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Transcriber's Office

Government, Military and Veterans Affairs Committee  
February 05, 2016

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[LB823 LB935 LB993]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Friday, February 5, 2016, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB993, LB823, and LB935. Senators present: John Murante, Chairperson; Tommy Garrett, Vice Chairperson; Dave Bloomfield; Joni Craighead; Mike Groene; Matt Hansen; and Tyson Larson. Senator absent: Beau McCoy.

SENATOR MURANTE: (Recorder malfunction)...Government, Military and Veterans Affairs Committee. My name is John Murante, I'm the state senator for District 49, which includes Gretna and northwest Sarpy County, and I'm also the Chairman of this committee. We're here today for the purposes of discussing three legislative bills and conducting public hearings on them. We'll be taking those bills up in the order on which they appear on the agenda outside of this room. If you wish to testify, there are green sheets on either side of the room. Fill those out and submit them to the clerk before you begin your testimony. If you're here and wish to register support or opposition for any of the matters before us, but do not wish to testify, we have sign-in sheets also in the corner of the room where you can indicate your support or opposition to anything before us. If you testify, please state and spell your name for the record. The order of business is the introducers will make opening remarks. We'll follow it by proponents, opponents, neutral testimony, and then the introducer will be allowed to close. We do have a little bit of a unusual circumstance, that two bills before us today are going to be introduced by staff of legislators and, by tradition, we don't ask questions of the staff because that's just what we do. So we ask that you listen carefully and to try not to be repetitive. We do use the light system in the Government Committee. Each person is allotted four minutes to testify. When the amber light comes on you have one minute remaining. When the red light comes on we ask that you cease your testimony and then we will open up the committee for any questions they may have of you, unless you are a legislative staffer, again. We ask at this time that you turn off or silence any cell phones or other electronic devices. If you have any exhibits, testimony, anything you would like to distribute to the committee, we ask that you present 12 copies to the page who will distribute them to the committee. If you do not have 12 copies, that's all right. Just give it to the page, we will make the copies for you. So we will proceed to the introduction of members. To my far left is Sherry Shaffer, our committee clerk, followed by State Senator Joni Craighead of Omaha. State Senator Beau McCoy, also of Omaha, will not be with us today, he's traveling. State Senator Matt Hansen from Lincoln, Nebraska. To my immediate right, Andrew La Grone is the committee's research analyst. To his right, State Senator Tommy Garrett from Bellevue, Nebraska. Senator Garrett is the Vice Chair of this committee. State Senator Dave Bloomfield from Hoskins, Nebraska, followed by State Senator Tyson Larson from O'Neill and State Senator Mike Groene from North Platte, Nebraska. So having dispensed with our formalities, welcome to the Government Committee.

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DAVID SLATTERY: (Exhibit 1) Thank you. All right, thank you. And good afternoon, Chairman Murante and senators on the Government, Military and Veterans Affairs Committee. My name is David Slattery, D-a-v-i-d S-l-a-t-t-e-r-y, and I'm the legislative aide for State Senator Colby Coash of the 27th District in the Nebraska Legislature. Senator Coash apologizes, but he is unable to introduce LB993 today, but he is introducing another bill in another committee at this time. As I said, I'm here to introduce LB993, a bill to authorize a designee on the board for the Auditor of Public Accounts to allow the Auditor of Public Accounts to share working papers as prescribed and to require hours of work be recorded on a time sheet and reviewed and approved as prescribed. Nebraska statute 43-311(1) (sic) exempts working papers and other audit files maintained by the Auditor of Public Accounts, APA, from Nebraska's public records statutes and limits the disclosure of the information contained in those documents to a county attorney, the Attorney General, the Legislative Performance Audit Committee, a public entity being audited, any federal agency that has made a grant to that public entity, and external quality control review personnel. In addition to providing impeachment or removal of the offending party, state statute 84-311(2) makes it a class III misdemeanor for the APA or his or her employees to knowingly divulge in a manner not permitted by law any such protected information. LB993 expands the list of those to whom the APA could release audit working papers, with the exemption of personal information and telephone records. This bill would permit the APA at his or her discretion to share working papers with the Legislative Council. To facilitate outside investigations that arise from audit findings LB993 would also grant the APA the discretion to release, during an on-going audit or after the final audit report is issued, working papers to the Internal Revenue Service, the Tax Commissioner, the Federal Bureau of Investigation, a law enforcement agency, and the Nebraska Accountability and Disclosure Commission. Additionally, Nebraska statute 84-1001(1) directs all full-time state officers and employees, among others, to provide no fewer than 40 hours of labor per standard work week. LB993 would require those hours to be recorded on a time sheet and reviewed and approved by a direct supervisor or the head of the department or his or her designee prior to payment. Finally, Nebraska statute 81-1348 designates the Auditor as one of six members of the Suggestion Award Board. LB993 would allow the Auditor or his or her designee to serve in that capacity. Senator Coash is also offering an amendment that should be distributed to you. The Auditor would appreciate the committee approving that amendment. It is a simple amendment that allows employers to use time sheets to record hours or otherwise certified by the employee, such as logging into a computer. With that, I'm finished. Russ Karpisek from the Auditor's Office is here to testify in support of the bill and he will be able to answer any questions that you might have. Thank you. [LB993]

SENATOR MURANTE: Thank you very much. Appreciate it. We'll now proceed to proponent testimony. Senator Karpisek, welcome back to your Committee on Government, Military and Veterans Affairs. [LB993]

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RUSS KARPISEK: It never was mine, but I tried to make it so, didn't I, Senator? Senator Murante and members of the committee, thank you for hearing our bill today. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor of Public Accounts, Auditor Janssen. Mr. Slattery did a good job of explaining the bill and, again, I will try to explain why the Auditor's Office feels that we need this bill. As Mr. Slattery said, at present, working papers and other audit files maintained by the Auditor are not public records, so we cannot share them with just anyone. The information contained in the audit files are not subject to disclosure except to a county attorney or the Attorney General--and here's kind of the catch--in connection with an investigation made or action taken in the course of the AG's official duties. So they have to have an investigation going on to ask for our working papers. Sometimes those working papers may have the name of a person who we have...not we, our auditors have found doing fraud. So we don't have any punishment duties. We don't have any hammers, so we need to get this stuff to someone. And if the AG's office isn't doing an investigation, there's nowhere else really to go. I got off track. We also can give it to the Legislative Performance Audit Committee in the course of the committee's official duties. This bill would allow the auditor at his or her discretion to share working papers other than personal information and telephone records. I think this came up years ago before I was here, senators didn't like anyone being able to see their telephone records, of course the personal information, your Social Security number, all those sort of things, so that would not be shared. Could share all those...without the things, the IRS, the Tax Commissioner, the FBI, a law enforcement agency, and the Accountability and Disclosure Commission. Why? Because sometimes we have information during an audit that we cannot share, which this helps no one. Sometimes the AG or county attorney won't do an investigation into something we find. The Auditor's Office has no authority to press charges, so then nothing happens to someone who is found doing something illegal. Maybe the county attorney is someone's relative or just don't feel that it's that big of a deal. The AG's office is very busy and we understand that. Some of the cases are not huge amounts of money, but in my opinion they still need to be prosecuted. One such case last year during session, when we were auditing Corrections we found something going on with aluminum cans. They were keeping the can money to go back to the inmates so they could buy TVs, recreational things, etcetera. That was going against state statute that it should have been run through the recyclables program. Auditor Janssen talked to Mr. Frakes who talked to Senator Mello. We've got an amendment in and said it's okay to do it how you're doing it. If I would have went to someone, I could have been found guilty. The bill also amended would direct that all state officers and heads of departments, their deputies, employees, except permanent part-time employees, everyone shall render not less than 40 hours of labor each week, except in any week which paid holiday may occur. That is current statute. We would like to say that it would direct that such hours shall be recorded on a time sheet or otherwise certified by the employee and either form of documentation shall be reviewed and approved by the direct supervisor or the head of the department or his or her designee. Again, why? The Auditor's Office has observed different agencies only recording days when an employee is gone. For instance, at Corrections

