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Revenue Committee
March 11, 2015

[LB573 LB591 LB645]

The Committee on Revenue met at 1:30 p.m. on Wednesday, March 11, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB645, LB573, and LB591. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: Al Davis.

SENATOR GLOOR: Good afternoon. I'm Senator Mike Gloor. I'm District 35, that's Grand Island, and I'm Chair of the Revenue Committee. I'd like to welcome you to our committee meeting this afternoon. We will take the bills in the order listed on the agenda that's been posted on the outside of the hearing room, inside of the hearing room, and elsewhere in this building for that matter. We have a few general rules we would ask you to follow if you would that helps us conduct this meeting in a smooth, reasonable, and noninterrupted way. The first is, if you have cell phones, congratulations. We'd like to welcome you to the electronic age along with everybody else, but we need you to either turn those off or put them on the silent mode if you would, so you don't interrupt whoever is at the microphone and speaking. We would ask those people who wish to testify to make sure that they've move to the front of the room when they get ready to provide that testimony. How we do the testimony portion of the bill and hearing on the bill is we let the introducing senator introduce the bill. We may ask some questions of the senator. We then move to proponents. We then move to opponents and then we move to those in a neutral capacity. And then we ask the introducing senator to close on the bill and sum it up for us. We may have some final questions at that time also. And then we move on to the next bill. If you're testifying, you need to fill out a green sheet that's at the back of the room. Fill that out and hand it to the clerk over there on my left before you give the testimony. If you have handouts, we need 11 handouts so that there are enough copies to get to everybody. If you've now realized you don't have 11 handouts, we have pages who can help make sure that we get those handouts made for you. We have a time system because we have a lot of bills to cover and a limited amount of time. We give folks five minutes as a maximum. There's a light system that runs four minutes on green; yellow, you've got one minute; and when it's red, we ask you to wrap up your testimony. That's so we have time to hear all the people who want to testify on all the bills that we have in front of us today. Would ask that you use some discretion in your testimony. If a person ahead of you has said something that's exactly like you're going to say, it is, in fact, appropriate for you to say, I'm in support, and what they said stands for me too, and we'll make that part of the record. We are quick learners and if we've heard it once or twice, hearing it eight or nine times, unless you can put a different spin on it, doesn't need to happen. You also can get on the record in either of support or opposition to a bill by filling out one of the white sheets on the back. And if you run...in a crunch for time and aren't going to be able to stay around, that also is an option. You can sign up there and you will show up in the formal record as being either in favor or opposition of the specific bill. Please speak into the microphone. When you get up here, you also need to

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give us your name and spell it for us so that we can get it accurately entered into the record. To my right is committee counsel, Mary Jane Egr Edson; Krissa Delka is the clerk on my left; and Kay Bergquist is our research analyst, she's down on the right. And I will ask the committee members to introduce themselves starting with Senator Brasch.

SENATOR BRASCH: Lydia Brasch, Legislative District 16, that is Burt County, Cuming County, and Washington County.

SENATOR HARR: Burke Harr, Legislative District 8, representing UNMC and other parts in the county. (Laughter)

SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte and parts of Colfax and Stanton Counties.

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids representing District 41, a nine-county area in central Nebraska.

SENATOR SMITH: Jim Smith, District 14, in Sarpy County.

SENATOR SCHEER: I'm Jim Scheer, District 19, which is Stanton and a little bit of...a little of Stanton and all of Madison.

SENATOR GLOOR: Our aides, I use aides, you can tell my background was in health. Our pages today are Colin from Wayne and Donnie from here in Lincoln. I would also tell you that you will see committee members, including yours truly, come and go at times. We have quite a few senators today in particular, I think, who have bills that they will be introducing in other committees and so we need to fulfill those responsibilities. So you will see us come and go. It doesn't relate to our interest in a specific bill or your testimony if somebody has to stand up and leave right in the middle of your testimony. It has to do with our other responsibilities. And with that, we'll move to LB645. Welcome, Senator Nordquist.

SENATOR NORDQUIST: (Exhibit 1) Thank you, Chairman Gloor and members of the Revenue Committee. I'm State Senator Jeremy Nordquist, N-o-r-d-q-u-i-s-t, from District 7 in downtown and south Omaha, here today to introduce LB645 which would create the Early Childhood Workforce Development Opportunity Act. We hear often about early childhood legislation before the Education Committee, the Health and Human Services Committee, the Appropriations Committee. This may be one of the first times we've had an early childhood bill before the Revenue Committee. The bill would establish a 20 percent nonrefundable tax credit for

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contributions to a qualified nonprofit organization nationally licensed to provide early childhood education and retention incentive grants as certified by the Nebraska Department of Education in accordance with this act. Individuals and businesses would be eligible for the credit. Based upon a 20 percent credit, every dollar invested by the state would be matched by five dollars from the private sector. We've capped the grant amounts. In 2016, the total grant amount would be--and this is calendar year 2016--the total amount would be \$300,000; would increase to \$500,000 in 2017; \$750,000 in 2018; and remain at a million dollar cap every year after that. You can see in the diagram that that first year, the \$300,000 credit amount would only get up to \$300,000 if there's at least \$1.5 million of private sector money contributed to the qualifying nonprofit organization. The purpose of the grant is to increase the compensation, education and retention of early childhood professionals. Eligible grant recipients must meet two qualifications. They must work in an early childcare and education program that participates in our new quality rating system called Step Up to Quality. They must work at a center that has at least a two-star rating in that quality rating system. Second, they must be working at a program that serves at least 30 percent of children who are in...paid...their care is paid for through the childcare subsidy, which is obviously targeted at low-income families and children. Targeting the grants to this population of early childhood professionals ensures that we are building upon our current public investment in the Step Up to Quality program and our childcare subsidy program to increase access to affordable, quality early childcare and education to our youngest children and those that are most at risk due to economic barriers. Grants must be provided in an equitable statewide manner. The amount of the grants would be relative to the level of education of the eligible recipient, meaning the higher the education level of the individual. If they have a bachelor's degree in early childhood, they would get an additional incentive versus somebody who has an associate's degree in early childhood. This encourages and rewards higher education and encourages retention of staff. The qualifying organization, the nonprofit that receives the donations, must spend at least 95 percent of it on the retention grants. So, only a 5 percent amount for administration and there would be, obviously, no discrimination allowed in awarding the grants. The qualifying organization shall submit an annual audited financial statement to the Department of Education and provide statistical annual reports outlining the impact and outcomes of the program. This bill intentionally creates a state credit for contributions to the program. Because there is a compelling, both public and private, interest in this, we obviously invest a lot of public dollars in childcare in our state. Right now, our childcare subsidy program is between \$90-100 million, some of that federal, some of that state. It's a significant amount of money and the impact and the quality of that at times is questioned. And we can help providers and try to improve quality by increasing the subsidy, the rate that we pay, but that doesn't necessarily reward quality over not quality. So that's what we're trying to get at specifically with this bill. The idea was...the idea originated out of identifying the need for greater quantity of qualified educated early childhood professionals. The challenge for the businesses that are providing childcare though is, it comes down to dollar and cents. And often it's difficult, even in centers where I'm taking my daughter in Omaha, which is a nationally accredited program, you know,

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it's tough for those centers to even pay above...much above minimum wage or, you know, even a couple of dollars above minimum wage for somebody who has a bachelor's degree in early childhood education. So, that's why we're zeroing in with this program. And we don't identify a specific program, but there is for the grant distribution. There will be people behind me to talk more in depth about this program, but we've identified one that is nationally...being nationally used. It's in five states right now: Iowa, Kansas, New Mexico, and Florida. It's called the WAGES program and they have a tested model that is being used in these states and works to help subsidize, essentially using these private donations to subsidize the wages of childcare workers who have advanced education. So, if you have a bachelor's degree or an associate's degree or advanced education in early childhood, you can get a grant through the nonprofit from the private donations. That is taxable income, so on the back end, they will be paying income tax on that supplemental income. They average about \$1,500 a year of supplemental wage gap. So, for somebody earning \$9 an hour, a \$1,500...and they have a bachelor's degree and they get a \$1,500 a year subsidy for their wage to work in a childcare center that needs their expertise, it's a significant bump up and a significant retention tool to keep that person in the early childhood work force. They will pay taxes on that \$1,500 on the back end. So, for a \$300,000 investment in the first year, which is what the state cap would be, the private dollars would be raised at \$1.5 million, that would reach 1,000 childcare workers in our state. That would have a huge impact on the work force in our childcare centers, especially the childcare centers who are serving the kids that are most at risk. So the investment here for the return I think is a significant boost. I think the credit is needed. You know, I think there's probably two types of donors out there. There's donors who are in the lower- to mid-level donor range who financially probably would need the credit to make...you know, it would be the incentive for them to make it, and then there are, you know, the larger donors who are already making a lot of investments in early childhood education, but they see this as the...you know, needing more public-private partnership. And I...you know, I know Senator Sullivan has worked a lot on this. And before the Appropriations Committee we made, in the last biennium, millions of dollars of investment in early childhood education. This is a way for us to continue that public-private partnership with what is, I think, the modest state tax credit. I'd be happy to answer any questions, but as I said, there's people who both are familiar with the program...the WAGES distribution program for the incentive grants, but I'd be happy to take any questions. [LB645]

SENATOR GLOOR: Senator Nordquist, do we have any of the...do we have any of these qualified charitable organizations outstate, I mean outside of Omaha and Lincoln...(inaudible)? [LB645]

SENATOR NORDQUIST: Right. So there's...the one that we talked to the most, and I don't know if there would be other ones, we didn't identify one specific in the bill, but the one is called NAEYC, the Nebraska Association for the Education of Young Children, and they are a statewide organization. They accredit all the programs. There are 50-some accredited, nationally

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accredited, programs in the state. And they're all...I believe, they're all over the state, so the organization that we kind of envision right now to fill that role. And other organizations could come forward, you know, but they're the ones who would have the most reach and the most expertise right now, but they are a statewide organization. [LB645]

SENATOR GLOOR: Okay, and maybe they could give me when they come up, assuming they're going to testify, some examples of how they reach into the central and western parts of the state. [LB645]

SENATOR NORDQUIST: Yep. Right. Absolutely. [LB645]

SENATOR GLOOR: Okay. Other questions? Senator Scheer and then Senator Sullivan. [LB645]

SENATOR SCHEER: Thank you, Senator Gloor. Senator Nordquist, the two-star rating, refresh me. Do we go to a four? [LB645]

SENATOR NORDQUIST: It's up to a five and five, you know, would probably be...it isn't exactly, but it would be your nationally accredited type programs. One star, I think, if my understanding is right, is just basic licensure. Your license is where you get your one star and then there are steps up. I think eventually that we would want to put pressure on. Those programs are just entering into that. When we passed that bill, we created incentives and components in there to help move...help providers move up the quality system. My concern is if we set it at, you know, a three-star or a higher level today that there probably aren't a lot of programs that are at that level today. We're wanting to move them up and I think down the road we can create...use this as a carrot to say, well, now you have to be a three-star to be able to qualify for this, and help create a carrot to keep pushing the quality movement forward. [LB645]

SENATOR SCHEER: As far as they apply for a grant, is that then an ongoing one or do they have to reapply every year or how does that work? [LB645]

