULAR COURSES THAT WOULD BE MADE AVAILABLE TO STUDENTS ANYWHERE IN THE STATE. WE HAD A HEARING WHERE THERE WAS NO OPPOSITION. LET ME REPEAT THAT: NO ONE FROM ANY GROUP STOOD UP AND LISTENED TO US AND SAID, NO, THIS ISN'T GOING TO WORK, THIS CAN'T WORK; WE DON'T LIKE IT, TAKE IT AWAY. JON HABBEN FROM THE SMALL SCHOOLS ASSOCIATION IS ALSO A SUPPORTER AND HE BACKED THAT TO THE MAX IN SAYING THAT WITH THE VIDEO POSSIBILITIES THROUGH THE EDUCATIONAL SERVICE UNITS, THE BLENDED PROGRAMS THAT ARE BEING PUT INTO PLACE WILL DELIVERY THESE PROGRAMS TO STUDENTS ALL OVER THE STATE. SO NO MATTER WHAT THE SIZE OF YOUR DISTRICT...AND I HAD LETTERS I RECEIVED FROM SMALL SCHOOL STUDENTS SAYING, I WOULD LOVE TO BE ABLE TO TAKE X, Y OR Z COURSES, AND I HOPE YOUR BILL PASSES BECAUSE THIS WOULD MAKE THAT AVAILABLE TO US. THESE COURSES ARE DIFFERENT AND THESE COURSES AND THIS PROGRAM IS DIFFERENT. THIS BILL IS DIFFERENT BECAUSE IT'S ABOUT THE OPPORTUNITY AND THE PASSING THAT MAKES A DIFFERENCE FOR THESE STUDENTS AND FOR THE DISTRICTS INVOLVED. OUR DISTRICTS ARE STRAPPED. THEY DON'T HAVE THE FUNDING TO BE ABLE TO STRETCH AND DO THE THINGS THEY NEED TO DO OR WOULD LIKE TO DO TO PUT MORE PROGRAMS OF CHALLENGE INTO PLACE. THIS GIVES THEM THAT OPPORTUNITY. AND THE

Floor Debate
April 20, 2015

ISSUES THAT CAME UP ABOUT PROGRAMS PAID THROUGH TEEOSA OR THESE PROGRAMS EXISTING TODAY, THEY DO. THEY DO EXIST IN SOME PLACES BUT NOT EVERYWHERE. AND IT'S ALL ABOUT PASSING THAT MAKES A DIFFERENCE. THE POSTSECONDARY INSTITUTIONS THAT...NO HIGH SCHOOL, NO SCHOOL DISTRICT CAN GIVE COLLEGE CREDIT. YOU MUST HAVE AN AGREEMENT WITH A POSTSECONDARY INSTITUTION IN ORDER TO SET UP A DUAL-ENROLLMENT PROGRAM. THAT CREDIT COMES FROM THE COLLEGE OR UNIVERSITY OR COMMUNITY COLLEGE. AND THE COMMUNITY COLLEGES WERE AT THE TABLE AS WE NEGOTIATED AND WORKED THROUGH THIS ISSUE OVER EIGHT MONTHS. SO WHEN SENATOR GROENE MENTIONS THE COMMUNITY COLLEGES AND WHERE WERE THEY LEFT OUT AND YOUR DISCUSSION OF THE PRESIDENT OF YOUR LOCAL COMMUNITY COLLEGE LAST WEEKEND, THAT'S DIFFERENT THAN WHAT I'VE BEEN TOLD AS FAR AS THE MESSAGE THAT HE WAS GIVING YOU AND THE THINGS THAT WERE COMING ACROSS IN HIS EXPLANATION. THIS IS NEW, THIS IS DIFFERENT, THIS HAS POTENTIALS WAY BEYOND WHERE WE ARE CURRENTLY IN THE STATE OF NEBRASKA WITH OUR ACADEMIC PROGRAMS. AND YOU CAN SEE THE DIFFERENCE THAT THIS BRINGS TO A SCHOOL DISTRICT BY HAVING THE QUALITY INDICATORS OF... [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR KOLOWSKI: ...SUCCESSFUL PASSAGE OF THE MATERIAL MAKING A DIFFERENCE. ONE OF THE THINGS I WOULD ASK ANYONE AS YOU'RE CONSIDERING THIS BILL, WHEN YOU THINK OF THE STUDENTS IN YOUR SCHOOL DISTRICTS, THINK ABOUT WHERE THEY MIGHT BE GOING TO COLLEGE IN THE NEXT YEAR AND THINK ABOUT WHO THEY MIGHT BE SITTING NEXT TO AND WHAT THE PREPARATION OF THAT STUDENT IN THE CHAIR NEXT TO THEM MIGHT BE LIKE. WE WANT TO GIVE OUR STUDENTS ANYWHERE IN NEBRASKA THE SAME OPPORTUNITIES THAT OTHER STUDENTS ARE GETTING IN OTHER STATES AND OTHER REGIONS. AND THIS PROGRAM, THIS BILL, LB343, HAS A POTENTIAL OF DOING THAT TO A HIGHER DEGREE THAN EVER BEFORE IN OUR STATE. IT'S NEW, IT'S DIFFERENT, IT HAS POSSIBILITIES THAT CAN ASSIST US IN MANY, MANY WAYS. WE'LL START WITH THE FIRST FISCAL YEAR OF THAT \$2.5 MILLION. IT'S A TEST CASE TO SEE HOW WELL PEOPLE RESPOND TO IT... [LB343]

SENATOR COASH: TIME, SENATOR. [LB343]

SENATOR KOLOWSKI: ...AND HOW IT MIGHT GROW IN THE FUTURE. THANK YOU, MR. PRESIDENT. [LB343]

Floor Debate
April 20, 2015

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. (VISITORS INTRODUCED.)
SENATOR BRASCH, YOU'RE RECOGNIZED. [LB343]

SENATOR BRASCH: THANK YOU, MR. PRESIDENT, AND THANK YOU, COLLEAGUES. I RISE WITH CONCERNS. AND BASICALLY THE CONCERN THAT I HAVE HERE IS, AS I LOOK AT THE AMENDMENT TO THE COMMITTEE, AM913, AND SEEING WHAT IT REPLACES AND WHAT IT DOES AND FUNDING, I WOULD AGREE WITH SENATOR SULLIVAN ON HER POSITION ON THIS BILL, THAT THE LR COMING FORWARD SHOULD BE LOOKING AT THIS. THE THING I AM STRONGLY IN FAVOR OF AS I DO LOOK AT THIS BILL IS BASICALLY ONE PORTION OF IT THAT I THINK WE NEED TO ADDRESS AND FUND THROUGH CERTAIN MECHANISMS--IS IT THIS, IS IT ANOTHER BILL--ARE THE CAREER ACADEMIES. HOWEVER, I WANT TO MAKE SURE THAT VOCATIONAL TECH, VO-TECH, IS NOT JUST ONE PIECE OF THIS, THAT IT IS VERY STRONG IN A COMPONENT, THAT OUR SCHOOL GRADUATES THAT ARE MOVING FORWARD ARE EXCITED TO MOVE INTO A CAREER IN TECHNOLOGY, IN SERVICE SKILLS. AND IN THE PAST IT'S BEEN--AND I THOUGHT I HEARD IT EARLIER ON THE FLOOR--THAT SOME OF OUR STUDENTS JUST AREN'T COLLEGE READY. WELL, THERE SHOULD NOT BE A STIGMA WITH STUDENTS WHO ARE READY AND GEARED INTO GOING INTO A FIELD SUCH AS WELDING OR ELECTRICAL WORK OR ANOTHER TYPE OF OCCUPATION THAT WE HAVE SUCH SHORTAGES OF AND REQUIRE GREAT SKILLS AND GREAT KNOWLEDGE AND SERVE AN IMPORTANT FUNCTION IN OUR STATE. AND THIS IS WHERE IT SEEMS THAT THIS IS JUST ONE SMALL PORTION OF THIS. I THINK EVERYTHING ELSE IN THE BILL THAT WE DO HAVE COURSES. AND WITH THE MENTION OF THE ESUs, I AM AN ADVOCATE OF OUR ESUs. AND I AM AWARE OF THE ESU FUNDING CHALLENGES, NOT JUST IN NEBRASKA BUT ACROSS THE COUNTRY. NATIONALLY, ESUs HAVE BEGUN TO CONSOLIDATE IN CERTAIN STATES. THEY ARE REGIONAL ESUs. THEY'VE STARTED PROVIDING INSTRUCTION AND TRAINING AND ARE BROKERS OF TECHNOLOGY AND ASSISTING SCHOOLS IN SIGNIFICANT SAVINGS. AND THAT IS A NATIONAL EFFORT, AND I DO REALIZE WE ARE TRYING TO DO THAT IN NEBRASKA, AS WELL. AND IF IT'S A NEED OF FUNDING FOR THE ESUs, THEN WE NEED TO ADDRESS THAT IN A SEPARATE BILL, IF THERE IS A NEED OF BUILDING FUNDS OR OTHER FUNDS. AT THIS POINT, I WOULD LIKE TO SEE MORE INFORMATION, MORE STUDY THAT WILL GO INTO A BILL OF THIS NATURE. BUT I THINK IT FALLS UNDER SENATOR SULLIVAN'S CONCERNS AND I DON'T THINK IT'S ANSWERING THE NEEDS WE HAVE IN BETTER VO-TECH TRAINING, FUNDING, AVAILABILITY, AND USE OF OUR SCHOOL RESOURCES IN HELPING STUDENTS MOVE FROM SCHOOL JOB READY INTO VOCATIONAL TECHNICAL EDUCATION OR WORKING AS AN APPRENTICE IN CERTAIN FIELDS. SO I DO RISE WITH CONCERNS.

Floor Debate
April 20, 2015

I'M NOT SURE THE AMENDMENTS ARE ANSWERING THOSE CONCERNS BUT I WANT TO LISTEN TO MORE INFORMATION. [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR BRASCH: THANK YOU, MR. PRESIDENT. THANK YOU, COLLEAGUES. [LB343]

SENATOR COASH: THANK YOU, SENATOR BRASCH. SENATOR CRAIGHEAD, YOU'RE RECOGNIZED. [LB343]

SENATOR CRAIGHEAD: THANK YOU, MR. PRESIDENT. WOULD SENATOR KOLOWSKI YIELD TO A COUPLE QUESTIONS, PLEASE? [LB343]

SENATOR COASH: SENATOR KOLOWSKI, WILL YOU YIELD? [LB343]

SENATOR KOLOWSKI: ABSOLUTELY. [LB343]

SENATOR CRAIGHEAD: THANK YOU. THIS BILL IS GOOD BECAUSE IT'S RESULTS ORIENTED. A QUESTION THAT I CAN'T SEEM TO FIND ANSWERED: IF STUDENTS DO NOT PASS THE CLASS OR THE COURSE WHO THEN PAYS FOR THE COURSE? [LB343]

SENATOR KOLOWSKI: THE PAYMENT OF THE COURSE WHETHER IT'S BY THE STUDENT OR BY THE SCHOOL DISTRICT, AND IT CAN HAPPEN IN BOTH WAYS DEPENDING ON WHOEVER IS PAYING THE BILL, THAT WOULD REMAIN THE SAME. WE'RE NOT MICROMANAGING DOWN TO SAY THIS MUST BE THE WAY THINGS ARE PAID FOR BY THE PARTICULAR STUDENTS OR THE DISTRICTS. IN SOME DISTRICTS THEIR EDUCATIONAL FOUNDATION PAYS FOR SECONDARY...POSTSECONDARY TRAINING SUCH AS THIS. SO EVERY DISTRICT MIGHT HAVE A DIFFERENT NUANCE AS FAR AS HOW IT GETS PAID FOR, WHETHER YOU'RE IN A PASSING GRADE OR NOT, EVEN THE STUDENTS...IF THEY WERE WORKING TOWARD GETTING THAT PASSING GRADE BUT THEY FALL SHORT OF THAT, THEY WOULD STILL GET CREDIT. THEY MIGHT GET A D IN THE COURSE, IT'S NOT A C AS FAR AS PASSING GRADE, OR B OR AN A, BUT THEY MIGHT SLIP BY WITH A D IF THAT'S WHAT THE GRADING SCALE WOULD BE LIKE WITH A COMMUNITY COLLEGE, A COLLEGE, A UNIVERSITY OR WHEREVER THAT

Floor Debate
April 20, 2015

MIGHT BE. BUT THE PAYMENTS ARE NOT SOMETHING WE'RE SPECIFIC ABOUT. THAT VARIES AS MUCH AS WE HAVE DISTRICTS ACROSS THE STATE. [LB343]

SENATOR CRAIGHEAD: OKAY, THANK YOU. AND HOW ARE THE FUNDS ADMINISTERED? ARE THEY ADMINISTERED ONE TIME A YEAR OR PIECEMEAL? [LB343]

SENATOR KOLOWSKI: YES, THANK YOU. AS SENATOR SULLIVAN HAD MENTIONED, THERE IS ONE DATE IN THE YEAR EARLY IN THE FALL WHEN FUNDING WOULD BE DISBURSED FROM THE GRADES AND SCORES THAT WOULD HAVE BEEN HANDED IN AT THE END OF THE REGULAR SCHOOL YEAR. AND THE STATE DEPARTMENT OF EDUCATION WOULD TOTAL THOSE UP, DIVIDE IT AGAINST THE POOL OF MONEY IN THAT PARTICULAR AREA. FOR OUR FIRST YEAR, WE'RE ASKING AT \$2.5 MILLION. AND SO EVERY PORTION WOULD DEPEND ON HOW BIG THE POOL IS AND HOW MANY KIDS...HOW MANY STUDENTS WERE IN A PASSING CAPACITY. [LB343]

SENATOR CRAIGHEAD: THANK YOU, SENATOR KOLOWSKI. THANK YOU, MR. PRESIDENT. I'LL YIELD MY TIME BACK TO THE CHAIR. [LB343]

SENATOR COASH: THANK YOU, SENATOR CRAIGHEAD. SENATOR SCHUMACHER, YOU'RE RECOGNIZED. [LB343]

SENATOR SCHUMACHER: THANK YOU, MR. PRESIDENT, MEMBERS OF THE BODY. AS I READ THE BILL, IT SETS OUT THREE THINGS THAT ARE SUPPOSED TO GET EXTRA MONEY: CAREER ACADEMY, AS DEFINED IN 79-777, WHICH AS I READ THAT IS VO-TECH EDUCATION; DUAL-ENROLLMENT COURSE WHERE A KID IN HIGH SCHOOL GETS A BONUS OF SOME COLLEGE CREDITS FOR TAKING A HIGH SCHOOL COURSE OR, LOOKING AT IT THE OTHER WAY, A COLLEGE COURSE TAUGHT BY HIGH SCHOOL PERSONNEL; AND A PROGRAM OF EXCELLENCE, WHICH MEANS SOMETHING THAT IS NATIONALLY RECOGNIZED, OFFERED IN HIGH SCHOOL, THAT HAS A CURRICULUM AND A COURSE OF STUDY WITH SOME PROFESSIONAL DEVELOPMENT FOR TEACHERS, AND THEN RIGOROUS ASSESSMENT EXTERNAL TO THE SCHOOL SYSTEM, NONE OF WHICH REALLY IS VERY CLEAR OR DEFINED. AND I THINK YOU COULD PROBABLY MEAN THAT TO MEAN ABOUT ANYTHING YOU WANTED TO MAKE IT MEAN WITHOUT FURTHER DEFINITION. WHAT BOTHERS ME ABOUT THIS MECHANISM OF FUNDING EDUCATION, WHEN YOU TAKE KIDS THAT YOU CAN CUBBYHOLE INTO ONE OF THOSE THREE CATEGORIES AND THEN GIVE OUT MONEY BASED UPON HOW

Floor Debate
April 20, 2015

MANY KIDS AND HOW MANY HOURS, IS THAT WE'RE COMING OUT OF A TIME NOW WHERE THERE'S BEEN A PICNIC, PARTICULARLY IN SCHOOL DISTRICTS THAT HAVE HAD THE HIGHLY APPRECIATING LAND. THE SCHOOL ADMINISTRATORS HAVE COME IN, THEY'VE MADE ALL KINDS OF REQUESTS. THE MONEY HAS BEEN THERE BECAUSE, WELL, THE LAND WENT UP IN VALUE. AND THE BOARDS OF EDUCATION COULD PAT THEMSELVES ON THE BACK SAYING, WE'RE NOT RAISING YOUR TAXES, AND THERE IS A WHOLE BUNCH OF EXTRA MONEY. AND NOW THAT THE AG ECONOMY IS NOT HAVING SUCH GREAT TIMES, THE AG ECONOMY IS SAT WITH THE BILL AND THAT PICNIC IS OVER. SO YOU'VE GOT TO FIND ANOTHER PLACE TO CONTINUE TO FINANCE THESE EXTRA THINGS THAT HAVE BECOME ADDICTIVE. AND IT'S REALLY HARD TO SAY NO. AND SO YOU'VE GOT SCHOOLS THAT ARE LOOKING FOR MONEY. AND YOU'VE GOT A VEHICLE HERE THAT BASICALLY SAYS LET'S PUSH THEM TOWARD VO-TECH. I DON'T SEE ANY ACADEMIC EXCELLENCE REQUIREMENTS IN HERE. I DON'T SEE A SCHOOL GETTING BENEFIT FOR HAVING HIGH SAT OR ACT SCORES. I DON'T SEE A SCHOOL GETTING BENEFIT BASED UPON A NUMBER OF ITS GRADUATES THAT GET ACCEPTED TO TIER ONE AND TIER TWO UNIVERSITIES. I DON'T SEE AN ELEMENT IN HERE FOR EXCELLENCE. WHAT I SEE AN ELEMENT FOR IS, LET'S SEE IF THEY CAN PLOW THEM INTO VO-TECH ORGANIZED THINGS, NOT THAT THERE'S ANYTHING WRONG WITH THAT, BUT I DON'T THINK THAT SHOULD BE A FOCUS OF ADDITIONAL MONEY. AND IF WE CREATE A VEHICLE USING THAT AS A CRITERIA FOR GETTING ADDITIONAL MONEY AND WE'RE TRYING TO FUNNEL OUR KIDS INTO THAT, RATHER THAN MAYBE AT THEIR HIGHEST LEVEL OF EXPECTATION, I DON'T THINK WE'RE DOING THEM A GREAT SERVICE. AND I THINK WE'D BE BETTER OFF LEAVING THOSE DECISIONS TO THE LOCAL SCHOOL BOARDS ACROSS THE STATE AND THE LOCAL DEBATES OF THE CHARACTER THAT WE'RE HAVING HERE. WE'RE LOOKING AT DOWN THE ROAD I WOULD GUESS THIS WILL BE OVER \$10 MILLION A YEAR PROGRAM IF IT GOES FOR VERY LONG AT ALL, AND PROBABLY MORE THAN THAT, AND AN END RUN AROUND TEEOSA, WHICH SENATOR SULLIVAN SEEMS TO FEEL IS NOT THE BEST THING IN THE WORLD. SO I'LL LISTEN TO THE DEBATE AND CONTINUE TO LISTEN TO DEBATE, BUT I AM CONCERNED THAT THIS IS A MECHANISM TO ENCOURAGE OUR SCHOOLS TO FUNNEL PEOPLE INTO VO-TECH OR SOMETHING LESS THAN FULL ACADEMIC EXCELLENCE, AND THAT CONCERNS ME. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR SCHUMACHER. SENATOR HILKEMANN, YOU'RE RECOGNIZED. [LB343]