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one employee said they were gone four hours on Wednesday. Nothing about any other days. I've never seen anyone else run like this in government. We all have to put in our hours, private business, no different. Last note is that, as Mr. Slattery said, this bill would allow the Auditor to designate an employee to serve in his or her place on the Suggestion Awards Board. I'd be glad to take any questions. [LB993]

SENATOR MURANTE: Thank you very much for your testimony. Senator Garrett has a question. [LB993]

SENATOR GARRETT: Senator Murante. Thank you, Russ. [LB993]

RUSS KARPISEK: Thank you, Senator. [LB993]

SENATOR GARRETT: Am I to understand that state employees right now, exempt employees, don't have to record their time? [LB993]

RUSS KARPISEK: That's how I understand it. Temporary employees and members of any board or commission not required to render full time shall render not less than 40 hours of labor each week, except any week with a holiday. It says, officers and heads of departments, their deputies, assistants, and employees, except permanent part-time employees, should all render 40 hours. However, what we're running into is that not everyone records those hours and then supervisors sign off on that. [LB993]

SENATOR GARRETT: Do you personally have to record your hours? [LB993]

RUSS KARPISEK: Yes, I do. [LB993]

SENATOR GARRETT: Okay. I'm an exempt employee for my company and I own the company. I have to report my hours. I mean, that's just... [LB993]

RUSS KARPISEK: I think there's 40...you have to work 40 hours even if you're salaried, and to report it. There's different reasons and I think I saw a huge fiscal note on this, so I think someone doesn't like it. So maybe you'll hear why. [LB993]

SENATOR GARRETT: As did we. And that just really jumps out because obviously the University of Nebraska is not currently doing that, where they're recording their hours. [LB993]

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RUSS KARPISEK: It would seem that way to me, Senator. I don't know that, but... [LB993]

SENATOR GARRETT: That's really kind of surprising to me that...I don't care if you're an exempt employee, you should still be recording your hours. [LB993]

RUSS KARPISEK: And then someone overseeing that. [LB993]

SENATOR GARRETT: Yeah. Okay, thank you. [LB993]

RUSS KARPISEK: Thank you. [LB993]

SENATOR MURANTE: Thank you, Senator Garrett. Senator Groene. [LB993]

SENATOR GROENE: Yes, thank you, Chairman. So when I...when my staff brings me that sign-off week, that's the 40 hours? [LB993]

RUSS KARPISEK: Correct. You are saying it's 40 hours or if it's 32 and it was a holiday or 32 and a vacation day or however, but they are turning it into you. You are saying okay and then the... [LB993]

SENATOR GROENE: And that happens at the state prisons? Do they punch in? [LB993]

RUSS KARPISEK: Well, not in all cases. That's where we found some of this happening. Somebody would say, well, I took off Wednesday. Well, okay, what did you do Monday, Tuesday, Thursday, Friday? Well, I was here eight hours. Then why doesn't it show that? [LB993]

SENATOR GROENE: So you interpret this every employee at the university...if a professor teaches one class a week should have somebody sign-off that he worked 40 hours? [LB993]

RUSS KARPISEK: Not if they teach one class a week. [LB993]

SENATOR GROENE: Well, I mean, but their full-time pay. I was being sarcastic. [LB993]

RUSS KARPISEK: Okay. But, yes, if they're being paid and they are to work 40 hours...that's already in statute. All we're... [LB993]

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SENATOR GROENE: No matter if you consider yourself a salary or like they do, they claim they own their positions, have property ownership in it? But even at that, they should have to sign it. One other question, it says on this, at the Auditor's discretion. Well, what if it's his relative that's in trouble and he don't...should he...not this one, but there might be an auditor in the future. [LB993]

RUSS KARPISEK: Probably more this one than others, but... [LB993]

SENATOR GROENE: ...has a political connection and doesn't want to turn it in. [LB993]

RUSS KARPISEK: You know, I guess that is a good point, Senator. I think, though, that sometimes there may be just two senators don't like each other or something happens and so they're going to go and they want to get records, working papers. And I would say that the Auditor could say, well, this isn't anything more than a feud. [LB993]

SENATOR GROENE: That's my question, but this goes both ways. If the FBI wanted information, now you're authorized to release it to them. You could take it to the FBI or the FBI could come to you? [LB993]

RUSS KARPISEK: Either way. [LB993]

SENATOR GROENE: If we pass this. [LB993]

RUSS KARPISEK: Correct, but it could still be at the Auditor's discretion in the bill. [LB993]

SENATOR GROENE: Thank you. [LB993]

RUSS KARPISEK: Thank you. [LB993]

SENATOR MURANTE: Senator Craighead. [LB993]

SENATOR CRAIGHEAD: Thank you, Mr. Chairman. Hi, Russ. [LB993]

RUSS KARPISEK: Hello, Senator. [LB993]

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SENATOR CRAIGHEAD: Okay, so I'm just curious. So if people aren't tracking their hours, how do you know they're working 40 hours a week? [LB993]

RUSS KARPISEK: I can't answer that question. We don't. That's why we're here and that's why we...I've only been with the office for a year but as I understand it, they've written people up over and over and over, which is another thing that we need to talk about. When things are written up over and over and over and never fixed and then nothing happens. So I don't know, Senator, that's a good question. [LB993]

SENATOR CRAIGHEAD: Okay, just wondered. Okay, now, I'm just curious about this and you probably know more than I do. But it looks to me like we've got three bills in one. We've got an investigative bill; we've got an hours and pay bill; and an Awards Board bill. We've got three bills in one bill. [LB993]

RUSS KARPISEK: I would argue that they're all generic, germane. "Bobby Ginairy" (phonetic). I've been out two years, two years out, one year. [LB993]

SENATOR CRAIGHEAD: I think you've got three bills, but okay. [LB993]

RUSS KARPISEK: And we, you know, we could separate them out into three bills. I guess when I was on the committee we could put them together. The committee can take them apart and put them together. We're hoping that this bill and our next bill could be rolled into one. [LB993]

SENATOR CRAIGHEAD: Back in the old days? [LB993]

RUSS KARPISEK: Back in the old days, a year ago. [LB993]

SENATOR MURANTE: Thank you, Senator Craighead. [LB993]

SENATOR CRAIGHEAD: Thank you. [LB993]

SENATOR MURANTE: Senator Bloomfield. [LB993]

SENATOR BLOOMFIELD: Thank you, Chair. Senator Karpisek, when you and I discussed this fiscal note a little bit before,... [LB993]

RUSS KARPISEK: Yes. [LB993]

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SENATOR BLOOMFIELD: ...it would choke a horse. Have you got any idea how they arrived at such an outrageous figure? [LB993]

RUSS KARPISEK: Well, what it says is, that they would spend...each employee would use a minute a day to record their time and then a minute and a half for the supervisor above them to look at it. And I guess that's how it's come up. I would argue that these people are already there, so I don't see any fiscal note. The fiscal note would be if they have to hire people to do the job. Now I realize it might take a little more time, but I would just say with your staff if you have three bills up in one day, they're going to really have to scramble, compared to yesterday, and they don't get paid more. So I don't understand that. I had that in my arguments here, but I thought someone else could explain it better than...that's what the note says. [LB993]

SENATOR BLOOMFIELD: And when we go to all state employees, are we going clear down to public schools, like high school teachers, grade school teachers? [LB993]