SENATOR NORDQUIST: And some people can talk about how wages has been implemented in other states, but I...certainly, I would think that there would have to be an annual requirement of a reapplication mainly because, you know, we need to continue raising the private dollars to sustain it. So, if the private dollars ever went away, the program wouldn't have funding. So, I think, it would be an ongoing application, I would assume. [LB645]

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SENATOR SCHEER: And I guess lastly, if indeed most of the employees are similar around minimum wage or nine bucks, ten bucks an hour, you know that's only generating \$22,000-\$25,000 and if this is a maximum of \$1,500, that's less than... [LB645]

SENATOR NORDQUIST: That's the average there. If you have a bachelor's, I believe you'd be above that and they can... [LB645]

SENATOR SCHEER: Because I was going to say, yeah, for \$20,000 or \$25,000, \$1,500 is, you know, less than a 5 percent bump. I mean, legitimately, is that amount actually going to keep somebody employed in one of those facilities more than someplace else? [LB645]

SENATOR NORDQUIST: I think there's evidence in the states that have implemented it that it is serving as a retention tool. How much, I'm sure there's data in those states that we can provide you with that. [LB645]

SENATOR SCHEER: Okay. Thank you, Senator Nordquist. Thank you, Senator Gloor. [LB645]

SENATOR GLOOR: Senator Sullivan. [LB645]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Senator Nordquist. You indicated in your testimony that the grants would be distributed on an equitable statewide manner. Now did I understand you to say that there will be some that will be coming up to explain that, or do you want to comment on that? [LB645]

SENATOR NORDQUIST: Well, that's what the bill says and it's that exact statement. It doesn't provide much more direction than that. So, you know, we may want to provide clarity, otherwise it would be up to the Department of Education, I think, to oversee how that equity is calculated and determined. [LB645]

SENATOR SULLIVAN: And to that end also, it's for salary compensation, so does the grant go to primarily center-based units, or does it go specifically to individuals, and does that include private providers? [LB645]

SENATOR NORDQUIST: So, it would have to...it goes to the individual worker, but they have to...the stipulations in the bill now has...the requirements are they be a Nebraska resident, number one; number two, that they work in a childcare facility that is in Step Up to Quality in a two-star, so if you're an individual in-home provider, you're probably not participating in Step Up. I don't know...I would have to go back and look at the Step Up, and maybe someone behind

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me can answer this, whether or not in-home providers can. And then you have to accept at least 30 percent of your population that you're serving has to be subsidy kids. [LB645]

SENATOR SULLIVAN: Thank you. [LB645]

SENATOR GLOOR: Senator Schumacher. [LB645]

SENATOR SCHUMACHER: Just so I kind of understand how this works, the state baits the system with this 20 percent credit and then a private donor who would like to have the 20 percent credit kicks in money. [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: So we've got...and a private donor can deduct that money? [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: Okay. So he saves...if he throws in a dollar, he gets 20 cents back in credit. Then he gets, if it's a high income taxpayer, another 6.84 percent of Nebraska value. [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: Then he gets another 35, 36 cents. [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: So when we add that all up together, the government is picking up somewhere in the neighborhood of close to 60 cents out of a dollar. [LB645]

SENATOR NORDQUIST: Total, right. [LB645]

SENATOR SCHUMACHER: And that ends up going back to this teacher. So, by the state spending 20 percent plus another 6 point...27 cents, we bait the federal government into throwing in 34, 35, whatever the percentage is... [LB645]

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SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: ...percent, and that's how the thing works. [LB645]

SENATOR NORDQUIST: Yeah, that would assume that the individual donor who would make the contribution isn't already at their limit on itemized deductions. [LB645]

SENATOR SCHUMACHER: Okay. So, this is not a deduction that is...I mean, you're subject to your limit on itemized deductions? [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: The 2 percent limit. [LB645]

SENATOR NORDQUIST: Right. [LB645]

SENATOR SCHUMACHER: Is that what you're referring to? [LB645]

SENATOR NORDQUIST: Yeah, right. Right. [LB645]

SENATOR SCHUMACHER: Okay. Thank you. [LB645]

SENATOR NORDQUIST: So, in a lot of these, you know, a lot of the larger donors, I think probably do get up to that level so the federal... [LB645]

SENATOR SCHUMACHER: Is this subject to the 2 percent? Is this above the 2 percent? [LB645]

SENATOR NORDQUIST: I think there's an aggregate limit on itemized, but I'll compare my notes. [LB645]

SENATOR SCHUMACHER: Is there a limit on state and local income taxes and I don't know, that's a question I'll just have to ask counsel. [LB645]

SENATOR GLOOR: Senator Scheer. [LB645]

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SENATOR SCHEER: One that just came up are...can a donor restrict where the funds go?
[LB645]

SENATOR NORDQUIST: That's not allowed under the provisions of the bill. No, it would...once the money goes to the nonprofit, they have to do it in the...distribute in the equitable manner under the outlines of the bill. I will say that the states that have done this have had a mix. Some have done it solely private, some have done it with a state appropriation and run this program with solely state dollars. North Carolina did that. So, we've looked at, you know, we could do a...we thought about, do you do a state appropriation as some sort of a carrot, but that doesn't really necessarily create a carrot for individuals to put money into the pot to support this program. That's why we went with the tax credit approach. [LB645]

SENATOR GLOOR: Any other questions? Senator Scheer. [LB645]

SENATOR SCHEER: I'm sorry. I'm assuming that any providing facility, most would be private so it wouldn't make any difference if they were a parochial or a religious-based entity. [LB645]

SENATOR NORDQUIST: No. Right. [LB645]

SENATOR SCHEER: Everyone would be eligible for those type of...(inaudible). [LB645]

SENATOR NORDQUIST: Absolutely. And the bill says that no...you can't discriminate based on any of those qualifications. So, yeah, any private entity that would meet the...that is in the Step Up program and serves 30 percent of subsidy kids, those...their workers could qualify for the program. [LB645]

SENATOR SCHEER: Okay. I'm done now. (Laughter) [LB645]

SENATOR NORDQUIST: Yep, that's all right. [LB645]

SENATOR SCHEER: Thank you, Senator Gloor. [LB645]

SENATOR GLOOR: Thank you, Senator Nordquist. [LB645]

SENATOR NORDQUIST: And I have the second bill up in Natural Resources so I'll be around until...unless they get done sooner. [LB645]

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SENATOR GLOOR: (Exhibits 2-5) Okay. We'll move to proponents. Can I hear from the first proponent, please? And while she's getting settled, we have letters of support from Lisa Blunt, Child Saving Institute; Jenna Sutton, Voices for Children in Nebraska; and Jennifer Goettemoeller from First Five Nebraska; neutral, Joe Neuhaus, Nebraska Family Alliance. Good afternoon. [LB645]

SARAH ANN KOTCHIAN: (Exhibit 6) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Sarah Ann Kotchian, S-a-r-a-h A-n-n K-o-t-c-h-i-a-n, and I appear today in support of LB645 on behalf of the Holland Children's Movement, a nonpartisan not-for-profit organization founded by Richard Holland committed to improving public policies essential to providing opportunities for success for children and families living in poverty. The most recent Nebraska Legislature invested more than \$15 million in new early childhood services and programs for children, but without directly addressing work force deficits and compensation issues that plague the field, not only in Nebraska but nationally. A report released in 2014 pulls together national data from multiple sources to compare today's early childhood work force with the work force 25 years ago, with striking findings that include the following: Twenty-five years later, childcare workers continue to be at the bottom of the wage scale of the civilian work force, earning less than adults who care for animals and barely more than fast-food cooks. There are major disparities in wages across program type, age of child, and by state. For example, Nebraska teachers in state-sponsored prekindergarten earned a median wage of \$22.28 per hour in 2013, compared to \$9.12 per hour for childcare workers. Almost half, 46 percent, of all childcare workers participated in at least one of four public support programs between 2007 and 2011 to support themselves and their own families. Childcare workers' wages have increased only 1 percent between 1997 and 2013, suggesting an irrational market for childcare in this country and entrenched unlivable wages for many in the early childhood work force. Today in Nebraska it costs more to send an infant to childcare on average than to pay the tuition at the University of Nebraska at Lincoln. Simply put, we cannot turn to parents to pay more to address the identified early childhood compensation issues. To this end, the most widely adopted approach has focused on income supplements like those provided through the Child Care WAGE \$ Project. These types of supplements are offered to teachers once they have reached clearly defined educational benchmarks. The WAGE\$ Project in particular stands out among other programs because of its recognized and demonstrated outcomes. In North Carolina, WAGE\$ became a statewide program in 1999 and has increased participants statewide who had attained an associate degree, or higher, focused on children ages birth to five from 30 percent in 1999 to 59 percent in 2011. Ninety-eight percent of North Carolina WAGE\$ recipients indicated that the supplements either encouraged them to stay in their current programs or to pursue further education. In New Mexico in 2013, the legislature created a recurring appropriation of \$300,000 from the general fund for this program when, after the first year of a pilot, 46 percent of participants completed additional college coursework and there was no turnover of teachers. And after the second year, 47 percent of participants completed additional college coursework and

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there was still no turnover of teachers. Very recently, the new Buffett Early Childhood Institute named Early Childhood Workforce Development as one of its two signature programs to focus on improving the quantity, quality, and skills of educators and other professionals who teach and care for children. This signature program also aims to address the shortage of qualified early childhood professionals in the state by increasing professional preparation opportunities. Estimates from First Five Nebraska forecast the need for more than 7,700 new early childhood professionals to meet the needs of the 45,000 young at-risk children who do not participate in a documented quality early childhood program. We undoubtedly cannot attain these goals meaningfully without addressing the compensation and retention challenges facing the work force of whom we expect so much, yet provide so little. LB645 is a step in the right direction. We thank you for your time and consideration and respectfully ask that you advance the bill to General File. [LB645]

SENATOR GLOOR: Thank you. Are there any questions for Ms. Kotchian? Senator Sullivan. [LB645]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Ms. Kotchian. You indicated 7,700 new early childhood professionals would be needed to reach out to the 45,000 young at-risk children who...you're saying, they don't currently participate in a program right now? That's your estimate, those...? [LB645]

SARAH ANN KOTCHIAN: That's a known quantity. Yes, those numbers are new from First Five Nebraska. [LB645]

SENATOR SULLIVAN: Okay. [LB645]

SENATOR GLOOR: Other questions? [LB645]

SENATOR SULLIVAN: Could I... [LB645]

SENATOR GLOOR: Sure. [LB645]

SENATOR SULLIVAN: We've put a lot of emphasis here in the Legislature across the board of the concern for early childhood education and we recognize the work force needs. But our attitudes changed to the point of our money being placed in a variety of different places to support this effort. What more is needed? [LB645]

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SARAH ANN KOTCHIAN: Well, we...the efforts to address quality within the programs are very valuable. They will provide children with what they need, but we have to be also be mindful of who is spending all of the time with the children. Right now, we have largely an underpaid and underqualified work force across the state. [LB645]

SENATOR SULLIVAN: Thank you. [LB645]

SENATOR GLOOR: Senator Scheer. [LB645]

SENATOR SCHEER: Thank you, Senator Gloor. Thanks for coming down, Sarah, I appreciate it. You may not be the right person as far as how the terms and conditions of the funding go through. Are you familiar with that? It's part of the fact sheet. I just wanted to make sure I'm understanding that correctly. [LB645]