SENATOR HILKEMANN: THANK YOU, MR. SPEAKER. WHEN I FIRST HEARD ABOUT THIS BILL I THOUGHT, THIS MAKES A LOT OF SENSE. I WENT TO A SMALL HIGH

Floor Debate
April 20, 2015

SCHOOL HERE IN NEBRASKA AND I TAUGHT IN A SMALL HIGH SCHOOL IN NEBRASKA. THIS IS GOING TO GIVE YOUNG PEOPLE AN OPPORTUNITY IN THESE SMALLER SCHOOLS TO GET OPPORTUNITIES THAT WERE AVAILABLE TO MY KIDS WHO WENT TO A MILLARD NORTH TYPE HIGH SCHOOL. AND I'VE HAD SOME OF MY COLLEAGUES AROUND HERE SAY, WELL, OUR SCHOOLS ARE ALREADY DOING IT. WELL, I DON'T THINK YOUR SMALLER SCHOOLS ARE ABLE TO PROVIDE THESE CAREER ACADEMIES THAT WE'RE TALKING ABOUT. SO I'M REALLY SURPRISED THAT THE RESISTANCE TO THIS BILL SEEMS TO BE COMING FROM OUR COLLEAGUES THAT ARE RURAL SENATORS, BECAUSE I THINK THAT...TAKE A LOOK AT THIS. THIS IS GOING TO BE AFFECTING THE SMALLER SCHOOLS THAT DON'T HAVE THAT OPPORTUNITY, DON'T HAVE THE TEACHERS AND THE BACKGROUND THAT CAN PROVIDE THESE ADVANCED TYPE TRAININGS. AND THIS IS NOT JUST FOR COLLEGE PREPARATION. IF YOU LOOK AT IT, IT IS ALSO FOR TECHNICAL CAREERS THAT ARE AVAILABLE AS WELL. AND SECONDLY, WHAT I FIND IS INTERESTING HERE IS THAT WHEN I...AS A PERSON WHO CAN IDENTIFY WITH SMALLER COMMUNITIES, ONE OF THE THINGS THAT I HEAR OVER AND OVER AGAIN FROM THOSE FOLKS IS WE DON'T GET ANY STATE AID. AND I SAY, WELL, ALL SCHOOLS GET STATE AID; YOU JUST DON'T GET EQUALIZATION AID. WELL, THIS IS AWAY FROM THE EQUALIZATION AID. THIS WILL BENEFIT SMALLER SCHOOLS, AS IT WILL THE ENTIRE STATE. SO, SENATORS, TAKE A LOOK AT THIS. I THINK THAT THIS IS A...AS SENATOR KOLOWSKI HAS SAID, THIS IS NEW, IT'S INNOVATIVE, IT'S A WAY THAT WE CAN PROVIDE EXCELLENCE IN EDUCATION FOR THE ENTIRE STATE. SO I ENDORSE THIS LB343. THANK YOU VERY MUCH. [LB343]

SENATOR COASH: THANK YOU, SENATOR HILKEMANN. SENATOR BAKER, YOU'RE RECOGNIZED. [LB343]

SENATOR BAKER: THANK YOU, MR. PRESIDENT. I GET THE IMPRESSION THAT THERE MAY BE SOME PEOPLE THINK THIS IS A SIDESHOW OR EXTRA THINGS. SENATOR KOLOWSKI SPENT ALL OF HIS CAREER--MOST OF IT, I'M NOT SURE--IN THE MILLARD SCHOOL SYSTEM AS A PRINCIPAL, AS ADMINISTRATOR. I HAD A DIFFERENT CAREER PATH. I WAS A SCHOOL SUPERINTENDENT, WORKING MY WAY UP FROM VERY SMALL SCHOOLS INTO A MEDIUM-SIZED DISTRICT. BUT IT SEEMS THAT SENATOR KOLOWSKI AND I BOTH HAVE REACHED THE SAME CONCLUSION TEN YEARS AGO OR A LITTLE BIT MORE ABOUT WHAT SCHOOLS SHOULD LOOK LIKE TODAY. I CAN TELL YOU ABOUT MY VISION OF WHAT SCHOOLS OUGHT TO LOOK LIKE. THERE'S A NEBRASKA CAREER EDUCATION MODEL THAT'S JUST EXCELLENT. I DON'T KNOW IF YOU KNEW THAT OR NOT BUT IT'S RECOGNIZED THROUGHOUT THE COUNTRY AND USED IN OTHER PARTS OF

Floor Debate
April 20, 2015

THE COUNTRY AND NOT JUST NEBRASKA. WHAT'S IMPORTANT NOW IS THAT ALL STUDENTS AT THE MIDDLE SCHOOL LEVEL RECEIVE GOOD INFORMATION ABOUT CAREER EDUCATION, FAMILIARIZATION WITH THE SIX BROAD CAREER AREAS AND NUMEROUS CAREER PATHWAYS THAT EXIST WITHIN EACH BROAD CAREER AREA. THIS IS NOT ABOUT SEPARATING STUDENTS INTO COLLEGE BOUND FROM THOSE THAT ARE VOCATIONAL BOUND. MY POINT OF VIEW IS THAT ALL STUDENTS SHOULD HAVE A CAREER IN MIND AND THEY SHOULD MOVE PURPOSELY THROUGH HIGH SCHOOL TOWARD THEIR DESIRED FUTURE. THERE IS A GALLUP "STRENGTHSFINDER" THAT IS TAILORED FOR MIDDLE SCHOOL-AGED KIDS. THEY TAKE THAT, THEY BECOME FAMILIAR WITH DIFFERENT CAREERS. WE ASKED THAT ALL STUDENTS COMING OUT OF 8TH GRADE HAVE A CAREER PLAN TAILORED TOWARD A SPECIFIC CAREER AREA, KNOWING THAT THERE'S ALL KINDS OF DIFFERENT CAREER PATHWAYS. THERE'S OCCUPATIONS WITHIN THOSE BROAD CAREER AREAS THAT DON'T EVEN EXIST TODAY. BUT IF THEY CAN NARROW IT DOWN BASED ON THEIR STRENGTHS AND INTERESTS TO THE CAREER AREA THEY WANT TO PURSUE A FUTURE IN, THAT'S WHAT'S IMPORTANT. WHEN THEY TAKE THEIR...THEY KNOW THEN, GIVEN THEIR PREFERRED FUTURE, WHAT COURSES THEY MUST TAKE IN HIGH SCHOOL. AND WE ALSO ASK THEM TO COME OUT OF 8TH GRADE WITH A SIX-YEAR EDUCATION PLAN. WE TOLD OUR STUDENTS THAT A HIGH SCHOOL DIPLOMA IS NOT ENOUGH ANYMORE. AND THAT'S TRUE PROBABLY FOR 99 PERCENT OF THE KIDS. IT'S FOR ALL STUDENTS ADVANCING TOWARD A PREFERRED FUTURE. IT MAY LEAD TO A ONE-YEAR CERTIFICATION. IT MAY LEAD TO A TWO-YEAR COMMUNITY COLLEGE DEGREE. IT MAY BE A CAREER THAT REQUIRES A FOUR-YEAR DEGREE OR EVEN BEYOND. BUT I THINK THINGS MOVE SORT OF IN THE ANALOGY OF AN INCHWORM. YOU KNOW, AN INCHWORM, THE HEAD MOVES FORWARD, THE MIDDLE CURLS UP, AND EVENTUALLY THE TAIL IS DRAGGED FORWARD. I THINK WHAT LB343 PROPOSES IS TO MOVE EDUCATION IN THE DIRECTION THAT ALL SCHOOLS SHOULD BE AND THE TAIL END WILL EVENTUALLY FOLLOW. AND THIS WILL BECOME A MODEL FOR NOT SOMETHING EXTRA, NOT A SIDESHOW, BUT PART AND PARCEL OF WHAT SCHOOLS NEED TO BE TODAY. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR BAKER. SENATOR GROENE, YOU'RE RECOGNIZED. [LB343]

SENATOR GROENE: THANK YOU, MR. PRESIDENT. AS I SAID EARLIER, GREAT PROGRAMS. YOU KNOW, GET THE BRIGHT KIDS A CHANCE TO START ON THEIR COLLEGE EDUCATION. THE POINT IS THEY'RE ALREADY DOING IT. AND AS SENATOR HILKEMANN...I DON'T KNOW HIS AGE BUT I GRADUATED FROM HIGH SCHOOL IN 1973. IT AIN'T 1973. ALL OF THE SMALL SCHOOL DISTRICTS OUT

Floor Debate
April 20, 2015

THERE ARE DOING THIS. THEY'RE DOING IT JUST LIKE THE MILLARDS AND THE WESTSIDES, BUT IT'S BEING DONE WITHIN THEIR STANDARD BUDGETS, THEIR OPERATING BUDGETS. IT'S AN EXTRACURRICULAR ACTIVITY AND THEY'RE WORKING WITH THEIR COMMUNITY COLLEGES AND THEY'RE WORKING WITH THEIR STATE COLLEGES. IT'S ALREADY BEING DONE. THIS IS JUST CHASING THE MONEY, BASICALLY, IS WHAT IT IS. AT THE HEARING, HERE'S WHO WAS FOR IT WHEN IT WAS GOING TO COME THROUGH THE GENERAL FUND: MILLARD PUBLIC SCHOOLS, THE ELMWOOD-MURDOCK SCHOOLS, SCHOOLS TAKING ACTION FOR NEBRASKA CHILDREN, KEARNEY PUBLIC SCHOOLS, EDUCATIONAL SERVICE UNIT COORDINATING COUNCIL, NEBRASKA RURAL COMMUNITY SCHOOLS ASSOCIATION, METROPOLITAN COMMUNITY COLLEGE, GREATER NEBRASKA SCHOOLS ASSOCIATION, NEBRASKA COUNCIL OF SCHOOL ADMINISTRATORS, NEBRASKA ASSOCIATION OF SCHOOL BOARDS, NEBRASKA STATE EDUCATION ASSOCIATION. IT'S A NO-BRAINER. IF YOU SURVIVE ON TAX DOLLARS AND SOMEBODY IS GOING TO THROW SOME MORE TAX DOLLARS AT YOU, ARE YOU GOING TO SAY NO? EVERY ONE OF THESE ORGANIZATIONS SAID, NO, WHEN WE TOLD THEM IT HAD TO GO...WE THOUGHT IT SHOULD GO THROUGH THE TEEOSA FORMULA. WHEN IT WAS FREE MONEY FOR EXISTING PROGRAMS, THEY WANT THE FREE MONEY. I'M NOT CRITICIZING THEM; JUST TRYING TO EXPLAIN THE OBVIOUS, WHY THEY SUPPORTED THIS BILL. IT'S EXTRA MONEY. YES, MY COMMUNITY COLLEGE PRESIDENT TOLD ME AT THE END OF THE DAY, I DO SUPPORT LB343 BECAUSE WE'RE GOING TO GET EXTRA MONEY. HE'S DOING HIS JOB. BUT HE DIDN'T UNDERSTAND WHY IT WAS NEEDED BECAUSE THEY WERE ALREADY FUNDING IT, THE SCHOOL WAS FUNDING IT, THROUGH THE TUITION. THE STUDENTS WERE CHARGED \$98 PER CREDIT HOUR. NOW, SENATOR SCHNOOR...I RAMBLE ON BUT HE'S A COUNTRY BOY BETTER THAN I AM, HE CUTS RIGHT TO THE POINT. AND IN COMMITTEE HE SAID, WELL, WAIT A SECOND. OUR STATE CONSTITUTION SAYS WE SUPPLY A FREE EDUCATION K THROUGH 12. THAT'S IT. THAT'S WHY WE HAVE A 66 PERCENT INCREASE IN PROPERTY TAXES, 48 PERCENT IN TEEOSA, BECAUSE WE AS CITIZENS SUPPLY A FREE EDUCATION TO K THROUGH 12 EDUCATION. WE ARE NOT REQUIRED TO START PAYING FOR DUAL CLASSES, COLLEGE CLASSES, THROUGH OUR FUNDING THROUGH PUBLIC SCHOOLS. A COUPLE OF POINTS: THERE ALREADY IS, AND IT'S GOING TO BE FUNDED SOMEWHAT AGAIN THIS YEAR, THE ACE GRANT PROGRAM FOR KIDS IN POVERTY, ACCELERATED OR ACCESS TO COLLEGE EDUCATION GRANT. SO WE HAVE AN ACCESS THERE WITH SOME OF THESE FEES FOR THESE HIGHER EDUCATION COURSES ARE COVERED THROUGH A GRANT PROGRAM. DISTANCE LEARNING, YES, IT'S PART OF LB343. IT USED TO BE PART OF THE GAMBLING MONEY THAT WE PUT INTO EDUCATION. WE CAME OUT WITH 20 PERCENT, THANKS TO SENATOR SCHEER'S HELP, TOWARDS DEPARTMENT OF EDUCATION

Floor Debate
April 20, 2015

INNOVATIVE GRANTS. THOSE SCHOOLS WHO WERE GETTING DISTANCE LEARNING GRANTS CAN NOW GO TO DEPARTMENT OF EDUCATION, PUT IN FOR A GRANT THROUGH THE INNOVATIVE GRANT FUND THAT WE PUT INTO THE LOTTERY MONEY. THERE'S THE RIGHT WORD; GAMBLING IS A GENERIC TERM. BUT... [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR GROENE: ...WE HAVE NOT LEFT ANYBODY OUT. EVERYBODY IS COVERED. THIS IS JUST AN ATTEMPT FOR MORE MONEY AND GOD BLESS THEM, I DON'T BLAME THEM. BUT WE'VE NOT BEEN STINGY, THIS BODY OR THE PEOPLE OF NEBRASKA, WITH WHAT WE'VE GIVEN PUBLIC EDUCATION IN TAX DOLLARS OVER THE LAST DECADE OR FURTHER ON FROM THAT. WE HAVE DONE WELL. WE DON'T NEED AN END RUN. LET'S KEEP THE FUNDING UNDER THE TEEOSA FORMULA AND LET'S CORRECT THE TEEOSA FORMULA. THAT'S WHAT WE NEED TO DO. AND AS SENATOR SULLIVAN DO, WE'LL ATTEMPT TO DO THAT THIS SUMMER WITH A JOINT VENTURE BETWEEN THE REVENUE COMMITTEE AND THE EDUCATION COMMITTEE TO LOOK AT WHERE THAT POOL OF MONEY COMES FROM. BUT THAT'S ANOTHER ISSUE. THIS IS NOT NECESSARY. EVERY SCHOOL DISTRICT IS ALREADY DOING IT. AND IF THEY AREN'T, THEN THEY NEED A NEW ADMINISTRATOR BECAUSE THE MONEY IS THERE; 66 PERCENT MORE IN PROPERTY TAXES, 48 PERCENT MORE IN TEEOSA OVER THE LAST DECADE. THE MONEY IS THERE. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR GROENE. SENATOR KOLOWSKI, YOU'RE RECOGNIZED. [LB343]

SENATOR KOLOWSKI: THANK YOU, MR. PRESIDENT. TALKING WITH SENATOR SCHUMACHER BACK HERE, I JUST WANTED TO CLARIFY WITH HIS COMMENTS THAT WITHIN THE BILL ITSELF, THE LISTING OF THE TYPES OF HONORS OR CHALLENGING, DIFFICULT PROGRAMS LIKE ADVANCED PLACEMENT OR INTERNATIONAL BACCALAUREATE OR EVEN THE DUAL-ENROLLMENT CLASSES, THOSE CANNOT BE STATED OR COULD NOT BE STATED DIRECTLY IN THE WRITING OF THE BILL, AS WE WERE TOLD, BECAUSE THAT WOULD BE SPECIFICALLY ADVERTISING A CERTAIN BRAND NAME OF TYPE OF COURSES. BUT THOSE ARE THE COURSES THAT WE'RE TALKING ABOUT IN THE HONORS OR THE HIGHER LEVEL COURSES THAT A STUDENT WOULD BE TAKING. THEY'RE THE ONES THAT ARE AVAILABLE. THEY'RE THE ONES THAT UNIVERSALLY ARE TAKEN ACROSS THE BOARD IN HIGH SCHOOLS ACROSS THE STATE. SENATOR