RUSS KARPISEK: Well, that's a great question, too. [LB993]

SENATOR BLOOMFIELD: They'd be paid out of the county, I would think. [LB993]

RUSS KARPISEK: They would and these are talking about state employees. Those probably aren't state employees, those would be public teachers. [LB993]

SENATOR BLOOMFIELD: They get into the retirement fund that's run by the state and so on. [LB993]

RUSS KARPISEK: That they do. [LB993]

SENATOR BLOOMFIELD: There's an area there I'd like a little more information on if we could get it. [LB993]

RUSS KARPISEK: And we can try to get you...we will get you more information. Off-hand, I would say, no, it's cities, counties, other political subdivisions. [LB993]

SENATOR BLOOMFIELD: Okay. Thank you. [LB993]

SENATOR MURANTE: Thank you, Senator Bloomfield. Any remaining questions? Seeing none, thank you very much for coming down today, much appreciate it. [LB993]

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RUSS KARPISEK: Thank you. [LB993]

SENATOR MURANTE: Additional proponent testimony to LB993? Mr. Daley, welcome back to the Government Committee. [LB993]

FRANK DALEY: Thank you very much, Senator Murante. Good afternoon, members of the Government, Military and Veterans Affairs Committee. My name is Frank Daley, D-a-l-e-y, I serve as the executive director of the Nebraska Accountability and Disclosure Commission, and I'm here today to express the commission's support of LB993. And if I may, I'd like to focus my comments on Section 2, which relates to the records which the Auditor of Public Accounts would be authorized to disclose. The adoption of this bill, of this provision would eliminate a longstanding impediment to the efficient cooperation between the Auditor of Public Accounts and the Accountability and Disclosure Commission. (Inaudible) currently happens is that often in the course of his duties the Auditor of Public Accounts or his staff will discover indications of violations of the Accountability and Disclosure Act. The Auditor refers that matter to our agency and in due course we ask for the records upon which the Auditor's conclusion is based. And the Auditor very kindly says, I'd love to give it to you, but there's this statute that says I can't. Now what that does is, it forces us to recreate what the Auditor does. We can perhaps try to get the same records from the city or village or county or whatever political subdivision we're talking about, but we don't know what records the Auditor's Office has and so we don't know what records to ask for. And we can't simply ask for the records that were given to the Auditor, because often agencies don't keep a record of that. So ultimately, it does not result in an efficient use of resources. We have one agency which is duplicating the efforts of another agency. And so what that means is, the resources provided to us by the taxpayer is kind of wasted because we're doing the same thing. What this does is, at least gives the Auditor of Public Accounts the discretion to provide the Accountability and Disclosure Commission with records which form the basis of the Auditor's belief that there may be a violation of the Accountability and Disclosure Act. I'd like to thank Senator Coash for introducing this bill. I'd like to thank the Auditor's Office for supporting this bill. And thank you very much for the opportunity to testify. [LB993]

SENATOR MURANTE: Thank you, Mr. Daley. Are there any questions? Senator Groene. [LB993]

SENATOR GROENE: The only time you overlap...you just do elected officials, right? [LB993]

FRANK DALEY: Not at all. Public officials and public employees, so even if it's a nonelected government employee, we would have jurisdiction. [LB993]

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SENATOR GROENE: But just on spending of--maybe I'm way off here--on campaign and political issues, right? [LB993]

FRANK DALEY: Well, we have three areas of enforcement: One is the campaign finance disclosure issues; also lobbying; and we also are essentially the ethics commission. So by way of example, if you've got a city clerk that is misusing city funds or misusing city resources or directing jobs to relatives, things of that nature, those are things which could fall under our jurisdiction. [LB993]

SENATOR GROENE: I didn't know that. I knew about the other two. Learned something today. Thank you. [LB993]

SENATOR MURANTE: All right. Any additional questions? Seeing none, thank you very much for your testimony. Much appreciate it. [LB993]

FRANK DALEY: Thank you very much. [LB993]

SENATOR MURANTE: Is there additional proponent testimony on LB993? Seeing none, is there any opposition testimony to LB993? Welcome. [LB993]

DAVID LECHNER: (Exhibit 2) Thank you, Senator. I will compact my 4 minutes and 18 seconds into 4 minutes, to the best of my ability, Senator. Good afternoon, Senators. My name is David Lechner, I'm senior vice president and chief financial officer at the University of Nebraska. I am appearing in opposition to the proposed changes in Section 3 of LB993, found on page 4. As you've heard before, this would require all state officers and others to do time sheets. And those must be approved by the supervisor prior to the employee being paid. It raises several concerns I want you to consider in your deliberations. One, it's a potential conflict with federal regulations. The Department of Labor's rule that a salaried employee is guaranteed her/his pay regardless of the time worked. Withholding of pay, because of a lack of a time sheet or a supervisor's signature, also runs afoul of wage and hour law and likely FLSA. Two, it would result in lost productivity. The university has a diverse workforce. We have physicians, researchers, teachers, coaches who are hired to do a job in their area of expertise. Nebraskans rightfully expect our employees to devote their time doing what they do best. Filling out time sheets is not the best use of time for a doctor treating Ebola, a researcher doing development with ag producers in rural Nebraska, or a professor teaching students. Third, the proposal does not pass the cost-benefit test. We have 13,000 employees who are paid monthly. You've heard this before: If each one spends one minute of time a day diverting away from things to record their time and that minute and a half of the supervisors, that equates to \$2.7 million of lost productivity. That's not the best return on your investment in the university. And when \$2.7

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million is measured against a denominator, the benefits of the change in the law--which are entirely unclear from the law, if there are any--the proposal fails. And four, when I think about today's workplace culture, time sheets strike me as out of sync with the type of practices we should be implementing in order to recruit and retain top talent. Consider the start-up companies that are a few blocks from here, adding great jobs to our community, contributing in a very meaningful way to economic growth; companies we all want more of. In those offices, flexibility for employees is paramount. If we want to be competitive on talent, especially young people, a more entrepreneurial and innovative mindset is required. Employee accountability is a great priority for the university. And for those of you who know me, I'm just as dogged on accountability as anybody here. But accountability is based on oversight, trust, and integrity. These are characteristics that leverage off and work best through personal interactions and a positive culture. A time sheet or a certification is not going to make a dishonest person honest. Last, I'd like to tell you this requirement works in terms of dollars and cents, but I can't. Ream of paper, 500 sheets. Under this proposal I'll now accumulate 26 of these. Stack them up here. Thirteen thousand time sheets high, about 6 feet tall, if you want to imagine it. Now I ask you, is the state or the university in a better position because I have 6 feet of time sheets? Do we have any data that allows you or me to form better decisions to make us more efficient or effective? Have we gained value or insights that offset that lost productivity? I can't say, yes, to any of those simple gauges. And that's the first questions we should ask before we support this proposed practice. In summary, I'd ask you to oppose LB993 because of Section 3. It introduces an antiquated practice that is impractical, costs us tremendously in terms of lost productivity, does not increase accountability, and opens us up to disputes, loss of employee goodwill, and potential litigation. I thank you for your time. And I'd be happy to answer any questions the committee might have. [LB993]

SENATOR MURANTE: Thank you very much for your testimony. I have one question. Have you seen Senator Coash's proposed amendment to Section 3? [LB993]

DAVID LECHNER: That was news to me late yesterday about a certification, that's why I added that word, Senator. [LB993]

SENATOR MURANTE: Okay. From what you are aware, does this do anything to alleviate any concerns that you have? [LB993]

DAVID LECHNER: It will still take the \$2.7 (million), Senator, and take some percent of that. And there's still going to be lost productivity. And I can take any cost above no perceived value and I still have a lot of the same concerns. [LB993]