SARAH ANN KOTCHIAN: How the funding will go through...to your question about applying? [LB645]

SENATOR SCHEER: Well, well, if I am reading this correctly, when a person starts working or they achieve whatever education level that allows them for some funding, then at the end of the seven months, they sort of get paid for the first six months and then is it paid on every six-month basis as they continue to go? Am I understanding that correctly? [LB645]

SARAH ANN KOTCHIAN: So, with the WAGE\$ Project, they're paid in two six-month increments, so they're paid once every six months so long as they stay employed by the same program. [LB645]

SENATOR SCHEER: Okay. And according to this, which was one of my other questions, they don't have to reapply as long as they stay at their current facility where they apply and then they don't need to reapply for that subsidy? Am I reading that correct as well? [LB645]

SARAH ANN KOTCHIAN: There's someone following me that is more well-versed in the program, but I think there would still have to be verification that they're still working there if they're going to receive the grant and that their education level hasn't changed. [LB645]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB645]

SENATOR GLOOR: Senator Sullivan. [LB645]

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SENATOR SULLIVAN: Thank you. In your research through your organization, do you know if there has been growing involvement on the part of businesses to provide on-site day care and childcare for their employees; and if so, how does their wages compare with the average of some of these individual places? [LB645]

SARAH ANN KOTCHIAN: That is a great question, and my answer is somewhat limited because the businesses that I know of that have provided this benefit to their employees because they see what it means for their work force to show up, to have a place to bring their children, for their work force not to worry about who is caring for their children, because they're quality settings. I...you know, we don't have good data on what they're paying their staff, but I do know that it's not much more than minimum wage for the most part. One of the particular programs...well, I think about how to best answer that. We don't have good data on what they're actually paying their staff. We're starting to collect the data now through QRIS, but I wouldn't...it is...it would be a rarity if any of their staff were receiving much more than minimum wage and any benefits at all, as far as health insurance or paid sick leave or those types of benefits. That would be something we would need to look into. [LB645]

SENATOR SULLIVAN: Okay. It speaks in part to my first question was that we seem to recognize the importance of this, but our attitudes have not changed in terms of placing monetary value on it. [LB645]

SARAH ANN KOTCHIAN: That's right. That's exactly right. [LB645]

SENATOR GLOOR: For what it's worth, my institution had a attached center that we went to the trouble of having certified as preschool and a wage program was the same as...I mean, it depended upon the job classification. The full-time employees had all benefits and we didn't find ourselves unique. Now, these are healthcare institutions, but if you're looking, you may want to look at healthcare institutions, the need for a stable work force, the need to attract a work force that is predominantly female and provide those things. It made it easy for those staff to be able to be at work at unusual hours and unusual times of the day. May make that an area that's worth looking into, that particular segment of industry anyway. And it's clearly nonprofit, most of whom have foundations attached who may be very interested, among other things, so, for what it's worth. [LB645]

SARAH ANN KOTCHIAN: Thank you. [LB645]

SENATOR GLOOR: Other questions and comments? Thank you. [LB645]

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SARAH ANN KOTCHIAN: Thank you very much. [LB645]

SENATOR GLOOR: Good afternoon. [LB645]

BRANDEE LENGEL: (Exhibits 7-10) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Brandee Lengel, B-r-a-n-d-e-e, Lengel, L-e-n-g-e-l, and I appear today in support of LB645. I would like to thank Senator Nordquist for the introduction of this important legislation. I've been working in the field of early childhood education for over 25 years. I started my career as a teacher assistant in a family childcare home. Been a teacher in many, many childcare programs across Lincoln, and have worked as a trainer, national, local, state, and also as an education specialist. Currently, I am the co-executive director for the Nebraska Association for the Education of Young Children. Nebraska Association for the Education of Young Children is the state affiliate of the National Association for the Education of Young Children and we're the largest early childhood organization in the world. Our mission is to strengthen and support the early childhood work force through education, training, and support. Our largest project is the T.E.A.C.H. Early Childhood NEBRASKA program. T.E.A.C.H. provides scholarships to childcare providers to increase their education in early childhood. This multifaceted program addresses the critical needs affecting our childcare work force, the education level of our staff, the compensation level of our incredibly underpaid work force, and the high turnover in our field. Through this scholarship program, early childhood educators are able to increase their education level while continuing to provide care to the children that have bonded with them. Child Care Services Association of North Carolina created the T.E.A.C.H. program in 1990 and licensed the Nebraska Association for the Education of Young Children as the administrative home for T.E.A.C.H. in Nebraska in 2001. We've awarded our first scholarship in 2002, and over the past 13 years we have awarded over 800 scholarships. Nebraska childcare providers want to increase their education. Those providers live in 75 different counties, and I have provided more information in your packet about that and on the back of that page, there's a map showing all the different counties that we have awarded scholarships to. In addition to the T.E.A.C.H. program, Child Care Services Association licensed a companion program that we've been talking a little bit about, called the WAGE\$ Project. Child Care WAGE\$ is a nationally licensed, salary supplement program. The WAGE\$ Project was created in response to research-based evidence that shows that the quality of care children receive is lowered by high turnover rates and inadequate teacher salaries. The WAGE\$ Project provides education-based salary supplements to low-paid teachers and directors working with young children. This project is designed to provide children more stable relationships with better educated teachers by financially rewarding teachers for their education and retention. These education-based salary supplements are tied to the level of a provider's education and retention in their childcare program providing a constant incentive to pursue additional coursework in early childhood. WAGE\$ is a proven approach that consistently meets and exceeds its goals. This program has proven outcomes that make a real difference for those working in early childhood

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education. Lack of resources and an effort to maintain affordability for parents often make it difficult for individual childcare programs to reward quality staff with higher salaries. As a result, many teachers leave the field or never consider early childhood as an option. If we expect childcare workers to be highly trained and educated, we must find a way to compensate them competitively and retain them in our field. We can't wait to act as early childhood educators are leaving our field on a regular basis. The T.E.A.C.H. Early Childhood National Center licenses and monitors the T.E.A.C.H. and WAGE\$ Projects across the country. Licensed administrative homes are provided access to high-quality resources, tailored technical assistance, and proven strategies to promote systems change. They help states avoid costly mistakes, support states in adapting to changing circumstances. The National Center also creates strategic partnerships which grow and sustain state and project efforts. Along with my written testimony, I have provided a letter of support for LB645 from Sue Russell, the executive director of the National Center, detailing her work and the result the WAGE\$ has had in North Carolina and in other states, as well as an overview of the WAGE\$ Project. We are willing and ready at the Nebraska Association for the education of young children to meet the quality criteria laid out in LB645 and establish a WAGE\$ Nebraska project. LB645 would allow us not to create something new, but to capitalize on the work being done in other states addressing low compensation for our work force across the nation. Nebraska has an opportunity to be a leader in addressing this issue and LB645 would create a very unique public-private partnership to do so. Thank you again for your time and consideration, and I would be happy to answer any questions. [LB645]

SENATOR GLOOR: Thank you. Questions? Senator Sullivan, then Senator Scheer. [LB645]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. So currently, your scholarships are distributed for continuing education. [LB645]

BRANDEE LENGEL: Yes. [LB645]

SENATOR SULLIVAN: And how do you distribute those? You said you were in 75 counties? [LB645]

BRANDEE LENGEL: Yes, over the past 13 years, we have distributed them in 75 counties. We have a comprehensive outreach plan to reach all licensed providers in the state, not just Lincoln and Omaha. [LB645]

SENATOR SULLIVAN: And how far along are you in that goal? [LB645]

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BRANDEE LENGEL: I think we're doing a pretty good job. Seventy-five counties out of our 90-some, we've awarded at least one provider in that area. We do have, I think, five counties in Nebraska that don't have any licensed childcare facilities, so we are limited to the counties that have licensed childcare. [LB645]

SENATOR SULLIVAN: And then how do you prorate your scholarships based on trying to divide it up statewide? [LB645]

BRANDEE LENGEL: Well, the nice thing is that we've never had to turn someone down for a scholarship if they qualify. [LB645]

SENATOR SULLIVAN: Okay. Thank you. [LB645]

SENATOR GLOOR: Senator Scheer. [LB645]

SENATOR SCHEER: Thank you, Senator Gloor. And maybe there is not an answer to this, but based on what we're looking for, I know the average we were talking about as far as a supplement or a stipend would be somewhere in the neighborhood of \$1,500. Can you be more specific as far as a range? Does it run...are you looking at something that would range from \$1,000 to \$3,000 or \$5,000? Or what type of range are we looking at? [LB645]

BRANDEE LENGEL: Well, we could develop our own salary scale so we wouldn't have to necessarily use a salary scale that another state had used. And some of that would probably depend on the amount of funding we expected to receive to make sure that we could meet the eligible providers that would apply. But it could be anywhere from \$300 if you have taken 9 to 12 credit hours in early childhood, all the way up to...we would probably start at a bachelor's degree level at probably a \$2,500 to \$3,000 limit. [LB645]

SENATOR SCHEER: Just out of curiosity, how many qualified people would be available for this presently? [LB645]

BRANDEE LENGEL: Currently, we are working on collecting data on salaries and education levels of our Early Childhood Work Force. We just don't have it right now. We know we have over 800 providers that are enrolled in our Step Up to Quality program, and I kind of looked at it. A great deal of those have some education in early childhood. They may not have a full degree, but they would at least qualify for a benchmark somewhere along the scale. [LB645]

SENATOR SCHEER: So you think currently there's only 18...or 800 that would...? [LB645]

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BRANDEE LENGEL: Eight hundred that are enrolled in our Step Up to Quality program and that's what we have data for at this time. [LB645]

SENATOR SCHEER: Okay. [LB645]

BRANDEE LENGEL: But we have over, I think, 3,500 licensed facilities and then our childcare centers would employ...could employ up to 50 staff. So we have...our work force is big. But the data that we have collected on it is not adequate and we're working on that. [LB645]

SENATOR SCHEER: Okay. Thank you very much. Thank you, Senator Gloor. [LB645]

SENATOR GLOOR: Seeing no other questions, thank you for your testimony. [LB645]

BRANDEE LENGEL: Thank you. [LB645]

SENATOR GLOOR: Continue with proponents. Good afternoon. [LB645]

LINDA REDDISH: (Exhibit 11) Good afternoon. Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Linda Reddish, L-i-n-d-a R-e-d-d-i-s-h, and I appear today in support of LB645 on behalf of Early Childhood Services. I want to thank you for the opportunity to express our support in front of you today. Early Childhood Services is a nonprofit organization working with early childhood programs throughout Douglas and Sarpy Counties. We've been doing this since 2010. Our mission is that all young children enter kindergarten ready to learn. Our mission is met through two targeted programs: our Teen and Young Parent Program assists pregnant and parenting teens and young families and we do this with over 60 different services; our Network of Excellence which works with early childhood programs to enable providers to continuously improve their programs without increasing costs for families. We do this by providing free training opportunities and access to additional community resources. We know from research and firsthand experience that high-quality early childhood programs are proven to help children enter kindergarten ready to learn and that investments in early childhood are the most cost-effective with a return that can result in \$7 for every \$1 invested. However, in order to deliver these results, we must have quality programs that employ quality teaching staff. We cannot have one without the other. Starting at birth, a quality early childhood teacher can make all the difference. Unfortunately, the desire to offer high-quality care, particularly by programs that serve children through our childcare subsidy program, is often met with incredible staffing challenges, high stress, and feelings of helplessness. In fact, during our pilot program, teachers screened positive for depression throughout our sites, with one site screening at 50 percent positive for feeling down, depressed, or hopeless. Staff also