Floor Debate
April 20, 2015

SCHUMACHER'S COMMENT WAS RIGHT ON TARGET, BUT ALSO VERY TELLING. WE SPENT A GREAT DEAL OF TIME IN OUR COMMITTEE TRYING TO MAKE SURE THAT WE HAD STRONG COMPONENTS FOR THE CAREER AWARENESS AREAS THAT WE WOULD WANT STUDENTS TO BE LOOKING AT AND WORKING TOWARD AS THEY EXAMINE WHAT THEY MIGHT DO IN A CAREER PATH, NOT JUST A COLLEGE PATH. SO THIS IS ABOUT COLLEGE AND CAREER AWARENESS AND READINESS. SO WHAT ABOUT ELECTRICIANS, PLUMBERS, WELDERS, CARPENTERS, TECHNICAL REPAIRMEN, CENTER-PIVOT REPAIRMEN, OR ANYONE WHO'S WORKING IN THE SEED MANUFACTURING AREAS LIKE OUT IN GOTHENBURG. WE SAW THE MONSANTO PLANT OUT THERE IN ONE OF OUR STOPS. THOSE KIND OF PROGRAMS AND THOSE KIND OF POSSIBILITIES WITH STUDENTS ARE AVAILABLE WHEN THEY TAKE SOME OF THE ACADEMIES OR SOME OF THE DIRECTIONS THAT WOULD OPEN UP THOSE PARTICULAR CAREERS. WE WERE TRYING TO BALANCE SOMETHING OUT BETWEEN THE HIGHER LEVEL OPPORTUNITIES FOR STUDENTS--AGAIN, YOU CANNOT MENTION...SHOULD NOT MENTION THOSE SPECIFIC TOPICS OR COMPANIES LIKE ADVANCED PLACEMENT IN THE BILL ITSELF--BUT IT MEANT THOSE PARTICULAR TYPES OF PROGRAMS. AND THEN DUAL ENROLLMENT IS VERY COMMON, VERY PREVALENT ACROSS THE STATE, BUT WHAT IS NOT PREVALENT IS THE STANDARD OF A PASSING GRADE TO BE ABLE TO MOVE ON TO THE NEXT LEVELS WITH THOSE PASSING GRADES AND SEEK REIMBURSEMENT TO YOUR PARTICULAR DISTRICT. IT'S REALLY IMPORTANT THAT WE UNDERSTAND THAT OUR BILL IS ABOUT...AND THE APPROPRIATION FOR THIS IS A \$2.5 MILLION FIRST-YEAR OPPORTUNITY--\$2 MILLION FOR THE LB343 AND A HALF MILLION FOR THE DISTANCE EDUCATION. MORE THAN ANYTHING ELSE WITH THIS PARTICULAR BILL, IT'S ABOUT OPPORTUNITIES FOR SMALL SCHOOLS. THE LETTERS I RECEIVE FROM STUDENTS DOING A CIVICS PROJECT, AND WRITING THAT THEY WISH THEY HAD THIS BILL RIGHT NOW BECAUSE THEY WOULD HAVE LIKED TO HAVE TAKEN SOME OF THE COURSES THAT WOULD HAVE BEEN AVAILABLE, ARE REALLY IMPORTANT. EQUALIZED OR NONEQUALIZED SCHOOLS ARE EQUALLY...HAVE THE OPPORTUNITY TO TAKE ADVANTAGE OF THIS PARTICULAR BILL AND THESE PROGRAMS. WE CAN'T SAY THAT ENOUGH AS FAR AS THE DRILLING HOME THE OPPORTUNITY FOR THIS TO BE AVAILABLE TO ALL STUDENTS ACROSS THE ENTIRE SPECTRUM OF OUR STATE. ONE OF THE ADVANTAGES OF ONE OF THE COURSES...I'LL TELL YOU ABOUT ONE THAT I'M VERY FAMILIAR WITH. IN A DISTRICT UP IN THE OMAHA AREA, PAPPILLION SCHOOLS SHARED THIS WITH ME. IN AP AND DUAL ENROLLMENT THEY HAVE OVER 300 STUDENTS INVOLVED IN THEIR TWO HIGH SCHOOLS. THEY HAVE 11 ACADEMIES WITH OVER 200 STUDENTS INVOLVED. NOW, HOW MANY OF THOSE STUDENTS WOULD ALSO BE SHOOTING FOR THE PARTICULAR GRADES THEY WOULD GET THAT WOULD

Floor Debate
April 20, 2015

BRING SOME ADDITIONAL MONEY BACK TO THEIR DISTRICT? THAT'S UNKNOWN.
[LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR KOLOWSKI: WE NEED TO SEE HOW THOSE GRADES WOULD RUN OUT AS THEY WOULD FINISH THEIR ACADEMIC YEAR. BUT THOSE ARE GOOD NUMBERS. THOSE HAPPEN IN THE METRO AREA, BUT THEY ALSO TAKE PLACE IN SMALL DISTRICTS. THE DUAL ENROLLMENT WITH COMMUNITY COLLEGES AND SOME OF THE COLLEGES AND UNIVERSITIES ACROSS THE STATE ARE ALSO PREVALENT. THIS GIVES STUDENTS A CHANCE TO MAXIMIZE BY DOING THE VERY BEST THEY CAN AND TAKING THE HARDER COURSES IN THEIR JUNIOR AND SENIOR YEAR. AS A HIGH SCHOOL PRINCIPAL FOR OVER 15 YEARS, WHAT YOU WANT TO TRY TO DO IS MAXIMIZE THE FULL SCHEDULE OF A STUDENT BUT ESPECIALLY THAT JUNIOR AND SENIOR YEAR... [LB343]

SENATOR COASH: TIME, SENATOR. [LB343]

SENATOR KOLOWSKI: ...WHEN THEY HAVE THE READINESS TO GO TO COLLEGE.
[LB343]

SENATOR COASH: THANK YOU. [LB343]

SENATOR KOLOWSKI: TIME? [LB343]

SENATOR COASH: TIME. [LB343]

SENATOR KOLOWSKI: THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. SENATOR DAVIS, YOU'RE RECOGNIZED. [LB343]

SENATOR DAVIS: THANK YOU, MR. PRESIDENT AND COLLEAGUES. I RISE IN SUPPORT OF THIS BILL AND THE AMENDMENTS. SO I WANT TO TALK A LITTLE BIT ABOUT MY DISTRICT, WHICH IS 21 PERCENT OF THE STATE. I THINK YOU'VE ALL HEARD ME SAY THAT A MILLION AND ONE TIMES. AND IT'S 16 DIFFERENT SCHOOL DISTRICTS FROM ABOUT 25 KIDS IN HIGH SCHOOL UP TO AROUND 1,200 I

Floor Debate
April 20, 2015

THINK. SO OF ALL MY DISTRICTS, MY 16 DISTRICTS, I'VE GOT 10 THAT ARE VERY SMALL, AND 6 THAT GO UP FROM THERE, 2 OR 3 CLASS Cs AND THEN 2 Bs. SO OF THOSE DISTRICTS, ALMOST ALL ARE UNEQUALIZED DISTRICTS. SO EVERYTHING THAT THEY DO, EVERY DOLLAR THAT THOSE UNEQUALIZED DISTRICTS DO THEY WEIGH IT OUT PRETTY CAREFULLY BECAUSE THEY KNOW IT'S GOING TO BE A TAXPAYER BURDEN FOR THEM. SO WHEN SENATOR KOLOWSKI VISITED WITH ME ABOUT THIS BILL THIS SUMMER I WAS VERY INTRIGUED WITH IT. AND ONE OF MY BIGGEST CONCERNS ABOUT IT WAS I WANTED THIS PROJECT TO BE OUTSIDE TEEOSA SO THAT EVERY STUDENT IN THE STATE COULD BENEFIT. SO I'LL TALK A LITTLE BIT ABOUT HYANNIS HIGH SCHOOL, WHICH IS MY HOME HIGH SCHOOL, AND HOW THAT SCHOOL HAS PROGRESSED OVER THE LAST SEVERAL YEARS AND WHAT'S HAPPENED THERE, BECAUSE I THINK IT'S INDICATIVE OF WHAT HAPPENS IN A LOT OF THE SMALL SCHOOLS. SO WE BUILT OUR NEW SCHOOL IN 1970 AND IT HAD A BEAUTIFUL WOOD SHOP AND A BEAUTIFUL SHOP. AND WE HAD A VERY TECH-FOCUSED EDUCATIONAL PROCESS AT THAT TIME. AND AS TIME WENT ON AND WENT ON, THINGS CHANGED. WE STARTED PUSHING EVERYONE TOWARDS AN ACADEMIC CAREER AND WE REALLY MOVED AWAY AND ABANDONED A LOT OF WHAT WE WERE DOING AT HYANNIS. WE ABANDONED THE WOOD SHOP FOR MANY, MANY YEARS. THE METAL SHOP GOT DOWN TO JUST A FEW WELDERS AND THAT WAS ABOUT THE SIZE OF IT. AND WE HAD A REALLY GREAT VO-AG PROGRAM WHICH WAS WONDERFUL. BUT THOSE TECHNICAL TRADES WERE NOT THERE. EVERYWHERE YOU GO ACROSS THE STATE YOU HEAR CONSTANTLY, WE NEED MORE PEOPLE WHO ARE TRAINED IN THE TRADES. SO THAT'S WHAT A CAREER ACADEMY IS ALL ABOUT. AND IT TAKES RESOURCES TO DO THAT. YOU KNOW, I'M DISAPPOINTED THAT THE EDUCATIONAL GURUS IN THE STATE HAVE GEARED EVERYONE TOWARDS A FOUR-YEAR COLLEGE DEGREE BECAUSE, HONESTLY, WE'VE GOT TOO MANY COLLEGE DEGREES IN MANY RESPECTS. IF YOU'VE GOT A DEGREE IN HISTORY LIKE I DO, THERE ISN'T A WHOLE LOT YOU CAN DO WITH IT. I'D HAVE BEEN BETTER OFF IF I HAD GONE TO SCHOOL IN AN ANIMAL SCIENCE CAREER AND GOTTEN INTO DOING THAT. I LOVE MY HISTORY, BUT THAT IS JUST A FACT. SO THE CAREER ACADEMY PART OF THIS TO ME IS VERY IMPORTANT. AND THAT'S WHY I SUPPORT IT. I SUPPORT IT STRONGLY BECAUSE IT'S OUTSIDE TEEOSA. AND IT WILL DO A LOT OF GOOD FOR SCHOOLS WHO ARE STRETCHED FINANCIALLY AND HONESTLY CAN'T AFFORD TO HIRE A SHOP TEACHER OR A WOOD SHOP TEACHER BECAUSE THEY JUST DON'T HAVE THE ABILITY. SO IF THEY ARE GOING TO BE ABLE TO GET SOME REVENUE, IT INCENTIVIZES THEM TO COOPERATE AND DO SOMETHING GOOD AND THAT'S WHAT WE'RE GOING TO DO. THIS IS ABOUT EDUCATING OUR KIDS. I THINK THIS IS A GOOD BILL. THE ACADEMIC RIGOR PART OF IT, I STRONGLY SUPPORT. THAT IS SOMETHING THAT WE CAN DO

Floor Debate
April 20, 2015

IN EVERY DISTRICT IN THE STATE IF WE WORK HARD AT IT AND TELL OUR KIDS, YOU CAN DO BETTER, YOU CAN WORK HARDER, YOU CAN MAKE SOMETHING OF YOURSELF. AND HERE IS A WAY TO DO IT, THROUGH THESE PROGRAMS THAT ARE BEING PUT FORWARD BY SENATOR KOLOWSKI'S GREAT BILL. SO I'M WHOLEHEARTEDLY BEHIND THE BILL, HAVE BEEN FROM THE GIT-GO. AND I'D URGE THE BODY TO SUPPORT IT FROM HERE ON OUT. THANK YOU, MR. PRESIDENT. [LB343]

SENATOR COASH: THANK YOU, SENATOR DAVIS. SENATOR SCHEER, YOU'RE RECOGNIZED. [LB343]

SENATOR SCHEER: THANK YOU, MR. PRESIDENT. I RISE JUST MORE FROM AN INFORMATIONAL STANDPOINT. SENATOR SCHUMACHER MADE THE COMMENT THAT A COUPLE YEARS AGO EVERYTHING WAS GOOD IN THE WORLD BECAUSE AG PRICES, BOTH FROM THE GROUND PERSPECTIVE WERE UP BUT AS WELL AS THE PRODUCT WAS UP. BUT THAT'S...AND SO SCHOOLS HAD TONS OF MONEY AND NO ONE WAS WORRIED ABOUT IT BUT NOW THAT COMMODITY PRICES HAVE FALLEN, THE SCHOOLS ARE ON HARD TIMES. WELL, THE FACT OF THE MATTER IS EVERY SCHOOL DISTRICT HAS A LID EXPENDITURE, BOTH FROM RECEIPTS AND EXPENDITURES. SO REGARDLESS OF HOW FAST THEIR VALUATIONS HAVE GONE UP OR GONE DOWN THEY CAN ONLY SPEND X PERCENT MORE EACH YEAR. THEY CAN ONLY RECEIVE SO MUCH PERCENT MORE EACH YEAR. SO THERE HASN'T BEEN HUGE WINDFALLS, AT LEAST FOR K-12 EDUCATION, SIMPLY BECAUSE OF INCREASED VALUATION. HAVING SAID THAT, THE BILL DOES SPECIFICALLY OPEN THESE FUNDING FOR SMALLER RURAL SCHOOLS. AND I THINK IF WE ARE GOING TO BE HONEST WITH OURSELVES, WHEN YOU LOOK AT THE SMALLER SCHOOLS THEY ARE USUALLY OFFERING...A TEACHER IS NORMALLY HAVING TO TEACH TWO OR THREE SUBJECTS. THEY WOULD HAVE A MATH INSTRUCTOR, SO THAT MATH INSTRUCTOR MAY HAVE TO DO ADVANCED MATH, CALCULUS, ALGEBRA, AND GEOMETRY, ALL PART OF THAT. BUT THEY MAY NOT BE QUALIFIED TO TEACH AN AP CLASS. AND SO WHEN A STUDENT OR MAYBE ONE OR TWO STUDENTS WANT TO TAKE THAT CLASS, THEY'RE GOING TO HAVE TO GO OUTSIDE THAT. JUST BECAUSE THOSE TWO WANT TO TAKE THAT CLASS DOESN'T MEAN THAT THEY STILL AREN'T GOING TO OFFER THEIR REGULAR CLASSES. SO IT DOES COST MORE MONEY FOR THE SCHOOL DISTRICTS TO HAVE THIS EXPANDED OPPORTUNITY, ESPECIALLY FOR THE SMALLER SCHOOL DISTRICTS. I THINK IT'S PROBABLY A FAIR STATEMENT TO SAY THAT SMALLER SCHOOL DISTRICTS WILL HAVE A HARDER TIME PARTICIPATING IN CAREER ACADEMIES. I THINK LAND AND FACILITIES WILL HAVE A LOT TO PLAY WITH THAT. SOME OF THEM THAT ARE CLOSER TO EITHER

Floor Debate
April 20, 2015

A COMMUNITY COLLEGE CAMPUS OR A LARGER SCHOOL DISTRICT PROBABLY DO HAVE A BETTER CHANCE THAN THOSE IN THE MORE RURAL AREAS, NOT TO SAY THAT IT CAN'T BE DONE. AND SENATOR DAVIS IS RIGHT ON TARGET TO THE EXTENT THAT 20 YEARS AGO EDUCATION DECIDED THAT WE DIDN'T NEED THE TECHNICAL, INDUSTRIAL ARTS. EVERYBODY GOT AWAY FROM THE INDUSTRIAL ARTS, THE WELDING, THE AUTO MECHANICS, THE WOODWORKING. I KNOW IN NORFOLK WHEN I WAS STILL ON THE BOARD WE HAD TO BEG SOMEBODY TO COME TO TOWN JUST TO PROVIDE THE INDUSTRIAL ARTS IN THE JUNIOR HIGH. WE COULDN'T EVEN FIND SOMEBODY. WE LITERALLY HAD TO GO OUT AND TRY TO FIND SOMEBODY TO EVEN APPLY FOR THE POSITION. THANKFULLY THEY RECEIVED A QUALITY, COMPETENT PERSON, BUT THEY ARE FEW AND FAR BETWEEN. SO NOW AS WE START TO RAMP UP TO DECIDE THAT THIS IS AN IMPORTANT PART OF EDUCATION AGAIN, WHICH I AGREE, AND I DON'T DISAGREE THAT WE DON'T NEED EVERYONE TO GO TO A COLLEGE AND GET A UNIVERSITY DEGREE. BUT WE DO HAVE TO BE ABLE TO PROVIDE THOSE OTHER ALTERNATIVE COURSES TO STUDENTS AND NOT JUST IN THE LARGER SCHOOL DISTRICTS THAT MAY ALREADY BE DOING THAT,... [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR SCHEER: ...WHICH I DON'T DISAGREE, BUT SOME OF THOSE SMALL DISTRICTS CERTAINLY ARE NOT. AND IN ORDER FOR THEM TO DO THAT THEY WILL NEED TO HAVE SOME TYPE OF COMPENSATION AVAILABLE TO THEM TO GO PAST THEIR BUDGET LIMITATIONS BECAUSE THEY'VE GOT THEIR HANDS FULL PROVIDING AN EDUCATION REQUIRED BY THE DEPARTMENT OF EDUCATION TO THE STUDENTS THAT THEY ALREADY HAVE ON HAND, LET ALONE SOMETHING ADDITIONAL. JUST A LITTLE FOOD FOR THOUGHT. THANK YOU, MR. PRESIDENT. [LB343]