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SENATOR MURANTE: Your means of calculating the productivity loss is a minute a day?  
[LB993]

DAVID LECHNER: A minute a day. You stop and you record 8:00 to 5:00 on your time sheet.  
[LB993]

SENATOR MURANTE: I don't know that you'd need...I don't think there's anything in the bill that requires that you daily record. [LB993]

DAVID LECHNER: Or five minutes a week, I'm sorry. I just see lost productivity. I really do, Senator, I'm being perfectly honest. [LB993]

SENATOR MURANTE: But the amount of time necessary is what your entire fiscal note is hinged upon. So you're saying it takes one minute a day. I can tell you, all of us fill out time sheets for our staff. It does not take one minute a day to do that. It's, in most cases, a weekly process that takes...it might take a minute a week, maybe. But that would drop your fiscal note to... [LB993]

DAVID LECHNER: To half a million, three-quarters of a million dollars. You're right. [LB993]

SENATOR MURANTE: Well, as long as we've stipulated that we've cut your fiscal note by one in seven, I think we're in pretty good shape. [LB993]

DAVID LECHNER: I'll work with you. [LB993]

SENATOR MURANTE: Okay. Senator Larson. [LB993]

SENATOR LARSON: You talked about it would take, what, 6 foot of paper? Is that what you said? [LB993]

DAVID LECHNER: If I had paper time sheets, yes, Senator Larson. [LB993]

SENATOR LARSON: Does the university have computers? [LB993]

DAVID LECHNER: We do, indeed. [LB993]

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SENATOR LARSON: Ah, all right. Good. That's a bonus. This reminds me a little bit of when I was on Appropriations and we had a...I think it was kind of a transparency bill that when someone requested a document that they would have to provide that. And I don't know if it was the university or the community colleges, one of...I know it was in a higher educational service. Every state agency came back with zero fiscal note. But the fiscal note from that state agency was just astronomical of like \$4 million, because they were going to get however many requests. And it just seems that there's somewhat of a pattern with you guys in terms of estimating these types of things. And it's kind of frustrating when we look for transparency and look for ways to build these things that it just seems to be coming from, specifically, certain state agencies. And what happened is, we still did it and it turned out that it didn't quite have that big of a fiscal note, nor did it have a fiscal note at all when they actually implemented it. So I'm just a little skeptical of you guys crying wolf all the time. Thank you. [LB993]

DAVID LECHNER: Thank you. [LB993]

SENATOR MURANTE: Senator Bloomfield. [LB993]

SENATOR BLOOMFIELD: Thank you, Chairman. I'm going to have to follow along a little bit down that same track. I see you sitting there with a straight face telling us basically that your employees and staff are so busy that this 30 seconds once a week is going to put a strain on them. Could be you spend longer than that stirring the coffee in the morning. I believe we've set up a straw man with this fiscal note and I think it's time we knock him down. Thank you. [LB993]

SENATOR MURANTE: Thank you. Senator Groene. [LB993]

SENATOR GROENE: Thank you, Chairman. Doing that doesn't help you with the vote in this committee, that fiscal note. So you want me to believe that the character of a university employee is well above every other employee in the state of Nebraska and that I shouldn't be concerned that there may be...some guy is coming back half an hour early, taking a half a day off--you know, you're so worried about that productivity--just skipping off, skipping out. But I understand, the character of a university employee is well above anybody else at the state, my aides and everybody else. But the nose in the air upsets me. So are you telling me all your employees...they probably show up a half hour early. We should just be so happy that university employees are well above the rest of us. Is that what you're saying? [LB993]

DAVID LECHNER: (Microphone malfunction) Senator, I don't pretend to make any value judgment like that whatsoever. [LB993]

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SENATOR GROENE: Well, you made it pretty clear that they're always there on time and every minute they're there, they're working. Is that so? [LB993]

DAVID LECHNER: No, Senator, (inaudible). [LB993]

SENATOR GROENE: They don't waste any time at all. [LB993]

DAVID LECHNER: That's not what I said (inaudible). [LB993]

SENATOR GROENE: Oh, but they're going to waste a minute signing a piece of paper. Is that correct? [LB993]

DAVID LECHNER: (Inaudible.) [LB993]

SENATOR GROENE: Thank you. [LB993]

SENATOR MURANTE: Senator Hansen. [LB993]

SENATOR HANSEN: Thank you, Chair. I guess I'll deviate by asking you a question related to our statutes. I had a bill in Business and Labor relating to all state employees, specifically trying to give benefits to state employees. And I was told that the university does not...that I could not give it to university employees because the power of employees was regarded to within the Board of Regents. I was just wondering if there has been any talk or any concern at all of whether or not we have the authority to start legislating public policy...not public policy, personnel policy within the university. [LB993]

DAVID LECHNER: Senator Hansen, that's very prescient on your part. I'm not the lawyer who should be discussing that with you. I apologize. I will tell you I had the same discussion with Mr. Withem at the back of the room when we said, this applies to state employees, it doesn't apply to us. So I have that question myself, Senator (inaudible). [LB993]

SENATOR HANSEN: Thank you. [LB993]

SENATOR MURANTE: Thank you, Senator Hansen. Any final questions? Seeing none, thank you for your testimony today. Much appreciate it. [LB993]

DAVID LECHNER: (Inaudible). [LB993]

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SENATOR MURANTE: Is there additional opposition testimony to LB993? Any additional opposition testimony? Any neutral testimony to LB993? Welcome. [LB993]

LAURA McCORMICK: Hi. My name is Laura McCormick. I'll fill out a form after. Do you want me to spell my name? [LB993]

SENATOR MURANTE: Please do. [LB993]

LAURA McCORMICK: It's L-a-u-r-a M-c-C-o-r-m-i-c-k. I hadn't planned on testifying, but after I listened to the gentleman before me--and I don't know his name--I guess as a common, every day, van-driving soccer mom who worked hard and before that (inaudible) gainfully employed in a business where I was required to fill out a time sheet. Attorneys fill out time sheets at private law firms. My daughter will graduate in the spring and she will go to work at Deloitte, a very large organization, where she will be required to fill out a time sheet. And we've all progressed. Back in the day, I actually filled out a time sheet that was paper, but I graduated from college in 1986. The time keeping system that my daughter will use at this major business is electronic. So I personally was raised with the values that you do the job you're assigned to do and you work hard and the expectation that you're going to put in not just 40 hours, but more than 40 hours. And this hogwash that somehow you're too good to fill out a time sheet, when there are all sorts of people working hard in Nebraska and they don't get paid near what people that work at the university earn. That's all I have. [LB993]

SENATOR MURANTE: Okay, thank you. Let's see if there are any questions for the... [LB993]

SENATOR BLOOMFIELD: It didn't really sound neutral, but I guess (inaudible). [LB993]

LAURA McCORMICK: Can I go? [LB993]

SENATOR MURANTE: Seeing none, thank you very much. [LB993]

SENATOR GROENE: She said it all. [LB993]

SENATOR BLOOMFIELD: Oh, we heard her very well. [LB993]

SENATOR MURANTE: All right. I believe we're still on neutral testimony for LB993. Any additional neutral testimony? Not seeing...Senator Coash. He waives closing and that will end

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the public hearing on LB993 and we'll proceed to the next item on the agenda. LB823 for Senator Larson to discuss the State Athletic Commissioner. [LB993 LB823]