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reported dissatisfaction with low pay, concerns regarding their food and income security, and most disconcerting is the turnover of staff. The turnover of staff is really detrimental to the quality and the continuity of care that children need in their earliest years. In fact, the loss of a primary caregiver is a top traumatic stress a child can experience. Regrettably, we've learned through our work that the turnover rate for programs serving children and families in poverty is actually twice the national average. We must target solutions to retain staff and address the low compensation in childcare programs. On a personal note, I utilized a program similar to WAGES in another state that provided me with an income supplement while I was working with young children and going to school full time. It was an invaluable support that helped me complete my degree in Early Childhood Education and I still remain in the field as of today. So, this particular initiative, though it was solely state-funded, limited in its reach, and I really believe that the innovative use of the public and private funding to better fund such a program as proposed in LB645 sets Nebraska apart. In closing, I would just like to say that as I work to support childcare providers and families that we serve every day, I know both professionally and personally that an investment in early childhood professionals ensures that Nebraska's children are well-educated and have the skills needed to create an effective future work force. With this in mind, I urge you to support and advance LB645, and I thank you for your time. [LB645]

SENATOR GLOOR: Any questions of Ms. Reddish? Senator Scheer. [LB645]

SENATOR SCHEER: Thank you. I'm concerned with the utilization of our rating system and as I've talked to Senator Nordquist, starting at a two-star because I...I don't want to reward institutions or business owners that are providing...if this is about high-quality early intervention childcare, if they're just barely above, here's my license, is this the best use for our money? Shouldn't we be putting the carrot up for those owners to get to a better level than simply we're here so that we can maintain that high level? I'm concerned by having the bar quite that low. I don't know that it's mediocracy, but I mean, it's certainly...if it's from zero to five before a two, I'm not sure that's high quality either. You know, I don't know. Is that of any concern to you that we may be sort of rewarding those that really aren't doing as good a job as others? [LB645]

LINDA REDDISH: Well, I...when it was first introduced, the bill had said that step one meets licensing regulations. Step two is beyond licensing, so it's...first, you have to make commitments towards increasing your education background. Administrators and owners actually do. They have to go back. They have to take course trainings. There's a management training program. Their staff have to get some background in early childhood education, so it's not just low quality at level two. Step five is a national accreditation, so. [LB645]

SENATOR SCHEER: Okay, well, would it make sense then to only allow, for example, a two-star facility to only...those employees only to participate for a period of time that would be

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adequate enough for that facility to get to at least the next level so that we just don't have that stagnant? [LB645]

LINDA REDDISH: Sure, so I...I think that's the piece though. We're still starting off with the Step Up to Quality rating system. Programs are still getting into the program. They're still developing their quality, but it does cost additional fundings to keep going. If you have an individual...we know that in our own organization, about 86 percent of our teachers were making an annual income of \$16,000 to \$20,000. So in order to continue furthering your education, I know for me this particular type of initiative was incredibly supportive. [LB645]

SENATOR SCHEER: And I'm not disagreeing with that. [LB645]

LINDA REDDISH: And I think I hear your questions saying, at what point do we do with level quality. And I think this is twofold. It's saying, here's a level of quality that we want programs to keep going towards, but we also have to put that compensation into the work force to be able to keep moving. [LB645]

SENATOR SCHEER: Well, using Senator Schumacher's common point is it's almost like we're subsidizing those employers that are continuing to have low labor cost and that there should be encouragement for them to move that scale up, not that we would diminish the support. But if we're trying to maintain a long-term labor source, I'm not sure having the facility that would be consistently only at that level is the best policy for the state. [LB645]

LINDA REDDISH: Well, programs have incentives to keep moving up in the quality. So just because you're at a level two, it doesn't mean that you can't continue moving up in quality. And I think any program that says I want to be part of Step Up to Quality is going to have a commitment to saying, here's where we're at and we're going to keep going. [LB645]

SENATOR SCHEER: Well, they wouldn't necessarily have to be part of that commitment would they? I mean, any teacher and any facility, based on the bill, if you are in a two-star facility, regardless if you've made a commitment to that or not, you're eligible for that stipend or augmentation to wages. [LB645]

LINDA REDDISH: And except 30 percent of childcare subsidy. [LB645]

SENATOR SCHEER: Correct. So having said that, they don't have to have that additional commitment to continue to go up the realm. That's my concern is, are we rewarding just getting to a certain spot and then they can feel compelled just to stay there? I mean, if we're really trying

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to improve the quality of education, I'm not sure that we ought to be satisfied with just simply having something available. I think we really ought to be looking at that quality. [LB645]

LINDA REDDISH: Well, I think the individuals who just went before me, though, says that the research actually shows differently, that those who enrolled in a program similar to WAGES went on to seek additional higher education opportunities. They increased their capacity to be knowledgeable about early childhood education and they remain in the field. So, I mean, the research that they just shared kind of tells a...paints a little bit of a different story. You continue to have individuals who participate in the program and keep on moving and increasing their own professional development also. [LB645]

SENATOR SCHEER: But you're missing my point. I'm not talking about the individuals. I'm talking about the owners. So you have a wonderful commitment to early childhood and you may be working for me, but if I can maintain just the minimums to stay at level two, for my financial commitment to this, I'm trying to make a profit. A lot of these facilities will be profit-oriented in smaller communities. [LB645]

LINDA REDDISH: The majority of programs, it is rare. Like the individual who said before me are able to pay their staff because the cost of providing for care is pretty high. Just like the individual mentioned before, it's more expensive to pay for an infant to go to a program than it is for a university. So I understand your question, but I think it's twofold. It's still building up the work force, making sure that there is enough compensation to continue to attract and keep the work force, and it's also about raising the professionalism of the field too. I think you spoke earlier about the attitudes around early childhood. This is a really fundamental period of development. Eighty-five percent of the brain intellectually, personality, their emotions, their feelings, that all develops by the age of five. [LB645]

SENATOR SCHEER: I'm not arguing that. I fully buy into it. I'm just wanting to make sure if we're going to do something, that we really are getting the bang for the buck and that we're making sure that our facilities continue to improve, that they just don't vacillate at just a minimum level. That's all my concern is. [LB645]

LINDA REDDISH: And really, I think that's something that as a committee you can continue to discuss and talk about. My purpose of coming today is really to say a bill like LB645 really would make a difference in the lives of teachers that I work with every day. I heard earlier questions saying, does this really keep teachers in the field? Well, it does. I'm still here. And the other two that spoke earlier about the state that introduced it, zero percent turnover two years running and the program still continues. We see turnover every day in the program, so my purpose is really just to say here's what this could do at the ground level. If you want to be

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talking about addressing the quality and all those portions and how would this bill, you know, determine, I really think that's within your committee to continue to discuss how do we set those benchmarks. [LB645]

SENATOR SCHEER: Fair enough. I appreciate your coming. Thank you. [LB645]

LINDA REDDISH: Yeah. Thank you. Thank you for your question. [LB645]

SENATOR SCHEER: Thank you, Senator Gloor. [LB645]

SENATOR GLOOR: Any other questions? I don't see any. Thank you. [LB645]

LINDA REDDISH: Thank you. [LB645]

SENATOR GLOOR: Additional proponents. Good afternoon. [LB645]

LOYITA LESSLEY: (Exhibit 12) Good afternoon. Thank you for having me. My name is Loyita, L-o-y-i-t-a, Lessley, L-e-s-s-l-e-y. Once again, thank you for having me today, Chairman Gloor and the members of the Revenue Committee. I've prepared a letter. My name is Loyita Lessley and I'm a childcare specialist. I provide quality care and educational services for children in my community in north Omaha, Nebraska. As a provider, I believe that it is very important that I have and maintain certain skills and abilities to help children be successful learners within their environment. For this belief, two years ago I took the initiative and reenrolled back into college to obtain my associate's degree in Early Childhood Education. During this period, I have encountered more struggles than normal in my income as it has fluctuated due to my full-time enrollment in college. When I graduate this year, I'm hoping to increase opportunities for myself. I have been asked on many occasions what are my plans when I complete my degree? Will I remain a childcare specialist? Will I pursue a career in my local school district? The question remains unanswered because in most careers when individuals increase their education they are rewarded with an increase of salary/wages, benefits, and bonuses. However, in my field of work I am not privileged the same with increases to my salary/wages. I will not receive any benefits or bonuses for my educational achievements. With that being said, today I respectfully ask that you would pass the bill to help offer wages to the same believers like myself and decrease the doubt for stability for Nebraska's in-home childcare providers. This will allow providers the opportunity to continue providing quality care and education to children with an ease. I thank you for your time in considering my request. [LB645]

SENATOR GLOOR: Thank you, Ms. Lessley. [LB645]

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LOYITA LESSLEY: You're welcome. [LB645]

SENATOR GLOOR: Any questions? Senator Sullivan. [LB645]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Ms. Lessley. [LB645]

LOYITA LESSLEY: You're welcome. [LB645]

SENATOR SULLIVAN: Did I understand you to say that you are an in-home day provider?
[LB645]

LOYITA LESSLEY: Yes, ma'am. [LB645]

SENATOR SULLIVAN: And are you familiar and do you participate in the Step Up to Quality
program? [LB645]

LOYITA LESSLEY: Yes, ma'am, I have. I have been participating in this program for almost
three years. [LB645]

SENATOR SULLIVAN: Thank you very much. [LB645]

LOYITA LESSLEY: You're welcome. [LB645]

SENATOR GLOOR: I don't see any other questions. Thank you very much for testifying.
[LB645]

LOYITA LESSLEY: Thank you for having me. [LB645]

SENATOR GLOOR: Are there additional proponents? Is there anyone in opposition to this bill?
Anyone who would like to testify in a neutral capacity? Senator Nordquist, you're recognized to
close. [LB645]

SENATOR NORDQUIST: I just want to thank the committee for thoughtful questions and on
Senator Scheer's question, and we'll get you a full breakdown and I probably need to review it
too. When we passed Step Up, we had NDE go out and establish what the different levels were
and it's a points-based system kind of between the one star to get to five stars. And one of those

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things that helps you move up is if your staff is advancing in their education. So if you are a two-star, if you have someone who obtains an associate's or something like that, those are points that accumulate to help you move to three-star. So, you know, I think we need to make sure that if we establish a program like this the entry level isn't so high that people can't get there, but I do think that the floor somehow...maybe we write it into statute that the floor raises over time; that after a few years we expect people to be up to here to keep moving forward. But just a thought I had as you were asking the questions. [LB645]

SENATOR GLOOR: Senator Nordquist, not the full list, but we've had testimony or letters from the Association for the Education for Young Children, Holland Children's Movement, the Early Childhood Services, First Five Nebraska. We have a lot of entities that are focusing on this area and that doesn't surprise me, but my question is, clearly they all carry the same general philosophy of the importance of early childhood education, but to what extent do they all pull together on bills like this for an example? You've obviously gotten people to coalesce, but does it go beyond that? [LB645]