SENATOR COASH: THANK YOU, SENATOR SCHEER. SENATOR MELLO, YOU'RE RECOGNIZED. [LB343]

SENATOR MELLO: THANK YOU, MR. PRESIDENT, MEMBERS OF THE LEGISLATURE. I'M GOING TO SPEAK TO THE UNDERLYING COMMITTEE AMENDMENT, AM913, TO LB343. IT MAKES A CHANGE IN REGARD TO WHAT ORIGINALLY WAS BEING PROPOSED UNDER THE BILL IN REGARD TO THE FINANCING OF THE COLLEGE AND CAREER READINESS CREDENTIALING AND PROGRAM COMPLETION COMPONENT OF THE UNDERLYING POLICY. OVERALL I THINK IT'S A GOOD POLICY. I'VE HEARD SOME MEMBERS ON THE FLOOR HAVE CONCERNS IN THE

Floor Debate
April 20, 2015

SENSE OF WHETHER OR NOT THE GENERAL EDUCATION POLICY WE HAVE IN THE UNDERLYING BILL IS WHETHER OR NOT IT NEEDS TO FLOW IN TEEOSA OR WHY WE'RE TRYING TO DO MAYBE A BACKDOOR WAY OF TRYING TO PROVIDE MORE FUNDING FOR TEEOSA-EXPECTED ALLOWANCES OR POLICIES. AND THE WAY I UNDERSTOOD THIS FROM SENATOR KOLOWSKI IS THAT...AND FROM SENATOR SULLIVAN ON THE EDUCATION COMMITTEE TO THAT EXTENT, IT WAS...THE COMPROMISE THAT CAME OUT OF THE COMMITTEE WAS TO ENSURE THAT IT DIDN'T GO INTO TEEOSA FORMULA SO THAT EVERY SCHOOL DISTRICT IN THE STATE COULD HAVE THE OPPORTUNITY IF THEIR STUDENTS WERE ENGAGED IN A MEANINGFUL COLLEGE OR CAREER READINESS PROGRAM THAT LED TO A CERTIFICATION OR A CREDENTIAL, THAT THAT SCHOOL DISTRICT WOULD GET REIMBURSED FOR THAT. THAT'S NOT THE WAY, OBVIOUSLY, TEEOSA WORKS BECAUSE NOT EVERY SCHOOL DISTRICT RECEIVES ALL COMPONENTS OF TEEOSA AID AS WE ALL ARE WELL AWARE OF THAT IN THE ONGOING DEBATE AND DISCUSSION REGARDING PUBLIC EDUCATION FINANCING IN THE STATE. SO IN THAT SENSE, I WANT TO APPLAUD THE EDUCATION COMMITTEE OF TRYING TO TAKE SENATOR KOLOWSKI'S IDEA AND MAKING SURE THAT IT APPLIES TO EVERY SCHOOL DISTRICT IN THE STATE OUTSIDE OF TEEOSA TO ENSURE THAT EVERY SCHOOL DISTRICT HAS THE AMPLE OPPORTUNITY IF THEY HAVE COLLEGE OR CAREER READINESS PROGRAMS TO QUALIFY FOR THOSE SUCCESSFUL COMPLETIONS. THE FISCAL NOTE WILL CHANGE WITH THE ADOPTION OF THE COMMITTEE AMENDMENT, WHICH SENATOR KOLOWSKI TAKES A STAIRSTEPPED APPROACH OF FINANCING THE UNDERLYING BILL WITH \$2 MILLION THE SECOND YEAR OF THE BIENNIUM; THE NEXT BIENNIUM, THAT WOULD BE THREE YEARS FROM NOW, IT WOULD THEN GO UP TO \$5 MILLION THE FIRST YEAR; \$7 MILLION THE SECOND YEAR; AND THEN \$10 MILLION THE FOURTH YEAR, SO TO SPEAK, IN THE OUT-OUT BIENNIUM. THAT OBVIOUSLY PROCESS, COLLEAGUES, I'LL LET EVERYONE KNOW THAT IS LEFT UP TO THE APPROPRIATIONS PROCESS. ARGUABLY THE APPROPRIATIONS COMMITTEE AND THE LEGISLATURE TRIES TO FULFILL THAT INTENT EVEN THOUGH THAT INTENT IS WELL OUTSIDE OF OUR BIENNIAL BUDGETING PROCESS. IF THAT'S THE ARGUMENT AND THAT'S THE DEBATE WE WANT TO HAVE, THAT'S A WHOLE OTHER ISSUE AND THAT ARGUABLY IS LEFT UP TO FUTURE LEGISLATURES TO MAKE THAT CONSIDERATION. AS SENATOR KOLOWSKI MAY HAVE SAID ON THE MIKE--AND I'VE BEEN WORKING ON ANOTHER BILL AS WELL--WE CAN'T BIND THE HANDS OF A FUTURE LEGISLATURE IN RESPECT TO THE INTENT LANGUAGE WHAT WE WILL APPROPRIATE. ARGUABLY THE DEPARTMENT OF EDUCATION, IF THIS BILL PASSES AND BECOMES LAW, THEY WILL COME IN, IN 2017, AND ASK FOR AN APPROPRIATION OF \$5 MILLION THE FIRST YEAR, \$7 MILLION THE SECOND YEAR TO FULFILL THE INTENT OF WHAT IS IN AM913, THE COMMITTEE

Floor Debate
April 20, 2015

AMENDMENT. I THINK THE OVERALL POLICY IS LONG OVERDUE IN REGARD TO THE DISCUSSION OF WHAT WE WANT TO SEE AS A STATE IN RESPECT TO CAREER EDUCATION AND COLLEGE READINESS AND HOW WE TIE THOSE TWO EFFORTS TO COMPLETION AND HOW WE TIE THOSE TWO EFFORTS TO ACTUAL CREDENTIALS OR CERTIFICATES. THE STATE IS NOT SIMPLY PROVIDING APPROPRIATION TO HOPE THAT SOMETHING GOOD HAPPENS. THE STATE IS PROVIDING APPROPRIATION ON SUCCESSFUL COMPLETION, WHICH IS I THINK A GOOD POLICY SHIFT WE SHOULD CONSIDER IN THE UNDERLYING BILL. THANK YOU, MR. PRESIDENT. [LB343]

SENATOR COASH: THANK YOU, SENATOR MELLO. SENATOR FRIESEN, YOU'RE RECOGNIZED. [LB343]

SENATOR FRIESEN: THANK YOU, MR. PRESIDENT. WHEN I HEAR THE DISCUSSION AS FAR AS BUDGET GOES, HERE WE'RE GOING TO CREATE PROGRAMS I GUESS THAT THEY GET REIMBURSED FOR. BUT SOMEWHERE THESE SCHOOLS ARE GOING TO HAVE TO COME UP WITH SOME FUNDING TO ADDRESS THAT BEFORE THEY GET REIMBURSEMENT. MY EXPERIENCE IN...I GRADUATED IN 1973 ALSO, WITH A LESS THAN STELLAR PERFORMANCE IN MY REPORT CARD. AND I DECIDED TO GO TO SOUTHEAST COMMUNITY COLLEGE IN MILFORD WHICH FIT ME RATHER WELL. BUT THE ONE THING THAT I WILL SAY THAT IS THE SAME I THINK IN THE SCHOOL I GRADUATED FROM TODAY AS WAS BACK IN THE DAY, WE HAD VO-AG BACK THEN, WE HAD WOODWORKING CLASS. THOSE WERE VERY POPULAR CLASSES BACK THEN. WHEN MY KIDS ATTENDED THAT SCHOOL, THEY STILL HAD VO-AG, WOODWORKING SHOP. BUT WHAT I'VE FOUND IN THE PAST IS I THINK WHERE WE'RE FAILING IS THAT WE DON'T PREPARE OUR KIDS FOR COLLEGE. WE SEND THEM TO UNIVERSITY, WHERE THEY DROP OUT, WHICH IS WHAT I WOULD HAVE DONE IF I WOULD HAVE CHOSE TO GO THERE. I WOULD NOT HAVE SUCCEEDED BECAUSE I WASN'T READY. MY PARENTS DIDN'T PUSH ME TO ATTEND A PARTICULAR SCHOOL. THEY DIDN'T CARE. I HAD A FREE RIDE FROM THEM TO WHEREVER I WANTED TO GO. I CHOSE COMMUNITY COLLEGE BECAUSE THAT IS PROBABLY WHERE I BELONGED. I WOULD HAVE GONE TO LINCOLN, TO UNL. I WOULD HAVE HAD A LOT OF FUN. I WOULD HAVE FLUNKED OUT AT THE SEMESTER AND THAT'S WHERE THE FUNDS WOULD HAVE CEASED. SO WHEN MY KIDS GRADUATED, THE SAME RULES BASICALLY APPLIED. YOU CAN GO WHEREVER YOU WANT, I'LL MAKE SURE YOU GET THERE, BUT BE READY WHEN YOU GET THERE. AND WHAT I FOUND IS THAT I DON'T THINK OUR HIGH SCHOOLS HAVE PREPARED THEM FOR COLLEGE TO THAT LEVEL. SOME, YES, DO SUCCEED. MY KIDS ALL HAVE DONE WELL BUT THEY STRUGGLED. AND NOW WE'RE FOCUSING ON ADDING ON MORE PROGRAMS AT THOSE LEVELS IN

Floor Debate
April 20, 2015

ORDER TO SEND THEM IN DIFFERENT DIRECTIONS. BUT IF WE WOULD PROVIDE A GOOD, SOLID CORE EDUCATION, WHEN THEY GRADUATE FROM COLLEGE THEY CAN GO WHEREVER THEY WANT. THEY CAN STILL CHOOSE. THEY CAN CHOOSE TO GO TO A FOUR-YEAR COLLEGE AND PURSUE ANY DEGREE THEY WISH. THOSE WHO HAVE EXCELLED IN SCHOOL AND ARE THE SMART ONES OF THE CLASS OR WHO PAID ATTENTION, THEY WILL OBVIOUSLY HAVE A JUMP START ON ANY OF THE OTHERS. BUT WHEN WE ARE AT A POINT NOW WHERE I THINK WE SEND TOO MANY KIDS TO COLLEGE, THEY GET THERE, THEY DON'T KNOW WHAT THEIR CAREER IS GOING TO BE. AND I DON'T CARE IF YOU'VE BEEN GIVEN THOSE COURSES IN HIGH SCHOOL. MY KIDS, THEY CHOSE SEVERAL DIFFERENT COURSES. SOME OF THEM THEY PASSED; SOME OF THEM THEY FAILED, BUT THEY WERE NOT READY TO TAKE THEM. THEY WERE PUSHED OR THEY PUSHED THEMSELVES, NOT ME. THEY PUSHED THEMSELVES TOO HARD THINKING THEY WERE READY FOR COLLEGE AND THEY WEREN'T. AND SO I LOOK AT HOW MANY STUDENTS FAIL TO GRADUATE FROM UNIVERSITIES, AND I THINK SOMETIMES THAT WE SHOULD FOCUS MORE ON PROVIDING THAT CORE EDUCATION TO MAKE SURE THEY'RE READY TO ATTEND ANY COLLEGE IN THE COUNTRY, WHETHER IT'S IN THE BIG TEN OR ANYWHERE ELSE. AND SOMETIMES I THINK WE HAVE FAILED IN THAT RESPECT. THANK YOU, MR. PRESIDENT. [LB343]

SENATOR COASH: THANK YOU, SENATOR FRIESEN. SENATOR KOLOWSKI, YOU'RE RECOGNIZED. [LB343]

SENATOR KOLOWSKI: THANK YOU, MR. PRESIDENT. I WANT TO COME BACK AND TALK TO YOU ABOUT SOME OF THE THINGS SENATOR FRIESEN JUST TALKED ABOUT. AND THAT'S THE IMPORTANCE OF THE GUIDANCE SERVICES, ADVISER, ADVISEE SERVICES OR WHATEVER ELSE YOU WANT TO CALL IT, THAT A STUDENT WILL RECEIVE AS THEY GO THROUGH HIGH SCHOOL SO THEY HAVE A BETTER IDEA OF MAXIMIZING THEIR TIME AND THEIR ENERGIES IN THE COURSE WORK AND THE DIRECTIONS THAT THEY MIGHT WANT TO CHOOSE FOR THEIR OWN FUTURES. WHAT THIS BILL IS ABOUT IS TRYING TO MAXIMIZE AND BRING ABOUT GREATER UTILIZATION OF CHALLENGES, CHALLENGING COURSES, AND DIFFERENT DIRECTIONS THAT STUDENTS MIGHT GO WHEN THEY'RE LOOKING AT DIFFERENT CAREER PATHS AND THE IMPORTANCE OF THOSE DECISIONS AT AN EARLIER TIME IN LIFE. WHEN WE LOOK AT WHAT THEY HAVE ACCOMPLISHED OVER THEIR FOUR YEARS OF HIGH SCHOOL IN PREPARATION FOR THEIR NEXT STEPS, IT BECOMES VERY IMPORTANT AND CRUCIAL THAT THEY HAVE THE READINESS TO MOVE ON AND TO BE ABLE TO DO THE THINGS THAT THEY SUCCESSFULLY WANT TO DO IN ORDER NOT TO WASTE TIME, MONEY, ENERGY, AND A LOT OF FRUSTRATION BY NOT HAVING THE PREPARATION OR THE

Floor Debate
April 20, 2015

BACKGROUND FOR WHAT THEY WANT TO DO. WE'VE HAD SOME CRITICISM OF NOT SPECIFICALLY LISTING SOME OF THE COURSES THAT I'VE MENTIONED IN MY INTRODUCTION, THE INTERNATIONAL BACCALAUREATE OR ADVANCED PLACEMENT. YOU CAN'T DO THAT IN LEGISLATION BECAUSE THOSE ARE PROPRIETARY NAMES. BUT I'M TELLING YOU, THOSE ARE THE DIRECTIONS OR THE COURSES THAT WE WOULD LOOK AT. BUT THIS IS ALL ABOUT OPPORTUNITIES FOR EVERY STUDENT IN THE ENTIRE STATE OF NEBRASKA WITH EMPHASIS, PARTICULAR EMPHASIS, UPON THE SMALL SCHOOLS, EQUALIZED OR NONEQUALIZED. THERE IS NO DIVIDING LINE BETWEEN THEM AS WE LOOK AT THE POSSIBILITIES OF WHO MIGHT TAKE WHATEVER COURSES IN PREPARATION FOR WHAT THEY HOPE TO DO IN THEIR FUTURES. WHEN WE LOOK AT THE JUNIOR, SENIOR YEAR, WE HAVE TREMENDOUS PRESSURES UPON OUR STUDENTS. AND SOMETIMES THOSE PRESSURES DON'T COME OUT IN THE MOST POSITIVE OF WAYS. BUT WHAT WE NEED TO DO WITH THE ACADEMIC SIDE, NOT JUST THE SOCIAL SIDE OF THEIR PREPARATION, IS TO NOT SPIN WHEELS BUT TO HAVE TRACTION ON A DIRECTION AND A CAREER PATH OF INTEREST THAT THE STUDENTS MIGHT BE ABLE TO SPEND THEIR TIME AND ENERGIES UPON IN HIGH SCHOOL. I KNOW ONE SCHOOL THAT HAS AN ACADEMIC PROGRAM, AN ACADEMY IN EDUCATION. UPON THE FINISHING OF THEIR JUNIOR AND SENIOR YEARS, WHERE THEY ARE HALF A DAY IN THAT ACADEMIC ENVIRONMENT OF THE ACADEMY FOR EDUCATION, UPON GRADUATION FROM HIGH SCHOOL, WITH THE COMMUNITY COLLEGE AND UNIVERSITY OF NEBRASKA AT OMAHA DUAL-ENROLLMENT SETUP, THEY HAVE EARNED 27 COLLEGE HOURS IN THOSE TWO YEARS OF HIGH SCHOOL. NOW, PARENTS, YOU DO THE MATH ON THAT. THAT'S ONE FULL YEAR OF TUITION. AND THE READINESS THEY HAVE AND THE ABILITY THEY HAVE TO PERFORM AT A HIGH LEVEL IS VERY WELL KNOWN AND IS IMPACTING EVEN THE COLLEGES THAT THEY ARE GOING TO AT THE CURRENT TIME. THAT'S PROGRESS. THAT'S SAVINGS. THAT'S PREPARATION. WHETHER IT'S IN THAT PARTICULAR AREA OR WELDING OR PLUMBING OR ANYTHING ELSE, IT'S EXTREMELY IMPORTANT WE REMEMBER THE BENEFIT AND THE LONG-TERM OPPORTUNITY THAT WE GET OUT OF THOSE KIND OF PROGRAMS. I HOPE YOU WOULD THINK AND PRESS THE GREEN BUTTON ON THIS PARTICULAR BILL. WHEREVER THERE MIGHT BE SOME ISSUES OR CONCERNS ON YOUR PART,... [LB343]

SENATOR COASH: ONE MINUTE. [LB343]

SENATOR KOLOWSKI: ...WE'D BE HAPPY TO WORK ON THOSE AND TO MODIFY, GIVE BETTER DIRECTION OR EXPLANATION TO, AS WE MOVE ON. I WOULD ASK YOU TO ALSO REMEMBER THAT WE HAD SCHOOL BOARDS, ADMINISTRATORS,