SENATOR LARSON: Chairman Murante and members of the Government, Military and Veteran Affairs Committee, I am Senator Tyson Larson, T-y-s-o-n L-a-r-s-o-n, and I come before you today to introduce LB823. I introduced LB823 at the request of Aaron Hendry, the Acting State Athletic Commissioner, to allow that office to effectively guard against the use of performance enhancing drugs or PEDs. The State Athletic Commissioner regulates amateur and professional mixed martial arts, also known as MMA, and professional boxing. Concern about the use of PEDs in athletics cuts across all forms of competition and MMA and boxing are no exception. This bill is very simple. It grants the commissioner the explicit authority to adopt a list of banned substances and to require contestants to submit to a drug test as a condition for participating in MMA or professional boxing. LB823 also contains maximum penalties for the first, second, and third and subsequent drug testing failures, including fines in the case of professional athletes. Any such fine could be imposed only after a hearing and would be remitted to the State Treasurer for their support of the common schools, as required by the Nebraska Constitution. This is a common sense approach to combat the use of PEDs in sports regulated by the commissioner and I would urge the committee's support upon the measure. [LB823]

SENATOR MURANTE: Thank you, Senator Larson. Are there any questions for Senator Larson? Seeing none, thank you for your testimony. [LB823]

SENATOR LARSON: Thank you. [LB823]

SENATOR MURANTE: We'll proceed to proponent testimony to LB823. Welcome. [LB823]

AARON HENDRY: (Exhibit 1) Thank you. Thank you, Chairman Murante and members of the committee. My name is Aaron Hendry, and that's A-a-r-o-n H-e-n-d-r-y, and I currently serve as the Acting State Athletic Commissioner. And I also want to say, thank you, to Senator Larson for bringing this legislation on behalf of our agency. Simply put, LB823 will give my office the tools that we need to effectively combat the use of performance enhancing drugs, or PEDs, in mixed martial arts and professional boxing, which are the two sports that we regulate. As mentioned by Senator Larson, LB823 grants the State Athletic Commissioner the explicit statutory authority to test for PEDs and provides maximum penalties for failures. The prescribed penalties represent a happy medium in those imposed by the other state commissions, with a special emphasis on the guidelines of the Nevada Athletic Commission, the recognized leaders in the field. That said, we would have no concerns should the committee alter the proposed formula if you think what we're proposing goes too far or not far enough. So I figured many of you probably aren't familiar with the State Athletic Commissioner. In addition to myself, my office consists of the Deputy Athletic

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Commissioner, four inspectors who are paid on a per diem basis, and the various officials that we license, including judges, referees, and ringside physicians. As convenient shorthand I refer to all of us, collectively, as the Nebraska Athletic Commission. As provided under state law, the commission has sole direction, management, control, and jurisdiction over amateur and professional mixed martial arts, which is better known as MMA, and professional boxing. Last year, we regulated 23 MMA events and four professional boxing events. The commission's purpose is to ensure a competitive environment and to provide various safeguards for the health and safety of the individual contestants. We require each contestant to submit the results of a physical exam, along with a blood test and eye exam results. Contestants are examined by a medical doctor before and after his or her bout and an ambulance and AMT crew is required to be on site at all times. Prior to each bout, an inspector will examine the contestants' gloves and hand wrap and verify that nothing on the contestant's person will provide him or her with an unfair competitive advantage. So kind of with that brief overview, I wanted to explain why LB823 is so important for us. Other than recent laws that add to or subtract from the sports regulated by the commission, the underlying powers and duties of the State Athletic Commissioner have not been fundamentally changed since 1957. And since then, the sporting world has obviously changed a great deal. The concern about PEDs is obviously very much at the forefront. And while our current regulations prohibit the use of drugs and allows us to administer anti-doping exams, when we try to parse this out a little further by adopting the World Anti-Doping Agency or WADA list of prohibited substances, the Attorney General's Office opined that we lacked the statutory authority to do so. And that's obviously going to be a very important tool for us for doping. LB823 would grant us the statutory authority to adopt the WADA list, and thereby allowing us to provide some needed clarity to our regulations. In addition, current law only allows the commission to suspend licensees for up to one year. For a professional athlete, the suspension of one year or less with no corresponding fine is largely a slap on the wrist and it's not at all consistent with how the other state commissions handle failed drug tests. LB823 permits a more measured approach, where the reprimand is commensurate with the underlying offense. So we think this bill is important to ensure the integrity of the sports we regulate and also to protect those athletes who play by the rules and to ensure MMA and boxing fans continue to have access to marquee events held here in the state. Regarding this last point, the commission, as a state regulator, is the only entity that can test for PEDs and enter an official suspension. Promoters of championship level bouts need to have confidence that we, as regulators, will take a proactive approach to this important issue if Nebraska is to continue to host events of national and international significance in the future. LB823 allows the commission to enact a proactive approach by providing a true disincentive to cheat. And with that, I would simply urge you to pass LB823. I'm here for any questions you may have of me. [LB823]

SENATOR MURANTE: Thank you for your testimony. Senator Garrett has a question. [LB823]

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SENATOR GARRETT: Thank you, Chairman. How do you derive your list or come up with your list of PEDs? [LB823]

AARON HENDRY: Right now, the World Anti-Doping Association or WADA publishes a list that's called the "Prohibited List International." And what we would do is, we would adopt that list by reference in a regulation hearing, so the regulation hearing we need to do through the same APA regulation hearing process. And that list would be...it's already in existence and it would be adopted by reference. [LB823]

SENATOR GARRETT: And how do you...I noticed you have to be examined by a doctor. Do you, yourself...does your commission conduct or do the blood tests? [LB823]

AARON HENDRY: Our commission...an inspector would be in charge of the blood test and we would ship the blood test off to a lab for testing. [LB823]

SENATOR GARRETT: Okay, but there's no fiscal note associated with this. [LB823]

AARON HENDRY: The fiscal note, it's going to be very minimal. Essentially, each test is going to be about \$100. And we project maybe ten tests a year, so about \$1,000 total. And it's our intention that the commission would pay for those out of our existing budget. [LB823]

SENATOR GARRETT: Now, do you charge the participants in these professional competitions? Do you charge them a fee to conduct those tests? [LB823]

AARON HENDRY: That is not our intention. Our intention is we would eat the cost ourselves. A lot of these smaller promoters, the profit margins are very, very small. To add on to the expense would be probably unfair in our estimation. [LB823]

SENATOR GARRETT: Are there other sports besides mixed martial arts and boxing, like body building, those kinds of things that you would be doing this test for? [LB823]

AARON HENDRY: No. The only two sports that we regulate are mixed martial arts and boxing, so we'd limit it to those two. [LB823]

SENATOR GARRETT: Okay. Okay, thank you. [LB823]

AARON HENDRY: Sure. [LB823]

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SENATOR MURANTE: Thank you, Senator Garrett. Senator Bloomfield. [LB823]

SENATOR BLOOMFIELD: Thank you. My question goes back to the blood test. You said you were only going to have maybe ten tests a year. How do you decide who you're going to test if you're only going to do ten? [LB823]

AARON HENDRY: Sure. And what we'd probably do is emphasize professional bouts, first and foremost. And within the professional bouts, anything that's going to be marketed as a professional or as a championship level event. So if a promoter is promoting a bout as, say, a Midwest championship, well, that's going to be right at the top of the group of people that we might want to do the blood test on. And it would mostly be a urinalysis test. [LB823]

SENATOR BLOOMFIELD: Okay. I'm going to throw something out that anybody that's ever gotten a commercial driver's license deals with, and that's a random test. Every once in a while you just pull a name out of a hat and send that individual (inaudible). [LB823]

AARON HENDRY: And that is absolutely our intention. Really any contestant would be subject to a test. Our emphasis, though, would be on championship level events, but even if you're not doing a championship level event you still have that possibility that you may be selected at random for a test. [LB823]

SENATOR BLOOMFIELD: How many people are you dealing with here that you're only going to do ten tests a year? That just seems like an awful low number. [LB823]