SENATOR NORDQUIST: You mean the support for this bill, or...? [LB645]

SENATOR GLOOR: Well, support for this bill, but in general the focus on this as an issue. [LB645]

SENATOR NORDQUIST: I think the thing that we've seen in the Buffett Early Childhood Institute, now UNL is starting to put more emphasis and more research behind it, but I think it's probably something that's going across the nation as we've seen more states start to adopt programs like this, as we all know how important quality is from zero to three and zero to kindergarten. But if we're not willing to find ways to fund that, whether it's public, private, public and private together, we're not going to get the quality that we need, especially for the kids who need it the most to get them to kindergarten. So that's why I think we're seeing a lot of groups come together to support this bill, because we know we have to find ways to help people get...we've helped fund the T.E.A.C.H. program a little bit. Private dollars are helping fund that. The scholarship program that was talked about, we, through Step Up to Quality, put a couple hundred thousand dollars into that from the state. But they get their degree and then they come out and make \$9.00 an hour, they're not going to stay in the field very long with that degree and we're not going to get the quality outcomes that we need. So I think there's a big emphasis being put on how do we keep people in the work force and help incentivize them, and this is one option that we're putting out there. [LB645]

SENATOR GLOOR: To which all these organization can rally, is the point. [LB645]

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SENATOR NORDQUIST: Right. Right. [LB645]

SENATOR GLOOR: Okay. Thank you. [LB645]

SENATOR NORDQUIST: Thank you. [LB645]

SENATOR GLOOR: Senator Schumacher. [LB645]

SENATOR SCHUMACHER: Thank you, Chairman Gloor. Thank you, Senator Nordquist, for bringing this bill. Nothing operates in a vacuum. Would this type of program, which ultimate goal is to focus on the child by having competent teachers or mentors, have more effectiveness in conjunction with a companion program that focused on the young mothers, for example? I mean, are we...can we run a car on three wheels or maybe two wheels? [LB645]

SENATOR NORDQUIST: There certainly are private programs out there doing that. We have the Teen and Young Parent program that the Early Childhood Services is providing largely in the metro area, but that service is focused exactly on that, on the teen parent and helping them stay engaged in school, helping them become good parents early. We know that that is a cog in the wheel of the poverty cycle that has to be...has to be corrected in any way possible. But the dollars invested there probably are exponentially more than dollars we invest in any other social program. Whether or not the state needs to take a larger role in that, I think that's a good question. I will say, though, as you said when you said nothing operates in a vacuum, we know that childcare workers is one of the three lowest paid sectors of workers in our state. When we were working on the minimum wage issue it was childcare workers, restaurant workers, and retail workers are the bottom three workers in the state. So, anything we do to help boost their income also means their families, which are likely living near or in the poverty...below the poverty line or near poverty, we're helping their families as well. So, the workers that are serving our kids in poverty are also the ones who are facing poverty when they go home with their children. So, I think this is a boost on both sides of the equation there. [LB645]

SENATOR SCHUMACHER: Thank you, Senator. [LB645]

SENATOR GLOOR: Senator Brasch. [LB645]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you, Senator Nordquist, for bringing this forward. As I was reading through the testimony and looking at the letterheads, they're dot-orgs, they're nonprofit organizations. [LB645]

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SENATOR NORDQUIST: Yeah. [LB645]

SENATOR BRASCH: And then how does that transfer over to the providers, the care providers? Are they also part of a dot-org or are they privately employed? [LB645]

SENATOR NORDQUIST: Some are. So the way this is envisioned to work is a private donor would make a tax deductible contribution to, most likely, NAEYC, which came up and spoke, the Association for the Education of Young Children. They're a nonprofit so they would get their tax treatment on the donation to that. And then NAEYC would...workers in childcare centers that meet the criteria, they can work in for-profit or nonprofit childcare centers, can apply to NAEYC for the grants to help if they have advanced training in the field and they work at a childcare center that meets the criteria. So it can be for-profit or nonprofit. [LB645]

SENATOR BRASCH: And so, and the care provider who has earned their degree looking for advancement and bonuses, do dot-orgs give bonuses? Isn't that more of a private...are there bonus cash incentives that are given from nonprofits? [LB645]

SENATOR NORDQUIST: Right. Yes, so this would be a...you know, probably not a lot right now and, you know, I don't think there's anything that would prohibit a nonprofit from doing that. They certainly, if they have an employee they really like, they certainly can compensate their employees. [LB645]

SENATOR BRASCH: But with public funds and state funding, is that...? [LB645]

SENATOR NORDQUIST: Yeah, so this would be...they're called, the way it's been in other states, they're called grants, but essentially it's a way to help supplement the low wages of those workers. And it can be through a nonprofit or a for-profit. An individual working for a nonprofit or a for-profit can receive that. It's a grant to that individual, not to the organization that they work for. [LB645]

SENATOR BRASCH: Very good. I have no other questions. Thank you. [LB645]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Nordquist. [LB645]

SENATOR NORDQUIST: Thank you. Yeah. [LB645]

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SENATOR GLOOR: And that will end the hearing on LB645. We'll now move to the hearing on LB573. Welcome, Christina. We hope Senator Davis is doing well. [LB645]

CHRISTINA CASE: Yeah, I hope so too. (Laugh) Thanks for letting me introduce today. [LB573]

SENATOR GLOOR: Certainly. [LB573]

CHRISTINA CASE: (Exhibits 1 and 2) He apologizes he can't be here. He's very sick. Senator Gloor and members of the Revenue Committee, I'm Christina Case, C-h-r-i-s-t-i-n-a C-a-s-e, and I'm appearing today on behalf of Senator Davis to introduce LB573, the Health Enterprise Zone Act. This bill proposes a three-year pilot project to provide tax incentives to reduce health disparities, improve health outcomes, and reduce health costs and hospital admissions in specific areas of significant need in the state. The University of Nebraska Medical Center would collect data throughout the process to measure the effectiveness of the incentives and the program. The intent is to incentivize the hiring of medical professionals and drum up local community support to help address the major health needs of an area in a locally sustainable way. This concept was modeled on Maryland's health enterprise zone pilot program, which was implemented in 2013 to provide \$4 million in incentives per year for four years. Data coming out of the pilot project indicates that in the first 18 months of the program, 37 full-time equivalent health practitioners were hired across their five selected health enterprise zones. And as of January 2015, 15 healthcare delivery sites had been opened or expanded in these zones to provide primary or behavioral healthcare. LB573 sets up a process for local public health departments to apply for health enterprise zones within their geographic area and creates a review board to consider and approve a limited number of zones. The bill appropriates \$1.8 million each year for three years to provide for new hire tax credits and other incentives to fund projects proposed for the selected health enterprise zones. It also requires that stakeholders within the local community provide a financial match of one-third of the total cost of the projects. This is crucial in ensuring that these projects are sustainable and that the local community is actively participating in the efforts to improve local health outcomes. The Health Enterprise Zone Review Board will consult with the University of Nebraska to establish eligibility criteria for selection of the zones. Using this criteria and also taking into account other factors outlined in LB573, the board will review and approve a limited number of health enterprise zones whose project costs stay within the \$1.8 million annual total allotted to the pilot program. These additional factors to be considered, which are on page 4 of the bill, include the existence of support from key stakeholders in the public and private sectors including funds, a plan for long-term funding and sustainability, and a plan for evaluation of the impact of the designation as a zone, which UNMC will assist in accomplishing through their data collection. We also included a preference for the selection of health enterprise zones in counties with a population of 100 or fewer people per square mile. I handed out a map that shows...it has a section that shows the population sparsity across the state.

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And as you can see, that 100 or fewer people per square mile includes a huge area of the state, particularly in the western and rural portions. Senator Davis thinks it's important to take into account population sparsity because logically the availability of resources is concentrated in the more densely populated areas of the state. His intent with this proposal is to ensure that the most basic, necessary health resources are made available in the areas that need them most desperately. To give you a sense of what those needs are, I have handed out a sheet listing the major needs that have been identified by our local public health departments. Since the local health departments would be the entities that apply for the designation of health enterprise zones under LB573, we can expect that these will be among the health issues they will seek to address. In addition to providing matched funding to undertake the projects identified in the health enterprise zone applications, another important element to this proposal is the tax incentive that will be made available to taxpaying employers within the health enterprise zones. The refundable hiring tax credit in LB573 is equal to 100 percent of the expenses of hiring a new full-time healthcare professional or support personnel but cannot exceed the amount of the incentives approved for the zone. It's important to note that this is only available for new positions that did not exist in the prior tax year. The fiscal note indicates that the Department of Revenue estimates the cost of the tax credit at \$1 million, which we think is a very high estimate. This may be because it is not known yet how many zones will be created or how many or what types of healthcare workers an application would seek a tax credit for. The department also estimated the equivalent of a full-time staff position and \$143,000 in IT development, though they already have the Tax Advantage Act programming in place to handle this. You'll be hearing from a couple of medical students who will talk about the opportunity to be hired to provide healthcare where it is needed most. The hiring tax credit proposed in LB573 is one way we can give our young medical students an opportunity to stay living and working in Nebraska communities. LB573 would help provide communities with one more tool to help reduce the shortage of healthcare workers in many parts of Nebraska. That is a good reason to apply the tax credits to new healthcare jobs in a community. Extending the state Tax Advantage Act to new healthcare jobs is also valuable because not only are these jobs important to a community, but having healthcare services also helps communities recruit businesses. In that sense, this bill is also an economic development tool. I urge you to consider this pilot program as the first step in effectively connecting public health resources to the primary care needs of our most needy citizens. The dean of the UNMC College of Public Health will be following me, and he can answer any questions as to how the Health Enterprise Zone program would work. And if you have any additional questions, I would be happy to follow up with Senator Davis and get back to you with the answers. So thank you very much. [LB573]

SENATOR GLOOR: But the dean is the one that Senator Davis has identified as the person to answer our questions for the most part. [LB573]

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CHRISTINA CASE: He can answer questions about how the program would work and about our health needs across the state. [LB573]

SENATOR GLOOR: Okay. All right. Thank you, Christina. [LB573]

CHRISTINA CASE: Thank you. [LB573]

SENATOR GLOOR: We'll start with proponents for the bill. Good afternoon. [LB573]