Floor Debate
April 20, 2015

TEACHERS, ALL ACROSS THE STATE BACKING THE CONCEPT OF THIS BILL BECAUSE IT'S ABOUT ACCOUNTABILITY; ACCOUNTABILITY, PASSAGE OF THE PARTICULAR CLASS AND EXPERIENCE THAT THEY'RE TAKING SO THEY CAN WALK OUT AND APPLY THAT IN THE JOB CHOICE OF THEIR PARTICULAR DIRECTION IN THEIR FUTURES. SO I THANK YOU FOR YOUR LISTENING THIS AFTERNOON AND I THANK YOU FOR THE OPPORTUNITY TO PRESENT THIS BILL. AND I SEEK YOUR APPROVAL WITH A GREEN LIGHT AS WE MOVE AHEAD. THANK YOU. [LB343]

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. SEEING NO OTHER LIGHTS ON, SENATOR BAKER, YOU'RE RECOGNIZED TO CLOSE ON YOUR AMENDMENT. [LB343]

SENATOR BAKER: THANK YOU, MR. PRESIDENT. AM987 IS A TECHNICAL CHANGE THAT ALLOWS THE LANGUAGE IN LB402 TO BE COMPATIBLE WITH THE UNDERLYING BILL. SO I ASK YOUR GREEN VOTE ON THE AMENDMENT, AM987. THANK YOU. [LB343 LB402]

SENATOR COASH: THANK YOU, SENATOR BAKER. MEMBERS, YOU'VE HEARD THE CLOSING TO AM987. THE QUESTION BEFORE THE BODY IS, SHALL AM987 BE ADOPTED? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. SENATOR BAKER. THERE HAS BEEN A REQUEST TO PLACE THE HOUSE UNDER CALL. THE QUESTION IS, SHALL THE HOUSE GO UNDER CALL? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB343]

CLERK: 31 AYES, 0 NAYS, MR. PRESIDENT, TO PLACE THE HOUSE UNDER CALL. [LB343]

SENATOR COASH: THE HOUSE IS UNDER CALL. SENATORS, PLEASE RECORD YOUR PRESENCE. ALL UNEXCUSED SENATORS OUTSIDE THE CHAMBER PLEASE RETURN TO THE CHAMBER. ALL PERSONNEL (SIC) LEAVE THE FLOOR. THE HOUSE IS UNDER CALL. SENATOR RIEPE, SENATOR MURANTE, SENATOR GARRETT, AND SENATOR KINTNER, PLEASE RETURN TO THE CHAMBER AND RECORD YOUR PRESENCE. THE HOUSE IS UNDER CALL. SENATORS RIEPE, KINTNER, AND GARRETT, PLEASE RETURN TO CHAMBER. THE HOUSE IS UNDER CALL. SENATOR BAKER, ALL MEMBERS ARE ACCOUNTED FOR. WILL YOU ACCEPT CALL-INS? [LB343]

SENATOR BAKER: YES. [LB343]

Floor Debate
April 20, 2015

CLERK: SENATOR KRIST VOTING YES. SENATOR SCHILZ VOTING YES. [LB343]

SENATOR COASH: RECORD, MR. CLERK. [LB343]

CLERK: 26 AYES, 0 NAYS, MR. PRESIDENT, TO ADOPT THE AMENDMENT TO THE AMENDMENT. [LB343]

SENATOR COASH: AM987 IS ADOPTED. WE RETURN TO DISCUSSION ON THE COMMITTEE AMENDMENT. RAISE THE CALL. SEEING NO MEMBERS WISHING TO SPEAK, SENATOR SULLIVAN, YOU ARE RECOGNIZED TO CLOSE ON THE COMMITTEE AMENDMENT. [LB343]

SENATOR SULLIVAN: THANK YOU, MR. PRESIDENT AND COLLEAGUES. AM913 INCLUDES MODIFIED CONCEPTS OF THE ORIGINAL BILL, ALONG WITH COMPONENTS OF LB402. AND IT OFFERS FUNDING FOR STUDENTS WHO SUCCESSFULLY COMPLETE CERTAIN PROGRAMS AND COURSES, PROGRAMS THAT INCLUDE PROGRAMS OF EXCELLENCE, DUAL-ENROLLMENT COURSES, AND ALSO CAREER ACADEMIES. AND IT STATES LEGISLATIVE INTENT TO APPROPRIATE \$2 MILLION FOR THE 2016-17 SCHOOL YEAR FOR REIMBURSEMENT TO THOSE PROGRAMS. SECONDLY, IT ALSO OFFERS DISTANCE EDUCATION FUNDING. IT WOULD REPLACE LOTTERY FUNDING INCENTIVES THAT GO AWAY NEXT YEAR, AND IN DOING SO IT SEEKS TO PROVIDE SUPPORT FOR SCHOOL DISTRICTS FOR SENDING QUALIFIED DISTANCE EDUCATION COURSES. AND TO THAT EXTENT, THE INTENT IS TO APPROPRIATE \$500,000 FOR THE 2016-17 SCHOOL YEAR. THOSE ARE THE MAJOR COMPONENTS OF AM913. THANK YOU, MR. PRESIDENT. [LB343 LB402]

SENATOR COASH: THANK YOU, SENATOR SULLIVAN. MEMBERS, YOU'VE HEARD THE CLOSING TO THE COMMITTEE AMENDMENT. THE QUESTION BEFORE THE BODY IS, SHALL THE COMMITTEE AMENDMENT BE ADOPTED? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB343]

CLERK: 25 AYES, 6 NAYS ON THE ADOPTION OF COMMITTEE AMENDMENTS. [LB343]

SENATOR COASH: THE COMMITTEE AMENDMENT IS ADOPTED. WE RETURN TO DISCUSSION ON THE ADVANCEMENT OF LB343. SEEING NO MEMBERS WISHING

Floor Debate
April 20, 2015

TO SPEAK, SENATOR KOLOWSKI, YOU'RE RECOGNIZED TO CLOSE ON THE ADVANCEMENT OF LB343. [LB343]

SENATOR KOLOWSKI: WELL, SENATORS, THANK YOU FOR YOUR GREEN LIGHTS ON THE LAST TWO VOTES, AND I WOULD ASK YOU TO CONSIDER THE SAME FOR THIS FINAL LOOK AT LB343. WHATEVER WE MIGHT NEED TO LOOK AT BETWEEN NOW AND THE NEXT READING, BE MORE THAN HAPPY TO WORK WITH PEOPLE. THIS IS A VERY OPPORTUNISTIC TIME TO LOOK AT CHANGE IN EDUCATION AND THIS DOES CHANGE THE PARADIGM, BECAUSE IT'S ABOUT ACCOUNTABILITY AND IT'S ABOUT OPPORTUNITIES THAT WE HAVEN'T HAD IN SCHOOL DISTRICTS AROUND THE STATE IN THIS PARTICULAR VEIN. I'D ASK FOR YOUR SUPPORT AND GREEN LIGHT ON THIS SO WE CAN MOVE IT AHEAD. THANK YOU VERY MUCH. [LB343]

SENATOR COASH: THANK YOU, SENATOR KOLOWSKI. MEMBERS, YOU'VE HEARD THE CLOSING TO LB343. THE QUESTION BEFORE THE BODY IS, SHALL LB343 ADVANCE? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. THERE HAS BEEN REQUEST TO PLACE THE HOUSE UNDER CALL. THE QUESTION IS, SHALL THE HOUSE GO UNDER CALL? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB343]

CLERK: 35 AYES, 0 NAYS TO PLACE THE HOUSE UNDER CALL. [LB343]

SENATOR COASH: THE HOUSE IS UNDER CALL. MEMBERS, PLEASE RETURN TO THE CHAMBER AND RECORD YOUR PRESENCE. ALL UNEXCUSED (SIC) PERSONNEL PLEASE LEAVE THE FLOOR. THE HOUSE IS UNDER CALL. SENATOR KINTNER, SENATOR GROENE, PLEASE CHECK IN. SENATOR RIEPE, PLEASE CHECK IN. SENATOR MELLO, PLEASE CHECK IN. ALL MEMBERS ARE PRESENT OR ACCOUNTED FOR. THERE HAS BEEN A REQUEST FOR A ROLL CALL VOTE. MR. CLERK, PLEASE READ THE ROLL. [LB343]

CLERK: (ROLL CALL VOTE TAKEN, LEGISLATIVE JOURNAL PAGES 1213-1214.) 24 AYES, 11 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT. [LB343]

SENATOR COASH: LB343 DOES NOT ADVANCE. RAISE THE CALL. ITEMS, MR. CLERK? [LB343]

Floor Debate
April 20, 2015

CLERK: I DO, MR. PRESIDENT. YOUR COMMITTEE ON ENROLLMENT AND REVIEW REPORTS LB605, LB598, LB173, LB264, LB599 TO SELECT FILE, SOME HAVING ENROLLMENT AND REVIEW AMENDMENTS ATTACHED. SENATOR KRIST OFFERS A NEW RESOLUTION, LR198, CALLING FOR AN INTERIM STUDY. THAT WILL BE REFERRED TO THE EXECUTIVE BOARD. THAT'S ALL THAT I HAD, MR. PRESIDENT. THANK YOU. (LEGISLATIVE JOURNAL PAGES 1214-1216.) [LB605 LB598 LB173 LB264 LB599 LR198]

SENATOR COASH: THANK YOU, MR. CLERK. SENATOR KRIST, YOU'RE RECOGNIZED TO OPEN ON LB348. [LB348]

SENATOR KRIST: THANK YOU, MR. PRESIDENT. GOOD AFTERNOON, COLLEAGUES, AND GOOD AFTERNOON, NEBRASKA. THIS ISSUE IS RELATIVELY COMPLICATED, AND I WOULD ASK YOU TO PAY PARTICULAR ATTENTION TO THE OPENING ON BOTH THE BILL AND TO THE AMENDMENT. I WANT TO THANK SENATOR SCHEER AND THE BANKING, COMMERCE AND INSURANCE COMMITTEE FOR SELECTING LB348 AS A COMMITTEE BILL PRIORITY AND ADVANCING IT UNANIMOUSLY 8-0. LB348 IS A IMPORTANT BILL TO THE FINANCIAL INSTITUTIONS OF THE STATE. IT IS A BILL THAT MAINTAINS PART OF THE SYSTEM OF ELECTRONIC PAYMENTS THAT IS UNIQUE TO NEBRASKA AND STILL MODERNIZING...MODERNIZES THE SYSTEM. IT IS THE RESULT OF TREMENDOUS NUMBER OF MEETINGS AND NEGOTIATIONS BY THE COUNTIES' LARGEST PAYMENT CARD NETWORKS, THE NEBRASKA BANKERS, AND THE NEBRASKA CREDIT UNION. I NEED TO GIVE YOU SOME BACKGROUND ON WHY THIS BILL WAS INTRODUCED AND HOW WE ARE HERE TODAY AND WHY WE ARE HERE TODAY. ALMOST ALL OF US HAVE USED DEBIT OR CREDIT CARDS TO GET MONEY FROM AN ATM OR TO PAY SOMETHING AT A STORE. WE TAKE THE PROCESS FOR GRANTED TODAY THAT WE HAVE THE ABILITY TO MOVE MONEY FROM OUR BANK ACCOUNT TO A MERCHANT OR THAT WE CAN GET CASH OUT OF AN ATM NO MATTER WHERE IN THE WORLD WE ARE. THAT SERVICE DIDN'T ALWAYS EXIST. IN THE 1970s, NATIONALLY CHARTERED BANKS WERE TRYING TO FIGURE OUT HOW THEIR CUSTOMERS COULD ACCESS MONEY ANYWHERE IN THE COUNTRY. AS A RESULT, SEVERAL NATIONALLY CHARTERED BANKS AND PAYMENT PROCESSORS CREATED SOMETHING CALLED AN AUTOMATIC TELLER MACHINE. NEBRASKA'S STATUTE WAS CREATED AS A RESULT OF THIS NATIONAL PHENOMENA. IN FACT, IF YOU READ THE LEGISLATIVE HISTORY OF THE CURRENT STATUTE, MEMBERS OF THE BANKING COMMITTEE IN THE 1970s WERE CONFUSED ABOUT THEIR...THIS NEWFANGLED MACHINE, THE ATM, AND AT THAT TIME THERE WAS ONLY ONE ATM IN NEBRASKA. THAT BANKING COMMITTEE HAD QUESTIONS ABOUT HOW THE MACHINE WOULD WORK. AND THE SMALL,

Floor Debate
April 20, 2015

INDEPENDENT BANKERS WERE OPPOSED TO ALLOWING THE ATMs TO SPREAD ACROSS THE STATE OF NEBRASKA. THEIR CONCERN WAS THAT BIG BANKS WOULD COME INTO THE TOWN WITH THEIR ATMs THAT WOULDN'T ALLOW A CUSTOMER TO USE THE ATM UNLESS THE INDIVIDUAL HAD AN ACCOUNT AT THE BIG BANK. THEY WERE AFRAID THAT THE LARGE NATIONAL BANKS MIGHT SAY THAT THE SMALL BANK, NEBRASKA FINANCIAL INSTITUTIONS COULDN'T HAVE ACCESS TO THE ATM. THE FEAR WAS THAT SMALL BANKS WOULD LOSE CUSTOMERS TO THESE NATIONAL FINANCIAL INSTITUTIONS AND EVENTUALLY BE FROZEN OUT OF THE MARKET. SO THE LAW THAT WE HAVE HAD IN NEBRASKA SINCE THE 1970s WAS DESIGNED TO ENSURE THAT ALL NEBRASKA BANK CUSTOMERS WOULD HAVE ACCESS TO ANY ATM IN NEBRASKA AND WOULD BE ABLE TO USE THEIR ELECTRONIC PAYMENT CARD AT THE POINT OF SALE, POS, IN ANY STORE, AND THAT NO BANK WOULD BE EXCLUDED FROM THIS PROCESS. THERE ARE REALLY THREE PARTS TO THE EXISTING LAW. THE FIRST PART DEALS WITH ATM ACCESS. THE SECOND PART DEALS WITH THE ACCESS TO THE DEVICE THAT MERCHANTS USE TO SWIPE YOUR DEBIT CARD OR POINT OF SALE SERVICES CREDIT CARD, WHICH I WILL REFER TO AS POS. AND THE LAST PART HAS TO DO WITH WHAT'S CALLED A SWITCH. THE SWITCH IS THE DEBIT NETWORK, WHAT WE KNOW AS VISA, MASTERCARD, STAR, PULSE, NYCE, AND NETS, ETCETERA. IF YOU LOOK AT THE BACK OF YOUR CREDIT CARD OR DEBIT CARD, YOU'LL SEE A SMALL EMBLEM ON THE BOTTOM OF THE CARD, AND THOSE ARE THE SERVICES WE'RE TALKING ABOUT. WITH REGARD TO THE ATMs, BASICALLY, OUR CURRENT LAW SAYS THAT ALL ATMs MUST BE MADE AVAILABLE ON A NONDISCRIMINATORY...DISCRIMINATING BASIS FOR USE BY CUSTOMERS OF ANY OTHER FINANCIAL INSTITUTIONS OPERATING IN NEBRASKA. NONDISCRIMINATING BASIS MEANS THAT EVERY ATM IN NEBRASKA HAS TO BE MADE AVAILABLE TO EVERY OTHER NEBRASKA BANK'S CUSTOMERS. NOT ONLY DO YOU HAVE TO MAKE YOUR ATM AVAILABLE, YOU CAN'T DISCRIMINATE OR CHARGE OTHER BANKS' CUSTOMERS DIFFERENTLY. THIS FEE LANGUAGE IS ACTUALLY WHAT DISTINGUISHES NEBRASKA CURRENT LAW FROM EVERY OTHER STATE IN THE COUNTRY. IT HAS BEEN INTERPRETED BY THE ATTORNEY GENERAL TO MEAN THAT ALL FINANCIAL INSTITUTIONS HAVE TO BE ASSESSED THE SAME INTERCHANGE FEE, WHICH IS THE FEE THAT THE BANK THAT ISSUED A DEBIT CARD TO THE CONSUMER PAYS TO THE ATM OWNER. IT HAS ALSO BEEN INTERPRETED TO MEAN THAT ALL FINANCIAL INSTITUTIONS MUST CHARGE THE SAME RATE TO JOIN THE NETWORK, OR SWITCH. THE SAME REQUIREMENT APPLIED TO STORES, THAT THE POS TERMINAL HAD TO BE MADE AVAILABLE TO A NONDISCRIMINATING BASIS FOR USE OF THE CUSTOMERS IN ANY NEBRASKA BANK. AGAIN, WE DIDN'T WANT TO GIVE ONE BANK THE ABILITY TO FREEZE OUT OTHER BANKS' CUSTOMERS, SO EVERY POS MACHINE