AARON HENDRY: Well, so we had 24 events. Maybe around 115, 120 contestants. And this is...the ten tests, that's going to grow. What we want to do is essentially do a pilot program where we're kind of working out the kinks as we go until we get a better handle of how it all works and then eventually expand the process. [LB823]

SENATOR BLOOMFIELD: I just wonder if, at some point, you're not going to be in here looking for some money to help with some of that testing. I know it's not your intent now, but you get to where you're doing a couple hundred of these a year (inaudible). [LB823]

AARON HENDRY: Certainly not. That's certainly not my intention. [LB823]

SENATOR BLOOMFIELD: Thank you. [LB823]

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AARON HENDRY: Sure. Thank you. [LB823]

SENATOR MURANTE: Senator Groene. [LB823]

SENATOR GROENE: Thank you, Chairman. So North Platte has MMA or whatever they call them. It makes the front page. We've got a couple of prominent fighters out there, I think. So do you license that? Do you see over that they have at the event center out there? [LB823]

AARON HENDRY: Absolutely. We're going to license the promoter and that's the person who is putting on the show. [LB823]

SENATOR GROENE: You do it already? [LB823]

AARON HENDRY: Absolutely. We're going to license the contestants. [LB823]

SENATOR GROENE: Do one of your representatives show up to the event? [LB823]

AARON HENDRY: Oh, absolutely. We're going to have at least a couple inspectors there. We're going to have at least a couple... [LB823]

SENATOR GROENE: You do now? [LB823]

AARON HENDRY: Right now, absolutely, yes. [LB823]

SENATOR GROENE: How many employees does the commission have? [LB823]

AARON HENDRY: The commission has...really, it's myself, a deputy, and we have four inspectors. Those are the employees proper. Those are the people who are being paid by...out of the (State Athletic) Commissioner's Cash Fund. But we also have different licensees like physicians are actually not employees but they're people that are licensed by us. So, for instance, our physicians, we have a neurosurgeon, an orthopedic surgeon, a trauma surgeon, and there's another surgeon. [LB823]

SENATOR GROENE: That you have as consultants that... [LB823]

AARON HENDRY: Yep, absolutely. [LB823]

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SENATOR GROENE: You pay them a fee if you asked them to... [LB823]

AARON HENDRY: The fee is going to be paid by the promoter, but we set the fee schedule. [LB823]

SENATOR GROENE: So if somebody has an injury, a concussion or something, they think, they inspect them right there or after the... [LB823]

AARON HENDRY: Absolutely. What's going to happen is, one of the physicians is going to take a look at them and they're going to go through a concussion protocol and then they're going to communicate to us what needs to be done. We can do anything from a 30-day suspension, where they just can't compete for 30 days or we can make it longer. We can make it a 90-day suspension. We can require the test of an MRI. There's any number of things that we can do. But what we are really counting on is the advice of the physician, because they obviously know way more than we do. And we tend to follow that to the letter. [LB823]

SENATOR GROENE: So you'd show up in North Platte and tell one of the fighters...or are you going to do it like horse racing where they test the winner? Or are you going to just ask the fighter to...do you want to sample prior to the event or... [LB823]

AARON HENDRY: Generally, it would be prior. And we would tell them and they would not have any say. They couldn't say, no. It would be a requirement. [LB823]

SENATOR GROENE: But they can go and participate in an event that day yet? That night? [LB823]

AARON HENDRY: They can participate in an event. And there are some kids that are... [LB823]

SENATOR GROENE: And you fine them or suspend them after that event? [LB823]

AARON HENDRY: After the event. If they won, the event would be changed to a no contest. [LB823]

SENATOR GROENE: All right. Thank you. [LB823]

AARON HENDRY: Sure. [LB823]

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SENATOR MURANTE: Thank you, Senator Groene. Any final questions? Seeing none, thank you very much for your testimony today. Much appreciate it. Additional proponent testimony on LB823. Any additional proponents? Any opponents? Any neutral testifiers? Senator Coash waives closing and will leave the building; Senator Larson. I don't know what I called him. Okay. LB935. Mr. Smoyer, welcome back to your Committee on Government, Military and Veterans Affairs. [LB823]

BRENT SMOYER: (Exhibit 1) Good afternoon, Chairman Murante and members of the committee. It's a pleasure to be here. I do apologize that Senator Schilz couldn't make it, but he's currently ruling the Natural Resources Committee with an iron fist and a velvet glove at the moment and, of course, introducing one of his own bills. For the record, my name is Brent Smoyer, B-r-e-n-t S-m-o-y-e-r, here to represent Senator Schilz on LB935. Currently, Nebraska state statute 13-513 directs specified government bodies to provide the Auditor of Public Accounts annually on a form provided by the Auditor to report requested information regarding trade names, corporate names, and other business names under which the governing body operates. They also need to report agreements to which the governing body is party under the-- sorry, I'm just making sure I'm in the right spot here--Interlocal Cooperation Act and the JPA, Joint Public Agency Act. Although the statute requires the governing body to make such information available to the Auditor on or before December 31, there is no enforcement or penalty for failure to comply. LB935 as amended would change the dates of when the Auditor will request the information from December 1 to August 1 and change the date of the information being provided to the Auditor from December 31 to September 20, to coincide with the dates with budget filings that need to be sent to the same entities as the Auditor of Public Accounts. We are passing around an amendment that was agreed upon between the State Treasurer's Office and the Auditor's Office that Senator Schilz would ask the committee to amend in before releasing it to the floor if, of course, hopefully, you release this bill to the floor. The amended bill would also make this information be considered delinquent if it is not received by the Auditor on or before September 20. The Auditor shall notify the political subdivision by facsimile transmission, e-mail, or first-class mail of such delinquency. Beginning on the day that such notification is sent, the Auditor may assess the political subdivision a late fee of \$20 per day for each calendar day the requested information remains delinquent. The total late fee assessed under this section shall not exceed \$2,000 per delinquency. The Auditor would then deposit to the Auditor of Public Accounts Cash Fund a remedial fee not to exceed \$100 from any late fee received. The Auditor would remit any late fee amount in the excess of \$100 received to the State Treasurer per the agreement, pursuant to Section 84-710 to be disposed of in accordance with Article VII, Section 5 of the Constitution of Nebraska. Now, if a political subdivision fails to provide the information requested under this section on or before September 20, the Auditor may, at his or her discretion, audit such political subdivision at the expense of the political subdivision. Additionally, unless otherwise specifically provided, LB935 would assess a 14 percent per annum interest rate from the date of billing on delinquent payments of any fees

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for audits and services owed to the Auditor unless paid within 30 days of billing. For an entity created pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act, this bill would also make the participating public agencies jointly and severally liable for any fees and interest owed to the Auditor if such entity should be defunct or unable to pay. Finally, currently, the Auditor is authorized to appoint two assistant deputies. LB935 would allow for the appointment of two or more assistant deputy auditors, should the situation arise that they needed the extra manpower. With that, of course, tradition says that I don't get to answer any questions. But there are experts from the Auditor's Office here to answer questions as to the necessity of the bill and to any details that the committee may need. [LB935]

SENATOR MURANTE: Okay. Thank you very much for your opening. [LB935]

BRENT SMOYER: Thank you. [LB935]

SENATOR MURANTE: We'll have Senator Karpisek, possibly followed by some experts. [LB935]

RUSS KARPISEK: Yes, the experts are here and I am too. [LB935]

SENATOR MURANTE: Welcome back, Senator Karpisek. [LB935]