ALI KHAN: (Exhibit 3) Good afternoon, Chairman Gloor and members of the Revenue Committee. Thank you for the opportunity to testify this afternoon. I'm Dr. Ali Khan, A-l-i K-h-a-n. I'm dean of the College of Public Health at the University of Nebraska Medical Center, but I'm here today representing myself as an individual to testify in support of LB573. So LB573 really is a unique and innovative approach to help address Nebraska's health work force shortages, reduce health disparities, improve health outcomes, and spur economic growth. I would like to thank Senator Davis for introducing really this very creative measure. The College of Public Health is designated in the bill to administer this pilot program. And I can say the college is capable and prepared to provide this function. The college can design the health enterprise zone funding application, create and modify a grant management system, and provide the necessary technical assistance. The college currently works regularly with regional health departments, and I've had the pleasure of actually visiting all of them except for one at this point and will make them and other partners aware of the opportunities this bill offers. The bill would also establish an independent review board to judge the merit of applications for funding. And as part of the administration role, the college would receive and review these applications for completeness and then prepare them for review by the independent Health Enterprise Zone Board that would make the final set of decisions of what gets funded or not. As dean, I would be one of the six members of this board. The aims of LB573 are consistent with the college and university's stated goal to make Nebraska the healthiest state in the Union by 2020. We're currently tenth. So we can get there. Definitely the goal is attainable, but in order to attain it we really need to do more to address our healthcare work force shortages and our health disparities here across the state. According to America's Health Rankings, Nebraska currently ranks 25th in the number of primary care physicians per 100,000 population. And outside of Douglas and Lancaster Counties, essentially every other county in Nebraska reports some degree of health professional shortage. Similarly, Nebraska ranks 46th in disparities in health status. So there's only four states in the United States that do worse. LB573 would help communities address these shortages and inequities in a way that's highly customizable and tailored to the need of each individual community with a proposed zone. So for example, let's say a community has identified through their community health needs assessment or some sort of health survey that cancer prevention is a high priority for them. So I could envision multiple options that they may

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undertake. So for example, they may hire a community health worker to provide community-based cancer prevention education. They may hire a nurse practitioner to enhance the capacity of a local hospital to conduct cancer screenings or perhaps a behavioral health specialist to help patients consider about how to decrease...kick their smoking habit or a combination of all three based on what the community would like to support. Now in addition to being creative and customizable, the program is designed to ensure community engagement and sustainability. So to get state funding, a regional health department and its partners would have to assemble a local community match. The community match may take the form of cash or in-kind services. And there's multiple likely sources for this cash or in-kind services. So it could be local hospitals. It could be economic development groups, main street businesses, or some other combination or all of them actually working together. And the matching requirement is really to encourage this public-private partnership in communities across the state and help them ensure the sustainability of this program after the conclusion of the three-year pilot. The critical association with regional public health departments also represents a breakthrough approach on how to deal with this issue. So applicants really would be required to focus on evidence-based approaches with objective measures of success at the community level that really get at the root of what are the causes of the health disparities here within the state. In its role to administer this program, the College of Public Health would also conduct critical independent evaluations of the pilot program. And the evaluation will look at the effectiveness of the program and compare year one to year three and what the applicant had originally proposed. Now finally, while questions of taxation and economic development are your domain of expertise, it seems to me that at its core LB573 is an economic development bill. And having a solid healthcare work force and services can help attract businesses to communities, and healthcare workers themselves generate a significant income impact. So I see this bill as an investment in the future of a healthier and more prosperous Nebraska. I ask you to advance LB573. Thank you. I will be happy to answer any questions. [LB573]

SENATOR GLOOR: Thank you, Dr. Khan, and we're very appreciative of the fact you'd be here and would answer questions on behalf of Senator Davis. He owes you, by the way. You're welcome to tell him that. I don't...I want to make sure I understand. Is this program hoping to bring dentists, nurses, dieticians into communities to set up a permanent practice, some sort of clinical practice? Or is it more geared toward specific public health needs in a community for a shorter period of time, for a couple of years? Let's say we decide prenatal care is especially a problem in one of our communities, or an area in one of our communities, and we want to bring in a nurse practitioner who specializes in prenatal care. Would this be geared toward that, or would it be geared more towards the placement of a nurse practitioner in a community on a permanent basis? [LB573]

ALI KHAN: So thank you for that question, Senator. I would defer to Senator Davis for his original intent. But as written it allows both possibilities. The main focus is to find people who

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would remain within those communities so that it would be sustainable over time, and that was a reason to request the match. And this seems to be the early experience in Maryland where they first piloted this in 2012. They've had, as you heard earlier, 57 or 58 brand new healthcare providers who are now providing care within those communities in the five enterprise zones that were not doing so previously. [LB573]

SENATOR GLOOR: We've got other programs, some of which operate under the auspices of the Rural Health Commission as an example, that deal with loan forgiveness programs for students who agree to practice for a certain number of years. And so is this seen as a parallel or a replacement for or in addition to, as an example? [LB573]

ALI KHAN: I see this as a complement, sir. This is more of a public-private partnership where the community comes together and says this is our critical need. Working with partners within the community, they decide how they would address that need with the best evidence-based approach and objective measures of where they would get there. And then they would forward that application for review with this preference of rural areas to say this is what we would like to get done. [LB573]

SENATOR GLOOR: And then the tax credit would be to incentivize people in the local community to help come up with some of the dollars necessary for the match. [LB573]

ALI KHAN: I believe so, sir, but that's where I would again...the health issues I got covered. The tax issues I would defer to you, sir. [LB573]

SENATOR GLOOR: Okay. Any other questions? Senator Sullivan, then Senator Scheer. [LB573]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Dr. Khan. Do we know now where some of our biggest health disparities are in Nebraska? [LB573]

ALI KHAN: Yes, Senator, we absolutely do. So there are disparities. As I said, we're ranked 46th in the United States. So our disparities are obvious. So we have disparities based on race and ethnicity and we have disparities based on place, rural versus urban. And those are pretty well defined. And within each regional health department, they are required to do essentially community health needs assessments that define their key needs. And we would believe that with this bill, that's where they would start and say here in this rural community, our key need happens to be cardiovascular disease. We have way too many people getting MIs, heart attacks.

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How would we address this? Or some other community may say actually colon cancer is our biggest priority here in this community, and this is how we would address it. [LB573]

SENATOR SULLIVAN: Thank you. [LB573]

ALI KHAN: You're welcome, Senator. [LB573]

SENATOR GLOOR: Senator Scheer. [LB573]

SENATOR SCHEER: Thank you, Senator Gloor. I'm not understanding how this is going to work any differently than we're currently utilizing, for example, traveling physicians. I mean, for example, your question of cardiology, if Hyannis has a high...a large problem with heart-related disease, it's a town of 150 or 200 people. There's no stretch of anybody's imagination that we're going to get a cardiologist to set up shop in Hyannis. In rural Nebraska, because it's so rural, I think everyone is accustomed to having to drive for services a certain length of time. I noticed in your testimony you talked about Nebraska being 46th because everything other than Lincoln and Omaha reports a variety of health professional shortages. And that would be true. I'm from Norfolk. For the last...and I'm on the hospital board up there. And for the last 25 years that I know of, we've tried to get a dermatologist on a full-time basis. We've tried to get an ophthalmologist on a full-time basis. You just can't get them to go to rural Nebraska. And so I'm not sure this in and of itself solves the healthcare problems for rural Nebraska. If it's to provide...as Senator Gloor said, if we're trying to provide some type of a study system that can go into regions within the state that in larger, broader regions are experiencing something that is unique only to that specific part of the state, well, maybe. There might be a root cause that you can develop. But I'm just failing to see how this works to place additional medical care providers in smaller communities because, you know, you talk about your community matches of either in-kind or cash. And one of the big ones, of course, would be your local hospitals. But in deference to them, our reimbursement rates are getting cut so much. And with the advent of a different type of healthcare that we are trying to now adjust to, I mean, you're in and out. I mean you're not staying in hospitals very long, so that is diminishing the income of those more rural facilities as well. So I'm just...I'm not sure where the dollars are created to bring the people in regardless if there's a credit or not. And this is the 50-year-old problem, trying to get medical providers in small communities. I mean, help me. How does this solve the problem? [LB573]

ALI KHAN: That's an excellent question and a great observation of a many-year-old problem. And so let me start with one of the ancillary comments about what an in-kind match is. (Inaudible) space, for example, a facility to work out of could be an in-kind support. So two lines of reasoning to start off with: So one is we'll have some medical students follow who will talk about how this approach would be helpful to them; the second line is we have evidence based

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from what happened in Maryland. So here's another state with similar issues. They set up five enterprise zones--two rural, two suburban, one urban--and they were able to bring in healthcare providers into places that had not been there before. [LB573]

SENATOR SCHEER: But no disrespect, I mean Maryland, by just the sheer value of size, I'm not sure is very comparable to the problems that rural Nebraska faces from a simply size capacity. [LB573]

ALI KHAN: And I respect that. But that's the data available to us. The way this is different is that it allows the community to craft their own approach that may include different things. So for example, it may be a combination of a public health measure around stopping smoking. But a cardiologist that may not just be for a small community but for a larger community within the county that would meet that need or some version thereof. And I think that's where the creative part is this...is I think when you step back and say we've been trying to tackle this for 50 years, well, this is an approach to say, okay, maybe the solutions don't all come from government but maybe there are some local...better local solutions that can come to us and be proposed. And obviously if they come to the board, the Health Enterprise Zone Board, you know, it would be evidence based and it would have outcomes to say this is what we think we could do. So this trying to find different ways to do things without prejudging what they are. So I can't stop, stay here, and say this is what we would do. [LB573]

SENATOR SCHEER: Well, and I understand that. I guess I'm just looking at it, and the hospital that I'm associated with is not unique. There are all sorts of them out in rural Nebraska that have brought in individual, and more often than not, more specialists than a GP, that they'll go out in the selective areas in the smaller communities to try to provide that cardiology service once a week or maybe once every other week. But because those communities are continuing to slide in size, they don't have enough population to substantiate the time for that position. I mean, like yourself, I don't know that I could afford to have you sitting in an office all afternoon if you only had three appointments. I mean that's really not real good utilization of labor either. [LB573]

ALI KHAN: Agreed. So that's where the community can come and say, you know what, the approach we're going to look for is more of a prevention-based approach and include EMS so that we have better ways to move people around. So that gives the community the flexibility to think about the best approach if they can only have one cardiologist who sits in point A but has to meet the needs of towns all around that are more rural. [LB573]

SENATOR SCHEER: Okay. Well, thank you very much. [LB573]

ALI KHAN: Thank you very much for the question. [LB573]

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SENATOR SULLIVAN: Any other questions for Dr. Khan? Thank you for your testimony.
[LB573]

ALI KHAN: Thank you very much. [LB573]

SENATOR SULLIVAN: Welcome. [LB573]

EMORY DYE: (Exhibit 4) Hi. Good afternoon, members of the Revenue Committee. My name is Emory Dye. For the record, that's E-m-o-r-y D-y-e. I am here to support the advancement of LB573, to create health enterprise zones. I am a second-year medical student at the University of Nebraska Medical Center, and I grew up in Gering, Nebraska, before graduating from Chadron State College. I am very grateful to discuss a topic that I feel passionately about, and that is bringing more healthcare professionals to greater Nebraska. Although early in my career, I've had the opportunity to take advantage of programs that have already been implemented to help solve the shortage of healthcare professionals in rural areas of Nebraska. I was fortunate enough to be accepted into the Rural Health Opportunities Program out of high school and also have participated in the student loan forgiveness program through the Department of Health and Human Services. While these programs carry a strong incentive to return to rural Nebraska, I believe more can be done to keep the professionals in these areas of need. With your support of LB573, we can take a step in the right direction towards solving the healthcare disparities that exist in these rural communities. Growing up in rural Nebraska, I have experienced the need for both recruitment and commitment of healthcare professionals to these communities on a personal level. In 1998, my great-grandfather suffered from a stroke that took away his ability to both walk and talk. My great-grandmother decided to care for him at home and forgo placing him in a long-term facility. Although this appeared effortless on her part, I know that is not the case. She cared for my grandfather entirely on her own as she lived in too rural of an area to even receive home health aid. In addition to caring for his basic health needs, she also had to travel over 40 minutes to see his primary care physician and even further for his physical therapy. Can you imagine transporting somebody who cannot walk or talk over 40 miles just to get the healthcare they need? The task seems daunting to me. Legislation like this bill will help people like my grandmother and it will help the people of greater Nebraska gain more access to healthcare. On a more professional basis, I have seen how access to healthcare in rural Nebraska compares to a city like Omaha. Until you've experienced the disparity between a big city like Omaha and a small farming community, you cannot truly understand it. In my hometown, providers are strained in caring for all members of the population of the community to the point where they are incapable of accepting more patients without sacrificing more time spent with their own families. Not only are the doctors overwhelmed, but patients feel this stress as well as many must drive extremely far distances to get the care they need. When it comes down to it, these patients either cannot afford or are unable to travel these distances, especially for illnesses such as hypertension or diabetes that may initially be asymptomatic but in reality can be