Floor Debate
April 20, 2015

HAS TO BE AVAILABLE TO ANY CUSTOMER IN NEBRASKA. BECAUSE OF THE ORIGINAL STATUTE, THE STATE ESSENTIALLY CREATED A NEBRASKA-SPECIFIC IN-STATE SWITCH. IT'S CALLED NETWORKS, OR NETS. NETS WAS A PREDOMINANT PLAYER IN THE STATE FOR OVER 30 YEARS. SO, YOU MIGHT ASK, IF YOU WERE LISTENING, WHAT'S PROMPTING THIS CHANGE NOW? FAST-FORWARD TO 2010. IN 2010, CONGRESS PASSED THE DODD-FRANK ACT. A PROVISION WAS INCLUDED IN THE DODD-FRANK ACT, KNOWN AS THE DURBIN AMENDMENT, WHICH WAS WRITTEN BY RETAILERS AND WAS INTENDED TO REGULATE DEBIT INTERCHANGE FEES AND CREATE MORE COMPETITION AMONG DEBIT NETWORKS THROUGHOUT THE COUNTRY. IN PARTICULAR, DURBIN REQUIRES THAT EVERY FINANCIAL INSTITUTION IN THE UNITED STATES THAT ISSUES DEBIT CARDS PARTICIPATE IN AT LEAST TWO UNAFFILIATED DEBIT NETWORKS. WHEN DURBIN WENT INTO EFFECT, IN 2011, SEVERAL DEBIT NETWORKS THAT HAD BEEN OPERATING IN NEBRASKA BEFORE DECIDED TO ENTER THE NEBRASKA MARKET...THAT HAD NOT BEEN OPERATING HERE DECIDED TO ENTER OUR MARKET. THESE NETWORKS APPLIED AND WERE GRANTED AUTHORITY BY THE DEPARTMENT OF BANKING TO OPERATE AS SWITCHES IN NEBRASKA. THE CRUX OF THE ISSUE IS THAT THE LAW WAS WRITTEN TO ADDRESS A FEAR ABOUT THE SPREAD OF NATIONAL BANK BRANCHES AND ATMs IN THE STATE OF NEBRASKA. THE PRICING REQUIREMENTS, WHICH WORKED WELL FOR NETS BECAUSE IT WAS CREATED WITH THE RESTRICTION IN MIND, DO NOT WORK FOR OTHER NETWORKS THAT OPERATE OUTSIDE OF NEBRASKA. AGAIN, OUR LAW SAID THAT THE POS TERMINALS AND ATMs HAD TO BE MADE AVAILABLE ON A NONDISCRIMINATING BASIS. THIS LANGUAGE ISN'T USED ANYWHERE ELSE IN THE COUNTRY AND IT REQUIRES A FEE STRUCTURE THAT ISN'T USED ANYWHERE ELSE EITHER. THIS GETS A LITTLE COMPLICATED, BUT, PLEASE, BEAR WITH ME BECAUSE THESE FEES ARE IMPORTANT TO THE DISCUSSION. IN AN ATM OR POS TRANSACTION, THERE ARE BASICALLY THREE DIFFERENT KINDS OF FEES. ONE OF THE FEES IS CALLED AN INTERCHANGE. THIS FEE IS SET BY A NETWORK BUT IS ACTUALLY ASSESSED TO THE MERCHANT IN A POINT OF SALE. THESE FEES ARE VERY RARELY, IF EVER, SEEN BY THE CUSTOMER. THE SECOND IS CALLED A SURCHARGE. THIS...I ASK THE CUSTOMER FEE...THIS IS THE CUSTOMER FEE AND ANY OF YOU WHO HAVE USED AN ATM MAY RECOGNIZE THE FEE THAT TRIGGERS THE NOTICE ON THE SCREEN THAT SAYS YOU'RE ABOUT TO SPEND \$2 OR \$3 BECAUSE YOU'RE NOT USING YOUR IN-NETWORK MACHINE. THIS NOTICE IS A FEDERAL REQUIREMENT AND THIS IS A FEE THAT YOU, THE CONSUMER, PAY. THE THIRD FEE IS CALLED A SWITCH FEE. THIS IS THE FEE THAT THE NETWORKS--VISA, MASTERCARD, STAR, ETCETERA--CHARGE BANKS AND CREDIT UNIONS TO BE FOR TRANSACTIONS ON THE NETWORK. IT'S WHAT

Floor Debate
April 20, 2015

ALLOWS THE NETWORK TO BE ABLE TO OFFER THE SERVICES IT PROVIDES AND THE SECURITY IT PROVIDES, AND IS NEGOTIATED WITH EACH AND EVERY FINANCIAL INSTITUTION. THE CONSUMER, AGAIN, DOES NOT SEE A SWITCH FEE. IN NEBRASKA, THE LAW SAYS THAT THE FEES CHARGED BY A SWITCH OR A FINANCIAL INSTITUTION HAVE TO BE NONDISCRIMINATORY. NETS HISTORICALLY INTERPRETED THIS TO MEAN THAT INTERCHANGE IS SET BETWEEN BANKS OR BETWEEN A MERCHANT AND A BANK AND THE FEES CHARGED TO THE MEMBERS HAD TO BE EXACTLY THE SAME FOR EVERYONE. THIS PUT THE DEPARTMENT OF BANKING, THE NEBRASKA DEPARTMENT OF BANKING, IN A QUANDARY. THE DEPARTMENT APPROVED THESE NEW NETWORKS COMING INTO THE STATE, BUT NETS ASSERTED THAT THESE NEW NETWORKS WERE NOT FOLLOWING THE LAW BECAUSE THEIR FEES WEREN'T THE SAME FOR EVERYONE AND, SINCE THEY WEREN'T THE SAME FOR EVERYONE, THEY WERE DISCRIMINATORY. THE BANKS THAT WERE USING THESE NETWORKS WERE VIOLATING NEBRASKA LAW AND WOULD HAVE TO BE TOLD NOT TO USE THOSE NETWORKS. DEPARTMENT SOUGHT AN AG'S OPINION, THE ATTORNEY GENERAL'S OPINION, TO GET SOME CLARITY. THE DEPARTMENT ASKED THE AG IF THESE OTHER NETWORKS WERE IN VIOLATION OF NEBRASKA LAW AND THE AG OPINED IT WAS AGAINST THE LAW. NOW THE DEPARTMENT OF BANKING WAS IN EVEN MORE OF A QUANDARY. BASED UPON THE AG'S OPINION, THE DEPARTMENT HAS TO ENFORCE THE LAW AGAINST FINANCIAL INSTITUTIONS THAT ARE MEMBERS OF EVERY NETWORK OR SWITCH EXCEPT NETS. THAT'S BECAUSE EVERY NETWORK OPERATING IN NEBRASKA, EXCEPT NETS, USES A VARIABLE FEE STRUCTURE OR BUNDLES PRODUCTS AND, THEREFORE, IS NOT IN COMPLIANCE WITH THE LAW AS IT IS INTERPRETED BY THE AG--AND THAT'S VERY IMPORTANT. HOW DOES THE DEPARTMENT ENFORCE THE AG'S OPINION AGAINST ALL OF THESE NATIONAL NETWORKS? THESE NETWORKS ALL HAVE PRICING STRUCTURES AND COMPUTER SYSTEMS THAT WORK EVERYWHERE ELSE IN THE COUNTRY, AND THEY WOULD HAVE TO CHANGE THEIR SYSTEMS FOR ONLY NEBRASKA. [LB348]

SENATOR COASH: ONE MINUTE. [LB348]

SENATOR KRIST: I WOULD SAY AS I WRAP THIS UP, AND I DO HAVE SOME OTHER POINTS TO MAKE, THAT, IF WE DID NOT CHANGE THE LAW THIS YEAR, WE WOULD BE TRYING TO ENFORCE SOMETHING THAT THE AG HAS TOLD US IS AGAINST THE LAW. WE ARE OUT OF COMPLIANCE CURRENTLY WITH THE FEDERAL LAW AND NOT HARMONIZED IN THAT WAY. FIRST DATA CORPORATION, A COMPANY WHOSE LARGEST GLOBAL FOOTPRINT IS IN OMAHA, CAME TO ME TO HELP SOLVE THIS PROBLEM. THEY OPERATE A DEBIT NETWORK CALLED

Floor Debate
April 20, 2015

STAR, AND THAT HAS ABOUT 5,000 MEMBERS NATIONALLY, ALMOST ALL OF WHICH ARE SMALL BANKS AND CREDIT UNIONS. I AGREED THAT OUR LAW NEEDED TO BE MODERNIZED AND THAT WE NEEDED TO HELP BOTH THE FINANCIAL INSTITUTIONS THAT WERE BEING TOLD THAT THEY WERE IN VIOLATION OF THE NETWORKS, LIKE STAR, THAT WE WOULD NEED TO CHANGE AND FIX THE PROBLEM ON THE POS SIDE, AS WELL AS THE OTHER SIDE IN VIOLATION OF THE...THE OTHER SIDE BEING THE ATM, IN VIOLATION OF DURBIN. AND MORE IMPORTANTLY, THE NEW DIRECTOR OF BANKING, FORMER SENATOR... [LB348]

SENATOR COASH: TIME, SENATOR. [LB348]

SENATOR KRIST: ...MARK QUANDAHL, AGREED. [LB348]

SENATOR COASH: THANK YOU, SENATOR KRIST. AS THE CLERK HAS STATED, THERE IS AN AMENDMENT FROM THE BANKING, COMMERCE AND INSURANCE COMMITTEE. SENATOR SCHEER, AS CHAIR OF THE COMMITTEE, YOU'RE RECOGNIZED TO OPEN ON THE COMMITTEE AMENDMENT. (AM1013, LEGISLATIVE JOURNAL PAGE 1131.) [LB348]

SENATOR SCHEER: THANK YOU, MR. PRESIDENT. FIRST, I WANT TO LET YOU KNOW THAT THIS IS GOING TO BE A HIGHLY TECHNICAL BILL. IT'S VERY SPECIFIC AND IT WILL BE VERY BORING, BUT IT'S SOMETHING THAT NEEDS TO BE DONE. AND SO, CONSEQUENTLY, WE ARE HERE AND WE WILL/SHALL DO THAT. I DO WANT TO FIRST THANK THE WORKING GROUP THAT WAS PUT TOGETHER TO COME UP WITH A SOLUTION TO THE PROBLEM THAT WE HAD CURRENTLY. ANYONE THAT HAD ANYTHING TO DO WITH FINANCIAL INSTITUTIONS IN THE STATE OF NEBRASKA WAS WELL REPRESENTED IN THIS GROUP. I WAS NOT SURE AT SOME POINTS THAT WE WOULD BE ABLE TO MEET A COMPROMISE THAT EVERYONE COULD AGREE TO. WE HAVE. ALL THE MEMBERS THAT WERE INVOLVED HAVE SIGNED OFF ON THIS COMPROMISE. IT IS HIGHLY TECHNICAL. AND I APPRECIATE ALL OF THOSE THAT WORKED MANY, MANY MEETINGS, COMING UP WITH WHAT IS NOW A COMPROMISE TO THE BILL. I APPRECIATE THEIR INVOLVEMENT AND THEIR DEDICATION AS WELL. AND I THANK SENATOR KRIST FOR HIS INVOLVEMENT AS WELL. THE COMMITTEE AMENDMENTS TO LB348 ARE THE RESULT OF A SERIES OF MEETINGS I SCHEDULED WITH PARTIES INTERESTED IN LB348. PARTICIPANTS INCLUDED REPRESENTATIVES OF VARIOUS BUSINESS INTERESTS; ALSO IN ATTENDANCE WAS OUR DIRECTOR OF BANKING AND FINANCE AND BANKING DEPARTMENT

Floor Debate
April 20, 2015

STAFF MEMBERS. SENATOR KRIST WAS PRESENT AND HELPED PROD THE PARTICIPANTS TOWARD A RESOLUTION. IT IS FAIR TO SAY AT THE END OF OUR MEETINGS, WHICH OFTEN WERE VERY TECHNICAL AND SOMETIMES A BIT HEATED, THE PARTICIPANTS ACHIEVED A STATE OF MUTUAL ACQUIESCENCE. NONE OF THE PLAYERS GOT EVERYTHING THEY WANTED. THE BILL WAS...AS INTRODUCED IN ITS COMMITTEE AMENDMENT VERSION FOCUSES ON ONE SECTION OF THE NEBRASKA BANKING ACT. SECTION 8-157.01 ESTABLISHES THE FRAMEWORK FOR REGULATION FOR AUTOMATIC TELLER MACHINES, ATMs, AND POINT OF SALE TERMINALS BY OUR DEPARTMENT OF BANKING AND FINANCE. CURRENTLY, FINANCIAL INSTITUTIONS MAY ESTABLISH ATMs AT WHICH DEFINED BANKING TRANSACTIONS MAY BE CONDUCTED. WELL, TYPICALLY WE GO TO ATMs TO GET CASH. CURRENTLY, FINANCIAL INSTITUTIONS MAY ESTABLISH POINT OF SALE TERMINALS AND CONTRACT WITH SELLERS OF GOODS AND SERVICES FOR THEIR OPERATION. WE FIND POS TERMINALS AT THE CHECKOUT COUNTER WHERE WE SWIPE A CARD FOR THE PURCHASE. THE MAJOR ISSUES OF THE BILL INVOLVE THAT OUR LAW SHOULD REQUIRE OR ALLOW AN AREA OF PRICING STRUCTURE FOR, ONE, INTERCHANGE FEES FOR THOSE FEES PAID BY THE CARD-ISSUING FINANCIAL INSTITUTION TO THE FINANCIAL INSTITUTION THAT OWNS THE ATM; AND SWITCH FEES. THOSE ARE THE FEES ESTABLISHED BY SWITCH AND ASSESSED TO THE FINANCIAL INSTITUTIONS. A SWITCH IS A FACILITY WHERE THE ELECTRONIC IMPULSES INDICATING AN ATM OR A POS TRANSACTION IS RECEIVED AND ROUTED TO A FINANCIAL INSTITUTION, DATA-PROCESSING CENTER, OR OTHER SWITCH. CURRENTLY, SECTION 8-157.01 PROVIDES THAT THE ATM AND POSs SHALL BE MADE AVAILABLE ON A NONDISCRIMINATING BASIS FOR THE USE BY CUSTOMERS OF A FINANCIAL INSTITUTION WHICH BECOMES A USER FINANCIAL INSTITUTION. THE STATUTE ALSO PROVIDES THAT ALL FINANCIAL INSTITUTIONS SHALL BE GIVEN AN EQUAL OPPORTUNITY FOR THE USE OF AND ACCESS TO A SWITCH. THE APPLICATION OF THESE PROVISIONS, ESPECIALLY THOSE RELATING TO INTERCHANGE FEES, HAVE BEEN AT THE CENTER OF VARIOUS INTERPRETATION DISPUTES, REGULATORY CHALLENGES, AND EVEN LITIGATION. IN FACT, THERE IS CURRENT LITIGATION CURRENTLY PENDING IN THE DOUGLAS COUNTY COURT RELATING TO THE ISSUES OF A FINANCIAL INSTITUTION ALLEGEDLY VIOLATING THE ATM PROVISIONS OF THE STATUTE BY IMPOSING DISCRIMINATORY INTERCHANGE FEES ON OTHER FINANCIAL INSTITUTIONS WHOSE CUSTOMERS USE ATMs OF THE DEFENDANT'S FINANCIAL INSTITUTION. IN THE FACE OF ALL THIS UNCERTAINTY, OUR LB348 WORKING GROUP HAS COMPREHENSIVELY REWRITTEN AND RESTRUCTURED SECTION 8-157.01 AND RELATED DEFINITIONS IN SECTION 8-101. HERE ARE THE MAJOR MOVING PARTS. AMENDMENTS WOULD PROVIDE THAT...THE DEREGULATION OF POS STATE

Floor Debate
April 20, 2015

TRANSACTIONS. THIS STEP HAS BECOME INEVITABLE AND HAS BEEN NONCONTROVERSIAL BECAUSE THE REGULATORY LANDSCAPE HAS BEEN CHANGED NATIONALLY BY CONGRESS WITH THE DODD-FRANK ACT AND THE DURBIN AMENDMENT. NEXT, THE AMENDMENTS WOULD PROVIDE THAT THE SWITCH FEES SHALL NOT BE SUBJECT TO THE STATUTE AND SHALL NOT BE REGULATED BY THE DEPARTMENT OF BANKING AND FINANCE. THE AMENDMENTS WOULD REQUIRE THAT, BEGINNING SEPTEMBER 1, 2015, SWITCHES SHALL BE REQUIRED TO FILE NOTICES WITH THE DEPARTMENT OF BANKING AND FINANCE. NEXT, THE AMENDMENT WOULD REQUIRE INTERCHANGE FEES TO BE UNIFORM. THE AMENDMENTS WOULD PROVIDE THAT ALL ATMs SHALL BE MADE AVAILABLE ON A NONDISCRIMINATING BASIS FOR USE BY NEBRASKA CUSTOMERS OF A USER FINANCIAL INSTITUTION AND ALL ATM TRANSACTIONS INITIATED BY A NEBRASKA CUSTOMER OF A FINANCIAL...USER FINANCIALS SHALL BE MADE ON A NONDISCRIMINATING BASIS. THE AMENDMENTS WOULD FURTHER PROVIDE THAT A SWITCH SHALL IMPLEMENT THE SAME ATM INTERCHANGE FEE FOR ALL USERS' FINANCIAL INSTITUTIONS FOR ESSENTIALLY THE SAME SERVICE. THE AMENDMENT INCLUDES VARIOUS COMPROMISE PROVISIONS THAT WOULD PLACE THE INTERESTED PARTIES INTO A HOLDING PATTERN UNTIL THEY HAVE AN OPPORTUNITY TO BECOME TECHNICALLY CAPABLE OF OPERATING UNDER THE REVISED REQUIREMENTS. FIRST, THERE WILL BE A REGULATORY MORATORIUM. THE AMENDMENT WILL PROVIDE THAT THE DEPARTMENT OF BANKING AND FINANCE SHALL NOT TAKE ENFORCEMENT ACTION BETWEEN THE EFFECTIVE DATE OF THE BILL AND NOVEMBER 1, 2016, WITH RESPECT TO ACCESS TO ATMs, ATMs' INTERCHANGE FEES, OR ANY AGREEMENT RELATING TO AN ATM INTERCHANGE FEE WHICH HAS EXISTED ON THE EFFECTIVE DATE OF THIS BILL, EXCEPT FOR CHANGES IN ATM INTERCHANGE FEES ANNOUNCED PRIOR TO THE EFFECTIVE DATE OF THIS BILL. THE EFFECTIVE DATE WILL BE UPON US AS SOON AS...BECAUSE THE BILL CARRIES THE EMERGENCY CLAUSE. NEXT, THERE WILL BE A MORATORIUM PLACED ON THE INTERESTED PARTIES. ATM INTERCHANGE FEES OR AGREEMENTS RELATING TO THE ATM INTERCHANGE FEE IN EFFECT ON THE NONEFFECTIVE DATE OF THE...ON THE EFFECTIVE DATE OF THE BILL SHALL REMAIN UNCHANGED UNTIL APRIL 1, 2016, EXCEPT FOR CHANGES ON THE ATM INTERCHANGE FEES ANNOUNCED PRIOR TO THE EFFECTIVE DATE OF THIS BILL. THERE SHALL BE A MORATORIUM ON THE IMPLEMENTATION OF ANY AGREEMENT WITH NEW MEMBERS RELATING TO AN ATM INTERCHANGE FEE BETWEEN THE EFFECTIVE DATE OF THE BILL AND APRIL 1, 2016, EXCEPT FOR CHANGES IN ATM INTERCHANGE FEES ANNOUNCED PRIOR TO THE EFFECTIVE DATE OF THIS BILL. ANY AGREEMENT ON THE IMPLEMENTED...ON OR AFTER APRIL 1, 2016, RELATING TO INTER...ATM INTERCHANGE FEES SHALL COMPLY