RUSS KARPISEK: Thank you, Senator Murante and members of the committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison--which I did have to learn how to spell--for the Auditor of Public Accounts, Auditor Janssen. I forgot to mention last time, with us today is Mary Avery, Deann Haeffner, and Lance Lambdin who are the for-real experts in our office...and the Auditor, of course. Mr. Smoyer described the bill very well, how it works on paper. I'll try to tell you why the Auditor's Office wants this bill and the situations that have brought it forward. Again, as Mr. Smoyer said, the Auditor provides these forms annually to all local political subdivisions requesting information about trade names, corporate names, or other business names under which the governing body operates and agreements to which the governing body is a party to under the Interlocal Cooperation Act and the Joint Public Agency Act or JPA. Here's where the problem starts. There are no teeth in the statute to make anyone comply. We all know there are 93 counties--or I learned that--but yet we have only about 59 of them that file any interlocal forms with us. I'm pretty sure that all 93 counties have some interlocal agreements. Yesterday in the Revenue Committee, we heard a lot of testimony on the property tax bill about how valuable interlocal agreements are to help keep property taxes lower. I'm sure you didn't get to hear it, but I watched. I am sure that quite a few of the people who testified about how important their interlocals are have not filed with our office. I'm not only fairly sure, I'm real sure. So they came and talked about them and we don't

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know about them. We would like to have a good database recording the interlocal agreements of the political subdivisions for the public to be able to search and also help our auditors to know what is out there when they do audit. There are over 2,000 political subdivisions, cities, villages, schools, fire districts, and others that may have interlocal agreements. There are also many governing bodies that do business under trade names, corporate names, or other business names that most people would never think of as being a public entity operating based on interlocal agreements between political subdivisions. These connections need to be known and if something goes wrong, someone needs to know who to contact, who the actual owner or responsible parties of that entity are. Another part of the bill would assess a 14 percent per annum interest rate on delinquent payments for Auditor services. It would also make participating public agencies of the interlocals and JPAs jointly and severally liable for any fees and interest owed to the Auditor if such entity were unable to pay. Last year, the Auditor's Office was unable to collect on an audit of interlocal health district that was set up by five counties. The health district went insolvent during the audit, so there was no money to pay for the auditing bill. Four of those counties paid their share, but the fifth, which was the largest one, would not. Our office took voluntary furlough days to make up for the shortfall in our budget; I took two, and I didn't mind. But it's not fair for others to have to do that just because one governmental office won't pay the other. We have gone a different and much longer route, but yesterday we did receive the money by asking the Treasurer...DAS to ask the Treasurer to withhold some Homestead money from that county, so we'll see how that went. The last part of the bill would allow the Auditor to appoint two or more assistant deputy directors (sic), compared to the current language of two. Assistant deputy auditors must be CPAs and are all assigned different parts of government. They are audit managers and are accountable for various groups of auditors and to ensure audits issued by the office following government auditing standards. I want to make very clear, this has nothing to do with the deputy auditor. These are the assistant deputy auditors, who do have to be CPAs. With a little bit of time left, I didn't know when I came to this office that...you can ask me about that maybe. [LB935]

SENATOR MURANTE: What didn't you know? [LB935]

RUSS KARPISEK: Well, we don't have time for that, Senator, it is Friday afternoon. Something that I learned, that the Auditor's Office does have a budget through the Legislature and that budget is used for auditing agencies, Corrections, DAS, you name it. But the Auditor's Office also has cash account balance to where we...the auditors go out and audit counties, maybe cities. Those people have to pay for our services. And it's supposed to be a break even point, but I did not know that. I thought that the money was the money we get from the state and we use it. That is not true. We also do audits with other entities and are expected to be paid. In this one situation, they did not want to pay. So then we can't transfer the money from Appropriations over to Cash. You just can't do that, so it put us in a bad bind. So I'd take any other questions. [LB935]

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SENATOR MURANTE: All right. A couple of them. Senator Garrett. [LB935]

SENATOR GARRETT: Thank you, Chairman. I appreciate putting teeth into this, absolutely. You know from being in the Legislature, every time we talk about a fee increase or anything else. How did you come up with your numbers that the \$500 and 14 percent, because if this gets to the floor, that will raise the flag? [LB935]

RUSS KARPISEK: Sure. The \$500 was a nice round number that I thought of. And out of that, we would take \$100 and we would save...actually, you know what? That's wrong. In the amended version, we've changed that to \$20 a day. And up to the first \$100, we would keep for just our costs, overhead. The rest would go to the school's funds as fees, penalties do now, up to \$2,000 per. The 14 percent I came up with because I have been late on my property taxes a time or two and they charged me 14 percent for being late on that. So I thought it's a pretty good number to go with. [LB935]

SENATOR GARRETT: Thank you. [LB935]

SENATOR MURANTE: And the fees are to the political subdivision, so not to any individuals in Nebraska. Is that correct? [LB935]

RUSS KARPISEK: That is correct, the political subdivisions. And we did work with the Treasurer's Office on that amendment, because we had it going through them. This way, it would come to us and we would put the money where it should go. [LB935]

SENATOR MURANTE: Okay. Senator Craighead. [LB935]

SENATOR CRAIGHEAD: Thank you, Mr. Chairman. Hi, Senator. [LB935]

SENATOR KARPISEK: Hello, Senator. [LB935]

SENATOR CRAIGHEAD: Okay. I'm really glad to hear that your assistant deputy auditors have to be CPAs, but I'm going to go back to it. Why does either not your Auditor or deputy auditor need to be a CPA, one or the other? [LB935]

RUSS KARPISEK: Well, right now in statute, the deputy auditor does have to be a certified CPA. We were trying to change it to say they would not have to. So right now we do not have a deputy auditor. [LB935]

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SENATOR CRAIGHEAD: Okay, because they have to be a CPA (inaudible)? [LB935]

RUSS KARPISEK: Correct. [LB935]

SENATOR CRAIGHEAD: Okay. Thank you. [LB935]

SENATOR MURANTE: Okay. Senator Bloomfield. [LB935]

SENATOR BLOOMFIELD: Thank you, Chair. A couple other questions I had were more or less answered here. The 14 percent I think is maybe a little excessive. I think we've discussed that when it comes to the property tax issue, that it's kind of a rip off. So I wonder if we wouldn't want to look at lowering that down to a number that possibly fluctuates with the money market or with something. We can discuss that in Exec Session. [LB935]

RUSS KARPISEK: We would be more than happy to work with the committee, whatever the committee would want. Again, I just thought if they get 14 percent, maybe they could pay 14 percent. I don't know that that goes to the county anyway. I think that goes to the person who buys the taxes. [LB935]

SENATOR BLOOMFIELD: The other place where I have a little concern, you want to appoint two or more assistant deputies. Should there be an upward limit there so we don't all of a sudden appoint 73? [LB935]

RUSS KARPISEK: And there certainly could be, Senator. I don't know that it's really a whole lot more than a title. That's up to the Auditor on how he does his office, if he wants more or not. Right now, it's kind of that those are the people who head up the audits, so if there's one for counties and then, say, one for state agencies. Obviously, we have a couple other places where we go that we would like to be able to have those assistant deputies to be in charge. Again, they have to be CPAs. But, yes, we thought about saying two to four, but then we thought, well, in case...we would not be opposed to that. We just thought in case something else happens, we get more things like having to really get on civil forfeitures, we might need another one for that. But yes, Senator, we... [LB935]

SENATOR BLOOMFIELD: Not being concerned with the current Auditor, this doesn't just affect him, it's who may come along (inaudible). [LB935]

RUSS KARPISEK: And we did talk about that at length and decided to put that in there, so we would not be opposed. [LB935]

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SENATOR BLOOMFIELD: Thank you. [LB935]

SENATOR MURANTE: And ultimately, the amount of people that you're able to hire is contingent upon how much money the Legislature appropriates to you anyway, so in order for us to...you could say, you want to hire as many people as you want, but if the Legislature doesn't give you the money, you can't hire those people. Is that correct? [LB935]