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detrimental to their health. I am excited to return back to the rural communities of Nebraska, but I am part of a minority. Many of my classmates do not come from backgrounds like mine and are less likely to practice in our most needed areas. We need incentive programs such as LB573 to not only recruit healthcare professionals to rural Nebraska but to keep them there. The bill will help decrease the huge burden on healthcare professionals that are already practicing in rural Nebraska and will recruit more professionals to our most needed areas. More importantly, it will start to decrease the large disparity in access to healthcare that exists between the urban areas and rural communities of Nebraska. I'd like to thank Senator Davis for introducing this measure. I urge you to support LB573. Thank you for your time, and I welcome any questions you guys have for me. [LB573]

SENATOR SULLIVAN: Thank you, Mr. Dye. You're participating in the RHOP program right now. Can you tell us little bit of how that works. [LB573]

EMORY DYE: Yeah. So actually that was more of a program I participated in college. What that program is, is it's open to high school seniors in rural areas of Nebraska, which includes everywhere except for Lincoln, Omaha, and Grand Island. And essentially what it does is you apply for it out of high school, and so long as you fulfill their requirements, certain GPA, you're guaranteed a spot in whatever profession you apply for. So they have it for medicine, for physical therapy, for nursing, dentistry. They have it for a lot of different professions. And so I had an automatic admission. And then what I'm expected to do, but I do not sign a contract or anything, is I'm expected to return back to rural Nebraska to practice. [LB573]

SENATOR SULLIVAN: And then you also said you participate in student loan forgiveness through the Department of Health and Human Services. [LB573]

EMORY DYE: Yeah. So what that is, is a \$20,000 loan that is forgivable for every year that I practice in a state-designated shortage area. [LB573]

SENATOR SULLIVAN: Okay. And what are your expectations once you're done with your training? [LB573]

EMORY DYE: I mean, you know, I've kind of kept an open mind about everything but I definitely want to return back to rural Nebraska, not necessarily Gering because I would like to do procedures and do OB and incorporate more things into my practice. But I'm thinking family practice at this point in rural Nebraska, back west. [LB573]

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SENATOR SULLIVAN: And the hospital in Gering doesn't currently provide all of those services? [LB573]

EMORY DYE: What's that? I'm sorry. [LB573]

SENATOR SULLIVAN: The hospital in Gering doesn't currently provide services like obstetrics and deliveries? [LB573]

EMORY DYE: Actually a lot of the practices in rural Nebraska do provide a lot of those services. Although Gering is probably not the most rural place, rural area of Nebraska, it's decently large. It's right next to Scottsbluff if you're more familiar with that. [LB573]

SENATOR SULLIVAN: Right, right. [LB573]

EMORY DYE: So they're kind of combined, which why I would want to go even a little more rural to do all those things. [LB573]

SENATOR SULLIVAN: Okay. Thank you. Senator Scheer, did you have a question? [LB573]

SENATOR SCHEER: Yes. Thank you, Senator Sullivan. Thanks for driving over this afternoon. To me, part of the solution as well as getting people like yourself to go back in rural Nebraska and certainly there's no signed contract, but I think there's a clear understanding, assumption that you folks will end up in rural Nebraska in those areas of need. Do we need to expand that program? I mean are there other students that applied that maybe had met the letter, the minimum requirements or whatever but because we only take 3 or 33 or whatever that number is, that unfortunately he didn't make it, you did because you had one-thousandth a higher GPA or whatever the case might be? Is that something we that we need to address as far as making more opportunity available for those young adults that are looking and wanting to perhaps go back to rural Nebraska? [LB573]

EMORY DYE: Yeah. I obviously have nothing but good things to say about the RHOP program. I thought it gave me a great education, prepared me really well for medical school. The problems that I've already seen with it are, number one, for instance, in my class alone and I'm speaking just for medicine, we started with five participants in the program and five alternates. And only me and one other student came down. A lot of them, I don't know, can't handle the rigors of undergrad or if they decided this just isn't something they want to do. But even in the class below me, there's no students that came up in the first-year medical school class that were in RHOP originally. And secondly, unfortunately not everybody, you know, follows up on what they

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originally agreed to do and return to rural Nebraska and practice primary care or general surgery. And I'll use the class above me, the third-year medical school class. There's actually six of them from Chadron in the RHOP class and only one of them is going to do primary care or is planning on doing primary care and returning to rural Nebraska. So there's obviously problems there. And you know, it's obviously hard to predict out of high school. I like the idea with this because things like...obviously you give somebody a \$20,000 loan, and you're going to forgive it if they go practice in rural Nebraska. I think that attracts people's eyes. But the problem is, and even talking to some of the hospital administrators, is these students will come there and they will be there for four years and the four years is up and they leave. They're gone. And I don't know if that's because of the increased demand, it's just harder to practice there or if they just really don't like it that much. You know, it's hard to say. But I feel like something like this that provides that long-term money and support provides a stronger incentive to stay in rural Nebraska and also brings more back to rural Nebraska. [LB573]

SENATOR SCHEER: Well, I can give you two real easy clues why that happens. First is called spouse and second is called coverage. And I think physicians in more rural areas have absolutely no coverage. So you're on 24/7. [LB573]

EMORY DYE: Exactly. [LB573]

SENATOR SCHEER: And as much as you may love the occupation, at some point in time that just becomes I think too much a grind for people when they can look. And you can be wherever it is and you can go back to Omaha or Lincoln or Grand Island or Kearney or even Scottsbluff. And you're still going to...you'll be on call, but it's one every three or four nights. And that just sounds too good when you've got little kids type deal. [LB573]

EMORY DYE: Yeah. I definitely agree with that. But I think that's why this bill can help is because I believe it will bring in nurse practitioners and physician assistants who can help handle that call so that that demand is not all on the physician and it's not entirely his responsibility. But, yeah, I agree. [LB573]

SENATOR SCHEER: Okay. I appreciate it. Thanks so much. Thank you, Senator. [LB573]

SENATOR SULLIVAN: Any other questions for Mr. Dye? Thank you for your testimony. [LB573]

EMORY DYE: Thank you. [LB573]

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SENATOR SULLIVAN: Welcome. [LB573]

ROBERT JONES: (Exhibit 5) Thank you. Thank you, members of the Revenue Committee. My name is Robert Logan Jones, for the record, R-o-b-e-r-t L-o-g-a-n J-o-n-e-s. I was born and raised in Omaha, Nebraska. I'm currently a second-year medical student at the University of Nebraska Medical Center. I'm here testifying in support of LB573, to create health enterprise zones in Nebraska. I also represent the opinion of the UNMC Student Delegates, which is an interprofessional student advocacy organization composed of students from the many different colleges at UNMC. I am very fortunate to be receiving my education at an institution that has established strong relationships with the Nebraska community. As part of that, I've had a wide array of clinical experiences ranging from private practices to student-run clinics. I've been in clinics as far west as Alliance, Nebraska, and as far east as 40th Street in Omaha. One lesson I've taken away from the culmination of my experiences, one that no textbook can teach me, is that our state has definite peaks and valleys when it comes to access of health services which play a vital role in people's livelihood. Last summer, I was assigned a three-week summer rotation in Alliance, Nebraska, as part of what is called at UNMC the summer rural care block. Living in Alliance afforded me the opportunity to spend time with some wonderful people. I played pickup basketball twice a week at a local YMCA; shared meals with many of the patients, workers, and volunteers at the hospital; even spent a day out on the range assisting on my first cattle branding. Although I really enjoyed these moments, they were brief...they were just brief punctuations between long stretches of my clinical responsibilities. My medical experience was exhausting, to say the least. I worked for 70 to 80 hours a week between the family practice clinic, taking night calls in the ER, and even assisting on the delivery of a beautiful nine-pound baby girl. While I cherished having so many opportunities to learn medicine firsthand under the guidance of such caring and dedicated physicians, it was apparent that their own personal lives were stretched thin due to the lack of healthcare providers. In addition to long hours for the medical providers, it also made for poor access to healthcare for patients. The average patient waiting time to see my supervising physician was five to seven days. On the other end of the state back in Omaha, I'm a regular volunteer at a student-run clinic which specializes in screening and treating sexually transmitted infections, or STIs. Many of the patients I care for reside in northeast Omaha and are young adults with no established link to healthcare. Many of the diseases that my patients come to the clinic with have potentially drastic, life-altering consequences. The best way to combat STIs are through effective prevention measures. For these preventative measures to be effective, there needs to be evidence-based public health initiatives and community education efforts for substantial change to take place. The reason why I bring both of these situations to your attention is while the circumstances are different, both Alliance and northeast Omaha are medically underserved areas. This is why I'm here in support of LB573 today. I believe that this bill could set Nebraska on the path of establishing a means to empower our community leaders, through the regional health departments, to be able to create custom-tailored programs to address health concerns specific to their own communities. For communities such as Alliance, LB573 could

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help initiate community efforts to hire and, more importantly, help keep new healthcare providers in their community. Areas like north Omaha could potentially receive support in trying to fight their STI epidemic. I thank the Revenue Committee for...I thank Senator Davis for introducing this legislation, and I urge the members of committee to give their measure...give this measure their support. I will gladly address any questions you may have for me. Thank you. [LB573]

SENATOR SULLIVAN: Thank you, Mr. Jones. Are there questions for him? Thank you for your testimony. [LB573]

ROBERT JONES: Thank you. [LB573]

SENATOR SULLIVAN: Any other proponent testimony for LB573? Welcome. [LB573]

BRUCE RIEKER: (Exhibit 6) Thank you. It's a pleasure to be here. My name is Bruce Rieker; it's B-r-u-c-e R-i-e-k-e-r, vice president of advocacy for the Nebraska Hospital Association, here in support of LB573. We applaud Senator Davis. I would say that innovative is probably an understatement of the approach. But it helped bring to the discussion some of the things that are already going on in the healthcare world. And I'm not going to go through my testimony. We did have some suggestion...do have some suggestions about measurable objectives that we would like the committee to consider in this proposal, as well as a few other members that may have bearing on the board, the advisory board, the review board that would be created, some folks from public health, from the university as well. But what I want to talk about is, listening to the questions, I think I want to bring a different perspective to this, at least how we might look at it or how we do look at it from a hospital perspective and public health. As we read LB573, we see it as a complement to the rural health provider program, the RHOP program. Yeah, we'd love to see more funding for that program. And there's another initiative before the Legislature to create some financial assistance to get providers to underserved areas. But as we look at this, I think that we can make a strong case that providing care to these underserved areas doesn't necessarily mean you put the provider there. But you help those individuals get access to the provider in maybe an area where there's more, what should I say, critical mass. And I'm going to use Columbus as an example. I don't know the exact numbers. I've heard them vary. But how many women go to Columbus for prenatal care? They probably have a catchment area with their local health department and their federally qualified health center of well over 100 miles. Now they also have a critical mass of providers in Columbus. So what I'm proposing to you, and we see the latitude in this, is that this complements where we're headed with more regionalized and specialized care. And if we're just focusing on prenatal care--I'm just using that for the sake of discussion--not all of our hospitals deliver babies anymore. In fact, more and more are eliminating that service simply because we don't have the critical mass. However, if you look at a