Floor Debate
April 20, 2015

WITH THE NEW ANTIDISCRIMINATION PROVISIONS OF THE BILL. COMMENCING NOVEMBER 1, 2016, ATM INTERCHANGE FEES AND ANY AGREEMENTS RELATING TO ATM INTERCHANGE FEES SHALL COMPLY WITH THE BILL. THE AMENDMENT ALSO CONTAINS PROVISIONS REGARDING THE GRANDFATHERING OF CREDIT UNION SERVICE ORGANIZATIONS. THE AMENDMENTS WOULD PROVIDE THAT THE BILL DOES NOT PREVENT CREDIT UNIONS IN NEBRASKA FROM PARTICIPATING IN THEIR CREDIT UNION SERVICE ORGANIZATION ORGANIZED ON OR BEFORE JANUARY 1, 2015, FOR THE PURPOSE OF OWNING ATMs IF PARTICIPATING CREDIT UNIONS HAVE AN OWNERSHIP INTEREST IN THEIR ORGANIZATION AND THEIR ORGANIZATION HAS OWNERSHIP INTEREST IN THE PARTICIPATING CREDIT UNION'S ATMs. SUCH PARTICIPATION IN ANY ATM INTERCHANGE FEES ASSOCIATED WITH THE ATM INTERCHANGE INITIATED BY CUSTOMERS ON PARTICIPATING CREDIT UNIONS AT SUCH ATMs SHALL NOT BE CONSIDERED IN DETERMINING IF SUCH ATMs HAD BEEN MADE AVAILABLE ON A NONDISCRIMINATING BASIS OR IF ATM TRANSACTIONS INITIATED AT SUCH ATMs HAVE BEEN MADE ON A NONDISCRIMINATING BASIS IF ALL ATM TRANSACTIONS INITIATED BY CUSTOMERS OF PARTICIPATING CREDIT UNIONS RESULT IN THE SAME ATM INTERCHANGE FEE. THOSE ARE THE PARTS OF THE COMMITTEE AMENDMENTS. REMEMBER, UNDER THE AMENDMENTS WE DEREGULATE POINT OF SALE TRANSACTIONS, WE DEREGULATE SWITCH FEES, AND REQUIRE ATM INTERCHANGE FEES TO BE UNIFORM. WITH REGARD TO ATM INTERCHANGE FEES, THE PARTIES CAN BEGIN TO OPERATE UNDER THE NEW ANTIDISCRIMINATION REQUIREMENTS BEGINNING ON APRIL 1, 2016, AND MUST OPERATE UNDER THOSE REQUIREMENTS BEGINNING ON NOVEMBER 1, 2016. WE ALSO IMPOSE A REGULATORY MORATORIUM RUNNING FROM THE EFFECTIVE DATE OF THE BILL UNTIL NOVEMBER 1, 2016. [LB348]

SENATOR WATERMEIER PRESIDING

SENATOR WATERMEIER: ONE MINUTE. [LB348]

SENATOR SCHEER: ALSO, THE BANKING AND FINANCE...THE DIRECTOR OF BANKING AND FINANCE HAS COMMITTED TO THE BANKING COMMITTEE THAT HE AND HIS STAFF WILL WORK WITH THE COMMITTEE OVER THE INTERIM ON POTENTIAL LEGISLATION FOR 2016 SESSION IF THERE IS A NEED TO ADDRESS ANY UNFORESEEN ISSUES THAT HAVE ARISEN OUT OF THE APPLICATION OF THIS BILL. THOSE ON THE COMMITTEE AMENDMENTS...ARE THE COMMITTEE AMENDMENTS TO LB348. THEY'RE A RESULT OF A LOT OF HARD WORK BY THE INTERESTED PARTIES AND THEY STRIKE A FAIR AND WORKABLE BALANCE FOR ALL PARTIES. I WOULD URGE THE ADOPTION OF THE COMMITTEE AMENDMENTS

Floor Debate
April 20, 2015

AND THE FULL ADVANCEMENT OF THE BILL. AND I WOULD BE REMISS NOT TO RECOGNIZE DIRECTOR QUANDAHN AND HIS STAFF FOR THEIR WORK ON THIS AS WELL. IT WAS IMMEASURABLE, THE IMPACT THAT THEY HAD. AND THEN ATTENDING AND BEING AVAILABLE AT ALL THE COMMITTEE MEETINGS MADE THIS A MUCH MORE WORKABLE AND OPERATIONAL EVENT. AND WITH THAT, I WOULD URGE YOUR ADOPTION. I WILL HAVE A FEW MORE TECHNICAL ITEMS THAT I'LL READ INTO THE MIKE SO THAT ALL OF US FEEL SECURE THAT WHAT WE HAVE PROVIDED GIVES THE CORRECT LEGISLATIVE INTENT SO THAT THERE ARE NO THINGS THAT WILL HOPEFULLY POP UP AND BITE US IN THE REAR. THANK YOU, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: THANK YOU, SENATOR SCHEER. MEMBERS, YOU'VE HEARD THE OPENING TO THE COMMITTEE AMENDMENT TO LB348. SENATOR WILLIAMS, YOU ARE RECOGNIZED. SENATOR WILLIAMS. [LB348]

SENATOR WILLIAMS: (LAUGH) THANK YOU...PAYING ATTENTION MYSELF. THANK YOU, MR. PRESIDENT. AND, MEMBERS, THIS AFTERNOON I WAS TRYING NOT TO BE BORED BY THE INTRODUCTION OF THE AMENDMENT AND THE BILL BECAUSE THESE ARE EXTREMELY IMPORTANT THINGS. AND I WOULD REALLY LIKE TO THANK SENATOR KRIST FOR HIS WORK ON THIS AND, IN PARTICULAR, ALSO, THANK THE CHAIRMAN OF OUR BANKING COMMITTEE, SENATOR SCHEER, BECAUSE THIS WAS A VERY TECHNICAL AND INVOLVED THING. AND BOTH OF THEM, WHAT THEY DIDN'T TELL YOU WAS THAT THERE WAS GOING TO BE A TEST AFTER THEY INTRODUCED THE BILL AND THE AMENDMENT. AND THE TEST IS, FOR THOSE OF US THAT CARRY THESE PLASTIC CARDS, THEY WORK VERY WELL RIGHT NOW AND, IF WE PASS LB348 AS AMENDED BY AM1013, THEY WILL CONTINUE TO WORK IN THE FUTURE. AND THAT'S THE MOST IMPORTANT PART OF THIS QUICK DISCUSSION THAT I'M GOING TO HAVE. WE HAVE ENJOYED A VERY UNIQUE AND SPECIAL SYSTEM IN NEBRASKA FOR THE LAST 35 YEARS. WE ARE NOW AT A POINT WHERE TECHNOLOGY AND COMPETITION HAS CHANGED THE MARKETPLACE. AND LB348 AS AMENDED TAKES INTO CONSIDERATION THOSE CHANGES AND ALLOWS NEBRASKA CITIZENS TO HAVE THE BEST OF ALL WORLDS, ENJOYING A NEARLY SURCHARGE-FREE ENVIRONMENT FOR ATM TRANSACTIONS AND AN AGGRESSIVE POINT OF SALE TRANSACTION SYSTEM THAT CAN BE MONITORED WELL BY OUR DEPARTMENT OF BANKING AND THE MAJOR PLAYERS--VISA, MASTERCARD, NETWORKS, AND FIRST DATA, AND OTHERS--TO OPERATE IN A VERY CLEAN AND SATISFACTORY MANNER. THIS IS A COMPLICATED ISSUE, AS YOU CAN IMAGINE, GETTING ALL THESE PEOPLE TOGETHER AND HAVING THEM AGREE, AS WELL AS THEY CAN AGREE, TO COME FORWARD WITH THIS PIECE OF LEGISLATION AND ALL SUPPORT IT. THERE ARE A

Floor Debate
April 20, 2015

NUMBER OF THINGS WE WOULD LIKE TO ESTABLISH IN THE LEGISLATIVE HISTORY. AND SENATOR KRIST AND I HAVE DISCUSSED THESE OFF THE MIKE. AND IT SEEMS BEST THAT WE ACTUALLY ANSWER SOME QUESTIONS ON THE MIKE. I WOULD ASK IF SENATOR KRIST WOULD YIELD TO QUESTIONS. [LB348]

SENATOR WATERMEIER: SENATOR KRIST, DO YOU YIELD? [LB348]

SENATOR KRIST: ABSOLUTELY. [LB348]

SENATOR WILLIAMS: THANK YOU, SENATOR KRIST. AND I'VE GOT A SHORT SERIES OF QUESTIONS THAT WE WOULD LIKE TO DOCUMENT IN THE RECORDS. FIRST OF ALL, UNDER THE AMENDMENT, ATM SWITCH FEES ARE DEREGULATED BUT THE EXISTING REQUIREMENT FOR UNIFORM INTERCHANGE FEES IS TO BE RETAINED. IS THAT CORRECT? [LB348]

SENATOR KRIST: YES, SENATOR, AND THE SECTION THAT REQUIRES THE UNIFORM INTERCHANGE FEES IS ON PAGE 5 AND 6 OF THE AMENDMENT IN SUBSECTION (3)(a) AND (b) AND SECTION 8-157.01. AND AS WE SAID WHEN SENATOR WILLIAMS STARTED, WE'VE TALKED ABOUT THIS OVER MIKE...OFF THE MIKE, SO I DO HAVE THESE ANSWERS READY FOR YOU. [LB348]

SENATOR WILLIAMS: THANK YOU. WITHIN THE FEE STRUCTURE ESTABLISHED BY THE SWITCH, IS IT PERMISSIBLE TO HAVE A SEPARATE FEE FOR EACH INDIVIDUAL TYPE OF BANKING TRANSACTION? [LB348]

SENATOR KRIST: YES. [LB348]

SENATOR WILLIAMS: IS THE CONCEPT OF UNIFORM INTERCHANGE FEE LINKED TO THE REQUIREMENT THAT INTERCHANGE FEES BE THE SAME FOR ALL FINANCIAL INSTITUTIONS FOR ESSENTIALLY THE SAME SERVICES? [LB348]

SENATOR KRIST: YES, THE LANGUAGE IN SUBSECTION (3)(d), FOUND ON PAGE 7 OF THE AMENDMENT, WILL TELL YOU THAT. [LB348]

SENATOR WILLIAMS: DOES THE AMENDMENT...RECOGNIZING THAT A DIFFERENT INTERCHANGE FEE CAN APPLY TO A TRANSACTION THAT IS SUBJECT TO A SURCHARGE COMPARED TO ONE THAT IS NOT SUBJECT TO A SURCHARGE? [LB348]

Floor Debate
April 20, 2015

SENATOR KRIST: AND AGAIN, YES, IN SUBSECTION (15)(f) AND SECTION 8-157.01, THE AMENDMENT PROVIDES THAT A NEBRASKA... [LB348]

SENATOR WATERMEIER: ONE MINUTE. [LB348]

SENATOR KRIST: ...AUTOMATIC TELLER MACHINE TRANSACTION THAT IS SUBJECT TO A SURCHARGE IS NOT NECESSARILY THE SAME SERVICE AS THE SAME BANKING TRANSACTION FOR WHICH A SURCHARGE IS IMPOSED. AND IN SUBSECTION (3)(b)(iv), THE AMENDMENT PROVIDES THAT IT IS NOT DISCRIMINATION IF THE ATM USAGE FEE DIFFERS BASED UPON WHETHER A TRANSACTION INITIATED AT THE ATM IS SUBJECT TO A SURCHARGE OR PROVIDED ON A SURCHARGE-FREE BASIS. [LB348]

SENATOR WILLIAMS: THANK YOU, SENATOR KRIST. WE DO HAVE SEVERAL MORE QUESTIONS, AND I WILL WAIT FOR MY NEXT TIME ON THE MIKE TO FINISH FROM THERE. THANK YOU, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: THANK YOU, SENATOR WILLIAMS AND SENATOR KRIST. SENATOR KRIST, YOU ARE NEXT. [LB348]

SENATOR KRIST: AND IF SENATOR WILLIAMS WILL YIELD, WE CAN CONTINUE OUR QUESTION AND ANSWER. [LB348]

SENATOR WATERMEIER: SENATOR WILLIAMS? [LB348]

SENATOR WILLIAMS: THANK YOU. SENATOR KRIST, IS IT ALSO CORRECT THAT ALL SURCHARGE TRANSACTIONS ARE REQUIRED TO HAVE A SINGLE, UNIFORM INTERCHANGE FEE AND THAT ALL NONSURCHARGE TRANSACTIONS MUST HAVE A SINGLE, UNIFORM INTERCHANGE FEE? [LB348]

SENATOR KRIST: YES. [LB348]

SENATOR WILLIAMS: DO THE PROVISIONS OF LB348 ENSURE THAT ATMs OWNED BY INDEPENDENT SERVICE ORGANIZATIONS OR THIRD-PARTY NONFINANCIAL INSTITUTIONS, THAT THEY ARE ALSO SUBJECT TO THE PROVISIONS OF SECTION 8-157.01? [LB348]

Floor Debate
April 20, 2015

SENATOR KRIST: THAT IS CORRECT. [LB348]

SENATOR WILLIAMS: COULD YOU TAKE A MINUTE, SENATOR KRIST, AND EXPLAIN THE PURPOSE OF THE SO-CALLED MORATORIUM FOUND ON PAGES 11 AND 12 OF THE LEGISLATION? [LB348]

SENATOR KRIST: SURE. IN LIGHT OF THE UNCERTAINTY SURROUNDING THE INTERPRETATION OF THE CURRENT LAW AND THE FACT THAT THERE IS PENDING LITIGATION INVOLVING ACTIONS TAKEN BY SWITCHES AND FINANCIAL INSTITUTIONS UNDER THE LAW, IT IS FELT THAT THE DEPARTMENT OF BANKING SHOULD DEFER THEIR ENFORCEMENT AGAINST ANY FINANCIAL INSTITUTIONS OR SWITCHES THAT MAY HAVE VIOLATED THE LAW PENDING THE TRANSACTION TO FULL IMPLEMENTATION OF THE DATE IN LB348. [LB348]

SENATOR WILLIAMS: THANK YOU, AND ONE FINAL QUESTION. AS OF NOVEMBER 1, 2016, WILL ALL SWITCHES AND FINANCIAL INSTITUTIONS OPERATING IN THE STATE OF NEBRASKA BE REQUIRED TO BE IN COMPLIANCE WITH THE PROVISIONS OF LB348 AS AMENDED? [LB348]

SENATOR KRIST: AS LONG AS THIS IS SIGNED INTO LAW, THE ANSWER IS, YES. [LB348]

SENATOR WILLIAMS: THANK YOU, SENATOR KRIST. AND AGAIN, FELLOW MEMBERS, THESE ARE TECHNICAL QUESTIONS THAT WE ARE ASKING TO ESTABLISH THE RECORD. THE IMPORTANT PART OF THIS IS THAT OUR CUSTOMERS AND OUR CONSUMERS IN NEBRASKA HAVE ENJOYED A VERY UNIQUE AND SPECIAL SYSTEM. LB348 RETAINS THE MAJORITY OF THAT SYSTEM BUT MOVES US INTO A MORE COMPETITIVE NATURE IN THE LONG TERM. AND YOUR PLASTIC CARDS, THOSE PLASTIC CARDS OF CONSUMERS AROUND OUR STATE, WILL WORK IN A FASHION THAT WE WOULD BE PROUD OF. THANK YOU, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: SENATOR KRIST, YOU STILL HAVE 2:30. SENATOR KRIST WAIVES. NEXT IN THE QUEUE, SENATOR SCHEER. [LB348]

SENATOR SCHEER: THANK YOU, MR. PRESIDENT. I WAS INUNDATED AS I GOT OFF OF MY INTRODUCTION OF THE AMENDMENT BY VARIOUS QUESTIONS. AND SO I TOOK NOTES OF THOSE, AND I'LL TRY TO ANSWER THOSE IN THE ORDER THAT I