RUSS KARPISEK: Correct. The only thing that they can give us is PLC, which is the people that are outside that we would get money from the counties, cities, those people. So we could hire more if the Legislature gives us more PLC to do so, which they did last year. But again, then we have to have people to audit to bring that money in to hire those people, so, yes, you are correct. [LB935]

SENATOR MURANTE: Okay. Senator Groene. [LB935]

SENATOR GROENE: Thank you, Chairman. Do you send out a form or something that they report? You ask them a question like, how many interlocal agreements and with who? [LB935]

RUSS KARPISEK: Yes. [LB935]

SENATOR GROENE: And they're not filling those out and sending them back? [LB935]

RUSS KARPISEK: Correct. Correct. [LB935]

SENATOR GROENE: Are they partially filling them out? [LB935]

RUSS KARPISEK: No. Some are doing well, some are not. [LB993]

SENATOR GROENE: But it's either all or nothing from getting information from them? [LB993]

RUSS KARPISEK: Well, the problem is, if there's some of these interlocals out there, maybe it's a trash dump in the city of Hoskins. We don't know it exists if they don't send it in. [LB935]

SENATOR GROENE: It doesn't show up in their budget that they excluded this interlocal out of their budget? [LB935]

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RUSS KARPISEK: Maybe if it's something small like that, we don't even know it's there. But a county, if a county and a city are going together to do an ambulance service, something like that, and it might be called "Russ's Ambulance Service," most of the time that's being turned in. But, again, we don't know what we don't know. And the only thing that I can say is, that a little over half of those counties are even sending in any interlocals. [LB935]

SENATOR GROENE: So they're supposed to send not only the name that they're doing it, but a financial statement on it too? How much money is involved? [LB935]

RUSS KARPISEK: You know, I'll have to get back to you on that, Senator Groene. We would like to see the agreement, the contract, but we don't usually get those. [LB935]

SENATOR GROENE: All right. And then another question on the state aid. You also heard last night when you listened to that, they don't get any state aid they said. And they should get state aid so how you going to...what state aid are you talking about confiscating? [LB935]

RUSS KARPISEK: We...in our current case, we asked them to withhold homestead money, because if I would get homesteaded on my place, then the state replaces that to the county. [LB935]

SENATOR GROENE: So what other aid would there be that you could... [LB935]

RUSS KARPISEK: That is about it. [LB935]

SENATOR GROENE: What about a city? Is there sales tax (inaudible). [LB935]

RUSS KARPISEK: Well, the city would probably also get some homestead money that would filter down from the county. [LB935]

SENATOR GROENE: The school. [LB935]

RUSS KARPISEK: The county. [LB935]

SENATOR GROENE: For the college. [LB935]

RUSS KARPISEK: The county... [LB935]

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SENATOR GROENE: The colleges get aid. [LB935]

RUSS KARPISEK: The colleges...schools, if they don't get any state aid, again, we're thinking that they probably are in an interlocal with someone who does, but we ran into that problem. What kind of teeth can we put in here? What can we take away, because we've already taken it all away? [LB935]

SENATOR GROENE: And then, the deputy auditors--just like the chicken and an egg--until you have authority to hire more people, you can't put in a request for your budget with the Legislature, right? Are you asking...how many...are you limited to...how many deputy auditors now are you? [LB935]

RUSS KARPISEK: It says two. [LB935]

SENATOR GROENE: All right. So when you put in your budget request, you can only put in a budget request for two. And this would allow you to put a budget request in for four. [LB935]

RUSS KARPISEK: I guess that's true. [LB935]

SENATOR GROENE: Are they temporary or are they... [LB935]

RUSS KARPISEK: No. [LB935]

SENATOR GROENE: They'll be...so they're hires (inaudible). [LB935]

RUSS KARPISEK: Yeah. Well, they're usually promotions. An Auditor II maybe moves up to a deputy. (Inaudible). [LB935]

SENATOR GROENE: Why...is it by state statute, any fine has to go to the schools? Why don't you guys... [LB935]

RUSS KARPISEK: What I am told, is that any fine, by constitution, has to go to the state school... [LB935]

SENATOR GROENE: One last question. You still live in Wilber? [LB935]

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RUSS KARPISEK: Yes, I do. [LB935]

SENATOR GROENE: Is that 50 miles from here? [LB935]

RUSS KARPISEK: It is 40. [LB935]

SENATOR GROENE: Oh, so by definition you're not an expert. [LB935]

RUSS KARPISEK: I am not. I don't even have a briefcase. [LB935]

SENATOR GROENE: Thank you. [LB935]

RUSS KARPISEK: Thank you. [LB935]

SENATOR MURANTE: Thank you. Senator Hansen. [LB935]

SENATOR HANSEN: Thank you, Chairman Murante. Just kind of going over, I appreciate the need for teeth, especially if there's kind of gross noncompliance. Are they any other fines your office currently levels on political subdivisions or is this a first of its kind? [LB935]

RUSS KARPISEK: Pretty much a first of its kind. And from what I understand, we haven't had to do that, it's always been paid. Now there are some places, I think Riverside, where our auditors went in and the town was broke. They did get enough money to pay us, but it took a while. It seems to me like it might be more often, especially on these interlocals. People are making them, they're really being used a lot--which I don't think they're a bad deal--but I don't know that they're being overseen the way they should be. And then if our auditors come in to look at it and go, oh, boy, you guys are really in trouble, and then there's nobody there to pay the bill. [LB935]

SENATOR HANSEN: Okay. And then when you're talking about, say, an auditor coming in from your office to audit, say, a city, is that at the request of the city? Is that at the kind of... [LB935]

RUSS KARPISEK: It can be either way. [LB935]

SENATOR HANSEN: So it can be initiated by your office? [LB935]

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RUSS KARPISEK: Yes, it could. And we do do that. And with, especially counties, we kind of try to do it on a rotational basis. They have to turn in an audit every year and many of them have a private CPA do them. They send that to us. A lot of times we get something on our fraud hotline that I should know the number of--it would be a good plug here--but, hey, something is really looking funny over in Franklin County. And you get another one and another one pretty soon, then Mary will send or Deann, I guess, in county will send a letter saying, we're going to come audit your books at your expense. And they don't like it. [LB935]

SENATOR HANSEN: Okay. Thank you. [LB935]

SENATOR MURANTE: Thank you, Senator Hansen. Senator Bloomfield. [LB935]

SENATOR BLOOMFIELD: We've referred several times--and Mr. Smoyer brought it up to start with--Article VII, Section 5, that talks about how that excess money would be distributed. Could you explain that or do we just need to look that up ourselves? [LB935]

RUSS KARPISEK: The excess money would be distributed into that...in the fine? It would be distributed to that state funds, the state's schools funds. And I will get you the exact thing. [LB935]

SENATOR BLOOMFIELD: Otherwise I can look it up. I know (inaudible). [LB935]

RUSS KARPISEK: I know Lance could tell me or any of our experts could tell me without being too loud. [LB935]

SENATOR MURANTE: We've got an expert sitting over here that can tell us or we can look it up. Thank you. [LB935]

RUSS KARPISEK: Thank you. [LB935]

SENATOR MURANTE: Thank you, Senator Bloomfield. Any additional questions? Seeing none, thank you, Senator Karpisek. [LB935]

RUSS KARPISEK: Thank you, Senators. [LB935]

SENATOR MURANTE: Is there proponent testimony to LB935? Any additional proponents? Any opponents? Any neutral testifiers? With Senator Schilz not here, he'll waive closing. That

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ends the public hearing on LB935 and ends the public hearings for the day. Have a nice weekend. [LB935]