Floor Debate
April 20, 2015

RECEIVED THEM. THE FIRST ONE: WHAT IS A SWITCH? WELL, THE SWITCH IS A NETWORK THAT OPERATES THE RAILS ON WHICH THE ATM TRANSACTION IS ROUTED. THERE ARE ABOUT 13 SWITCHES IN THE UNITED STATES THAT OPERATE ACROSS THE COUNTRY. I USE THE TERMS "SWITCH" AND "NETWORK" INTERCHANGEABLY. NEBRASKA HAS A NETWORK OR A SWITCH THAT WAS CREATED FOR THE NEBRASKA FINANCIAL INSTITUTIONS. THAT SWITCH OR NETWORK IS NETWORKS AND IS OFTEN REFERRED TO AS "NETS." SOME OF THE OTHER NATIONAL NETWORKS ARE NAMES YOU MIGHT RECOGNIZE, SUCH AS PULSE MAESTRO, INTERLINK, NYCE, AND STAR. AND IF YOU LOOK ON THE BACK OF YOUR DEBIT CARD, YOU MAY SEE THE LOGO OF SOME OF THOSE NETWORKS THAT YOUR BANK OR CREDIT UNIONS BELONG TO. THE QUESTION I HAD WAS, WHAT WAS A SWITCH FEE? THE SWITCH FEE IS A FEE THAT IS PAID BY THE FINANCIAL INSTITUTION TO A NETWORK FOR THE TRANSACTIONS THAT ARE ROUTED OVER THE NETWORK. YOU MIGHT THINK OF THEM, A SWITCH FEE, AS A MEMBERSHIP FEE OR AS SIMILAR TO A GYM MEMBERSHIP FEE. WHEN YOU JOIN A GYM YOU GET CERTAIN SERVICES AND YOU PAY FOR THOSE SERVICES. YOU CAN PICK THE GYM THAT YOU WANT BASED ON THE PRICE YOU WANT TO PAY AND THE SERVICES YOU GET. THE SAME OCCURS WITH A SWITCH OR A NETWORK. THE FINANCIAL INSTITUTION JOINS THE NETWORK BASED ON THE COST AND THE BENEFITS. NATIONALLY, SWITCH FEES ARE VARIABLE. THAT MEANS THAT THE MANY DIFFERENT FACTORS THAT CAN AFFECT THE ACTUAL FEE NETWORK...FEE AMOUNT, INCLUDING THE MORE TRANSACTIONS THAT A MEMBER FINANCIAL INSTITUTION SENDS OVER THE NETWORK, THE LOWER THE FINANCIAL INSTITUTION'S RATE. MANY NETWORKS ALSO BUNDLE SERVICES SO A FINANCIAL INSTITUTION MAY GET A LOWER SWITCH FEE IF THE PURCHASE IS OTHER FEES, LIKE FRAUD DETECTION OR ON-LINE BANKING. IN NEBRASKA, SWITCH FEES HAVE TO BE NONDISCRIMINATORY. THE ATTORNEY GENERAL HAS INTERPRETED THAT TO MEAN THAT THE ACTUAL FEE AMOUNT HAS TO BE THE SAME FOR EVERY BANK OR CREDIT UNION, THAT THERE IS NO VARIABLE RATES DEPENDING UPON THE SIZE OF THE INSTITUTION AND THE NUMBER OF TRANSACTIONS. LB348 WITH THE COMMITTEE AMENDMENTS WILL TAKE THE STATE GOVERNMENT OUT OF THE REGULATING SWITCH FEES. AFTER THE BILL PASSES THE FEE WILL BE NEGOTIATED BETWEEN FINANCIAL INSTITUTIONS AND NETWORKS WITHOUT GOVERNMENT INTERFERENCE. THE THIRD QUESTION WAS, WHAT DOES THE COMMITTEE AMENDMENT REQUIRE SWITCHES TO DO? WELL, THE COMMITTEE AMENDMENT REQUIRES THAT SWITCHES HAVE TO ALLOW ALL FINANCIAL INSTITUTIONS IN NEBRASKA THAT CONFORM TO THE SWITCH RULES AND TECHNICAL STANDARDS HAVE AN EQUAL OPPORTUNITY TO BE A MEMBER OF THE SWITCH. THE IDEA THAT IF A BANK OR A CREDIT UNION WANTS TO JOIN A PARTICULAR NETWORK AND IT CAN FOLLOW THE TECHNICAL RULES OF THE

Floor Debate
April 20, 2015

MEMBERSHIP RULES, THE SWITCH HAS TO ALLOW THE FINANCIAL INSTITUTION THE OPPORTUNITY TO JOIN. THE REASON IS THAT NEBRASKA WANTS TO MAKE SURE THAT CERTAIN NETWORKS DON'T PRECLUDE SMALL BANKS FROM HAVING ACCESS TO NETWORKS AND, THUS, BEING EXCLUDED FROM ACCESS TO ATMs. IN REALITY, THE WORLD HAS CHANGED FROM THE TIME THAT NEBRASKA STATUTES WERE CREATED. NETWORKS CAN ONLY SURVIVE IF FINANCIAL INSTITUTIONS JOIN THEM AND BECOME MEMBERS. IN FACT, ACROSS THE REST OF THE COUNTRY, SWITCH FEES ARE NEGOTIATED TO PROVIDE THE MOST FAVORABLE CIRCUMSTANCES FOR THE FINANCIAL INSTITUTION AS INCENTIVE TO JOIN. IT IS UNLIKELY THAT THE NETWORKS WILL PRECLUDE A FINANCIAL INSTITUTION FROM JOINING IF HE WANTED TO BE A MEMBER. NEXT QUESTION WOULD BE, WHAT ROLE WILL THE DEPARTMENT OF BANKING HAVE AFTER LB348 PASSES? LB348 TAKES THE DEPARTMENT OF BANKING OUT OF THE MIDDLE OF BUSINESS DECISIONS BETWEEN MERCHANTS, DEBIT NETWORKS, AND FINANCIAL INSTITUTIONS FOR POINT OF SALE TRANSACTIONS. THE BILL COMPLETELY DEREGULATES THE FEES ASSOCIATED WITH THE POINT OF SALE, INCLUDING THOSE ASSOCIATED WITH THE POINT OF SALE TRANSACTION. SO THE SWITCH AND FINANCIAL INSTITUTIONS CAN NEGOTIATE WHATEVER SWITCH FEE WORKS FOR THAT INSTITUTION AND THE SWITCH FEE SHALL BE...CHARGED BY THE NETWORK TO THE FINANCIAL INSTITUTION FOR ATM TRANSACTIONS WILL NO LONGER BE REGULATED BY THE STATE. THE STATE WILL STILL ENFORCE THE LAW THAT IS APPLIED TO ATM USAGE FEES. DEPARTMENT OF... [LB348]

SENATOR WATERMEIER: ONE MINUTE. [LB348]

SENATOR SCHEER: THANK YOU, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: ONE MINUTE. [LB348]

SENATOR SCHEER: THE STATE WILL STILL HAVE TO ENFORCE THE LAWS APPLIED TO ATM USAGE FEES. THE BANKING DEPARTMENT CAN SUSPEND THE OPERATION OF A SWITCH OR AN ATM IF THE ATM FEE IS DISCRIMINATORY OR IF THE SWITCH DOESN'T FOLLOW...FINANCIAL INSTITUTIONS THE OPPORTUNITY TO BE A MEMBER OF THE SWITCH IF THE FINANCIAL INSTITUTION MEETS THOSE CERTAIN CRITERIA. ESTABLISHING FINANCIAL INSTITUTIONS WILL ALSO HAVE TO HAVE UNIFORM ATM USAGE (MICROPHONE MALFUNCTION) THE SAME SERVICES, AS EXPLAINED ABOVE, AND ALLOW ANY OF THE FINANCIAL INSTITUTION'S CUSTOMERS TO USE THE ATM. THERE IS NO REQUIREMENT THAT

Floor Debate
April 20, 2015

ANY BANK BECOME A MEMBER OF ANY PARTICULAR SWITCH OR FEE...OR ANY SWITCH IF IT CHOOSES NOT TO OFFER AN ATM TRANSACTION FROM OTHER BANKS TO ITS CUSTOMERS. BEGINNING SEPTEMBER 1 OF THIS YEAR AND ANNUALLY THEREAFTER, EVERY SWITCH WILL FILE A NOTICE WITH THE DEPARTMENT OF BANKING. THE NOTICE WILL STATE THE SWITCH NAME, ADDRESS, AND CONTACT INFORMATION SO THE DEPARTMENT CAN CONTACT THE SWITCH IF THERE ARE ANY CONCERNS OR INQUIRIES ABOUT THE SWITCH. [LB348]

SENATOR WATERMEIER: TIME, SENATOR. SENATOR SCHEER, YOU'RE NEXT IN THE QUEUE. [LB348]

SENATOR SCHEER: THANK YOU. GOING ON TO THE NEXT QUESTION, DOES THE BILL REQUIRE FINANCIAL INSTITUTIONS TO JOIN A PARTICULAR SWITCH? NO. NO SWITCH OR NETWORK CAN CONTROL WHETHER OR NOT A CARD ISSUED IN THE FINANCIAL INSTITUTION CHOOSE TO JOIN. THE ISSUING BANK HAS TO JOIN AT LEAST TWO NETWORKS TO COMPLY WITH FEDERAL LAW, THE DURBIN AMENDMENT, BUT THE ISSUING BANK CAN CHOOSE WHICH NETWORKS IT CHOOSES TO JOIN. THE BILL DOES REQUIRE THAT A SWITCH OR A NETWORK...TO MAKE MEMBERSHIP AVAILABLE TO EVERY FINANCIAL INSTITUTION THAT IS CAPABLE OF ALLOWING THE NETWORK RULES. AGAIN, THIS LANGUAGE IS DESIGNED TO ENSURE THAT A SWITCH DOES NOT TURN AWAY ANY FINANCIAL INSTITUTIONS BECAUSE OF SIZE. FOR INSTANCE, HOWEVER, THE BILL ABSOLUTELY DOES NOT MANDATE THAT A CARD-USING FINANCIAL INSTITUTION JOIN EVERY SWITCH THAT MAY BE AVAILABLE FOR THE MEMBERSHIP IN THE STATE OF NEBRASKA, EVEN IF THE FINANCIAL INSTITUTION'S DECISION NOT TO JOIN A PARTICULAR NETWORK MEANS THAT THE CARDHOLDER MAY BE DECLINED OUT OF STATE OR DECLINED AT AN ATM IN THE STATE OF NEBRASKA. YOU MIGHT HAVE WANTED TO KNOW WHAT HAPPENS WHEN A NEBRASKA CUSTOMER GOES OUT OF STATE OR OUT OF THE COUNTRY. HOW DOES THIS FEE WORK? THE UNIFORM USAGE FEE REQUIREMENTS APPLY ONLY TO TRANSACTIONS THAT OCCUR AT ATMs LOCATED IN NEBRASKA. IN OTHER WORDS, THERE'S NO IMPACT TO ANY ATM TRANSACTION THAT OCCUR OUTSIDE THE STATE OF NEBRASKA. WHAT HAPPENS WHEN A CUSTOMER OF AN OUT-OF-STATE BANK THAT DOESN'T OPERATE IN NEBRASKA USES AN ATM IN NEBRASKA, YOU MIGHT WANT TO KNOW. WELL, THE BILL ONLY APPLIES TO CUSTOMERS WHO ARE USING CARDS THAT HAVE BEEN ISSUED WITHIN THE STATE OF NEBRASKA, EITHER BY A NEBRASKA STATE-CHARTERED BANK OR A CREDIT UNION OR A NATIONALLY CHARTERED BANK OR CREDIT UNION THAT ISSUED THE CARD OUT OF THE NEBRASKA BRANCH. IN

Floor Debate
April 20, 2015

OTHER WORDS, THE UNIFORM USAGE FEE REQUIREMENT DOES NOT APPLY TO CUSTOMERS USING CARDS THAT HAVE BEEN ISSUED OUTSIDE THE STATE OF NEBRASKA. ARE CREDIT UNIONS, YOU MIGHT WANT TO KNOW, TREATED THE SAME AS BANKS IN THIS? THE ANSWER IS, YES. THE BILL ALSO HAS THE EMERGENCY CLAUSE SO IT DOES GO INTO EFFECT IMMEDIATELY UPON SIGNING. THE POINT OF SALE INTERCHANGE FEES WILL BE DEREGULATED AND ALL NETWORK FEES AT THAT POINT OF SALE AND ATM TRANSACTIONS WILL BE DEREGULATED. THE STATE OF NEBRASKA WILL NO LONGER HAVE ANY AUTHORITY OVER THE WAY THOSE FEES ARE SET BY THE SWITCHES. AND WHAT DOES IT MEAN TO SPONSOR AN ATM? WELL, CERTAIN NONBANK ENTITIES CAN OWN ATMs. IN ORDER FOR THOSE ATMs TO BE ABLE TO ACCEPT DEBIT CARDS, DEBIT NETWORKS REQUIRE THAT THAT FINANCIAL INSTITUTION SPONSOR THE NONBANK ATM OWNER INTO THE NETWORK. THE FINANCIAL INSTITUTION SPONSOR BASICALLY VOUCHES THAT THE NONBANK ATM OWNER AND EVEN TAKES ON SOME LIABILITY. THE FINANCIAL INSTITUTION SPONSOR IS ALSO SUPPOSED TO INFORM WHEN THE NONMEMBER ATM OWNER STOPS SERVICES OR CHANGES THE LOCATION OF THE ATM. AND THAT, MY FRIENDS, PRETTY MUCH SUMS UP LB348, ALL THE WORK THAT WAS DONE. AND AGAIN, I APPRECIATE ALL THOSE THAT WERE INVOLVED AND I WOULD URGE YOUR SUPPORT OF AM1013 TO LB348. THANK YOU, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: THANK YOU, SENATOR SCHEER. THERE IS NO ONE IN THE QUEUE. SENATOR SCHEER WAIVES CLOSING ON THE COMMITTEE AMENDMENT TO LB348. MEMBERS, THE QUESTION IS, SHALL THE COMMITTEE AMENDMENTS TO LB348 BE ADOPTED? ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. RECORD, MR. CLERK. [LB348]

CLERK: 29 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADOPTION OF COMMITTEE AMENDMENTS. [LB348]

SENATOR WATERMEIER: COMMITTEE AMENDMENT AM1013 IS ADOPTED. [LB348]

CLERK: I HAVE NOTHING FURTHER ON THE BILL, MR. PRESIDENT. [LB348]

SENATOR WATERMEIER: SEEING NO ONE IN THE QUEUE, SENATOR KRIST, YOU'RE RECOGNIZED TO CLOSE ON LB348. [LB348]

SENATOR KRIST: WELL, THE SPEAKER SAID WE COULDN'T LEAVE UNTIL 4:45, SO I'M GOING TO TAKE MY WHOLE FIVE MINUTES TO CLOSE. (LAUGHTER)

Floor Debate
April 20, 2015

ACTUALLY, I JUST WANT TO...SENATOR SCHEER, YOU DID YEOMAN'S WORK, PROUD TO CALL YOU A COLLEAGUE. THAT WAS HARD WORK, SIX OR SEVEN DIFFERENT SESSIONS. AND, MR. MARIENAU, THANK YOU FOR YOUR HELP AS WELL. SENATOR SCHEER DID SOMETHING TO ME THAT NO OTHER CHAIR HAS EVER DONE. HE SAID, STAY OUT OF THIS UNTIL I GET EVERYTHING WORKED OUT AND THEN YOU CAN COME IN AND HELP ME; YOU CAN WEAR THE BLACK HAT AND I'LL WEAR THE WHITE HAT. AND I'M NOT SURE WHO WORE THE BLACK HAT OR THE WHITE HAT, BUT I REALLY THANK YOU FOR ALL THAT YOU'VE DONE. THIS IS GOING TO MAKE YOUR CREDIT CARD WORK ANYPLACE YOU GO IN THE FUTURE. IT'LL KEEP US IN COMPLIANCE. AND I ESPECIALLY WANT TO THANK ONE OF OUR FORMER COLLEAGUES, FORMER SENATOR MARK QUANDAH, WHO IS NOW THE DIRECTOR OF BANKING. AND ONE OTHER EDITORIAL NOTE: THIS IS AN EXECUTIVE BRANCH DEPARTMENT THAT CAME FORWARD AND SAID, WE HAVE TO FIX THIS, WE NEED YOUR HELP, AND HE WAS A MASSIVE PART, HE AND HIS DEPARTMENT, A MASSIVE PART OF MAKING THIS HAPPEN. PLEASE VOTE GREEN ON LB348. [LB348]

SENATOR WATERMEIER: THANK YOU, SENATOR KRIST. MEMBERS, YOU'VE HEARD THE CLOSING ON ADVANCEMENT OF LB348. ALL THOSE IN FAVOR VOTE AYE; ALL THOSE OPPOSED VOTE NAY. HAVE ALL THOSE VOTED WHO WISH? RECORD, MR. CLERK. [LB348]

CLERK: 33 AYES, 0 NAYS, MR. PRESIDENT, ON THE ADVANCEMENT OF LB348. [LB348]

SENATOR WATERMEIER: LB348 ADVANCES TO E&R. MR. CLERK FOR AN ITEM. [LB348]

CLERK: MR. PRESIDENT, ITEMS: JUDICIARY COMMITTEE REPORTS LB643 TO GENERAL FILE WITH AMENDMENTS. I HAVE AMENDMENTS TO BE PRINTED: SENATOR LARSON TO LB330; SENATOR NORDQUIST, LB330; SENATOR MORFELD TO LB629; SENATOR LINDSTROM, LB629; AND SENATOR CRAWFORD TO LB67. (LEGISLATIVE JOURNAL PAGES 1217-1221.) [LB643 LB330 LB629 LB67]

MR. PRESIDENT, A PRIORITY MOTION: SENATOR BAKER WOULD MOVE THE LEGISLATURE ADJOURN UNTIL TUESDAY, APRIL 21, AT 9:00 A.M.

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

Floor Debate
April 20, 2015

SENATOR WATERMEIER: MEMBERS, WE HAVE A PRIORITY MOTION TO ADJOURN THE BODY. ALL THOSE IN FAVOR SAY AYE. THOSE AGAINST SAY NAY. WE ARE ADJOURNED.