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model that has been put together by all these folks such as this and look at it, I guess I'm saying, outside the box, and you help those individuals in underserved areas get the preventative care that they need, even if we're helping them get to a location that's in close proximity, when we're talking about prenatal care alone--and we've had this discussion, this debate in years past about providing prenatal care--but all you need is one child in the neonatal intensive care unit to eat up all of the funds that you would save by providing that prenatal care. So I would think that it is very plausible that a community or a local health department could say that's our number one concern. And it may be cardiology or it may be something else. But how we help those individuals get the care they need, whether it's education or preventative care or actually acute care, getting them to the resources, this program would be very complementary to the other things that are in place. But we don't have such a mechanism in place in the state. So I pose that for your consideration. And with that, I'd be happy to try and answer any questions. [LB573]

SENATOR SCHUMACHER: Any questions for Mr. Rieker? Senator. [LB573]

SENATOR SCHEER: Thanks for dropping by, Bruce. [LB573]

BRUCE RIEKER: You bet. [LB573]

SENATOR SCHEER: Tell me how this helps those in Hyannis or Benkelman or someplace like that, that I mean, yeah, there's telemedicine. I understand that. But as far as the disparity that all three of the two med students and the physician talked about, between certainly Omaha or Lincoln and the rest of the state, it's certainly there. We can try to better utilize the staff we have, and as you said, not necessarily putting the physician in those communities. But how do we get the nurse practitioner to set up an office in a Hyannis that only, you know, in a critical mass maybe has 500 people within 150 miles? Now those 150 people certainly need and deserve to have adequate healthcare. But I don't know that anyone can run an office on 150 patients. [LB573]

BRUCE RIEKER: I would highly doubt that they could, Senator. Yeah. [LB573]

SENATOR SCHEER: So I mean how does this bill help trying to...and maybe it's not intended to produce additional carriers in rural Nebraska. But that's where I'm having to struggle finding...you know, you make it health zone. Is this truly just to find out if we have larger than normal cases of diabetes or cardiology or whatever a case might be and trying to have community or regional approaches to try to diminish that? Or are we trying to provide day-in, day-out healthcare professionals to provide services to people in that area? [LB573]

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BRUCE RIEKER: Right. And I'll take a stab at it. [LB573]

SENATOR SCHEER: Fair enough. That's better than I did. [LB573]

BRUCE RIEKER: I think...and we weren't at the table--I mean and that's fine--as this proposal was developed. However, if we look at it as a complementary, maybe this proposal isn't the primary mechanism to locate providers in underserved areas. And I'm not going to try and make a case at all that we would try and locate someone where there's a 150 patients or something like that. Now you know, I can...also, as we look at...as I've gone through the actual verbiage of this bill, it says provide care locally. Well, okay. What does that mean? There are some standards. There are some in behavioral health. Currently right now, there are some managed care organizations that deem that one psychiatrist west of Grand Island is adequate access to a psychiatrist, okay? You may not be able to see that person for six months if you're lucky. And when you mentioned telehealth, there are some things that we're working on with the Medicaid program. And telemedicine is a mechanism. I'm not going to say it solves everything. But it's a mechanism for us to provide more care to people closer to home. However, I can see us as hospitals looking at, okay, there is no reimbursement for the equipment that it costs...I mean the capital costs it takes for us to put something in like that. Now if we had a visiting mental health provider--whether it's mid-level, a nurse practitioner, psychiatrist, whatever it may be--where people could come closer to home and get that care, I could see there being a very plausible, not only health case argument made for that, but also a financial or a fiscal argument made that we can provide their care closer to them. It improves worker productivity. I mean if somebody is having a mental health issue and it's very real and the behavioral health arena and the population in the state is very much underserved, maybe that's something that the local health departments working in partnership with us, we'd be...we know they're the driver. And Dr. Khan... [LB573]

SENATOR SCHEER: That's okay, Bruce. We're going around in circles. And I appreciate the answer, but you didn't answer the...I don't think we have an answer to the question, because I don't think perhaps this is intended, as my assumption was, to try to help with the disparity in health services that are available in more sparsely created areas. And I'm not sure that this is vehicle. And unfortunately, Senator Davis is not here to tell us what exactly this is the vehicle for. So I'll have to wait and talk to him. But I appreciate your comments. [LB573]

BRUCE RIEKER: Well, if the committee and the Legislature passes this, we'll be anxious to work with the local health departments to put that \$1.8 million per year to its best use possible. [LB573]

SENATOR SCHEER: Appreciate it. Thank you. [LB573]

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SENATOR SCHUMACHER: Any other questions for Bruce? Seeing none, thank you for your testimony today. [LB573]

BRUCE RIEKER: You're welcome. Thank you. [LB573]

SENATOR SCHUMACHER: Further proponents for LB573. (Exhibits 7 and 8) The record should reflect that we have some correspondence with regard to this matter. We have proponents: Dr. Richard Blatny of Nebraska Medical Association, and Molly McCleery of Nebraska Appleseed, and no opponents and no neutral the way it looks. And we have no opponents and no neutrals from the audience? Seeing none, that would close the hearing on LB573. Next up, LB591, Senator Bolz. We'll do a five-minute break while we're waiting for Senator Bolz. [LB573]

BREAK

SENATOR SCHUMACHER: We'll come out of recess now. And we've got one or two members that are on the way back. We can get things started on opening the hearing for LB591. Senator Bolz, welcome. [LB591]

SENATOR BOLZ: Thank you. Well, I'm glad to be here with the most important members of the Revenue Committee today. (Laughter) [LB591]

SENATOR SCHEER: That being the right side. [LB591]

SENATOR SMITH: And you only have to look in one direction. [LB591]

SENATOR BOLZ: I'm actually genuinely pleased to be here. LB591 is a bill that I really believe in. I think it's smart and strategic. It puts into place for Nebraska the framework for establishing achieving a better life experience savings account for people with disabilities. This approach was passed on the federal level in December of 2014. And now the next step is putting it into place on the state level and putting the right mechanics into place to make sure that individuals with disabilities can establish and utilize such savings plan. The accounts allow for a tax-exempt savings plan for individuals with disabilities for specific expenses, such as education, healthcare, housing, and job training, without endangering access to essential supports through means-tested programs. So the federal law and LB591 really address an inequity in our current savings account strategies and policies that allowed other family members to save for their children's long-term needs and long-term goals but really did not allow in the same way for planning for the future of kids with disabilities. As stated by one of the federal bill's cosponsors, no longer

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will individuals with disabilities have to stand aside and watch others use IRS-sanctioned tools to lay the groundwork for a brighter future. So with this bill, Nebraska will give people with disabilities and their supporters this tool in their toolbox. The bill aligns with other state law regarding savings plans by placing the ABLE accounts in the Office of the State Treasurer and aligning policies with existing limits for tax-exempt savings and gift tax exemptions. You will hear today from families about how life changing this will be for families of kids with disabilities in planning their futures. And I'll let them tell you all about that. But for now, I'll assure you that we have worked hard to put in place the appropriate savings structures and aligning with federal law regarding approved beneficiaries and expenses and by working closely with the State Treasurer to align LB591 with existing savings policy and to establish the correct functions and funds in that office. I'll also add that I think it's helpful and useful that Nebraska is poised to be a leader in this development of these savings plans because it may allow us to establish our own plan and draw other states into the strategies that we use, similar to the way the 529 accounts are set up. You know, I certainly encourage your support of this legislation. I think it underlies the bigger picture that we are trying to establish in our developmental disabilities program, which is one of self-determination and independence and choice. So with that, I'll finish up and answer and questions on the committee's mind. [LB591]

SENATOR SCHUMACHER: Any questions from the committee for Senator Bolz? [LB591]

SENATOR BOLZ: Okay. [LB591]

SENATOR SCHUMACHER: Seeing none, thank you, Senator. First proponent for LB591. [LB591]

DON STENBERG: (Exhibit 1) Thank you very much. Members of the committee, for the record, my name is Don Stenberg, D-o-n S-t-e-n-b-e-r-g, and I am the Nebraska State Treasurer. I'm here today to support LB591 as amended by AM627. And I want to thank Senator Bolz for introducing this bill and also thank Dan Jenkins of her staff and Marcia McClurg of the Bill Drafter's Office for their work in developing the amendments. The amendments all deal with administrative matters that are designed to facilitate implementation of the bill. They do not change the essential substance of the bill. There will be others who will testify on the need for this legislation and how it will help disabled individuals and their families. So I will simply say that in my opinion, LB591 represents good public policy and I would encourage the committee to advance it to the full Legislature. There are two things I would like to address today. One is my thoughts on the implementation of the bill if it's passed by the Legislature. The other is the need for adequate start-up funding if this program is to be successful. In that regard, I will discuss the fiscal note filed by the State Treasurer's Office. Federal law Section 529A, which Senator Bolz referred to as part of the Internal Revenue Code, provides for two different ways to

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implement an ABLE program. One is for the state to have and administer its own program. The other is for a state to enter into a contract with another state. So for example, if the state of Kansas had a good program, the state of Nebraska could enter into an agreement to participate in that program and make ABLE benefits available to Nebraska residents through the Kansas program. My preference would be for Nebraska to have its own program and to encourage as many other states as possible to contract with Nebraska for the operation of their programs. Therefore, if the bill passes in the form of AM627, it's my intention to issue request for proposals for a program manager to help set up and operate a Nebraska program. If we receive one or more acceptable responses to the RFP, we will contract with the most competitive responsive bidder. If there is no response to the RFP or if there is no acceptable response to the RFP, I would then undertake to enter into a contract with another state that has established a program. And by the way, no states have established a program yet. The Internal Revenue amendment, as Senator Bolz indicated, was just passed in December of last year by the U.S. Congress. Either way, adequate start-up funding is essential. Because of the way the Legislature appropriates money to the Treasurer's Office, we cannot legally spend College Savings Funds, Treasury Management Funds, Unclaimed Property Funds, child support funds, or any of the other appropriations that we have for the implementation of this program. Therefore, a General Fund appropriation is needed before we can begin implementation. The fiscal note we've submitted for LB591 is based upon the start-up fiscal note for the College Savings Program adjusted for inflation. And I believe the Legislature authorized the College Savings Plan in 2001. And we took that estimate of start-up expenses and added 2 percent a year as an inflation hedge. Again, this program is so new that there's not a whole lot to base it on. It does seem quite similar to college savings in terms of what we anticipate for start-up expenses. The fiscal note includes funding for a program assistant in the Treasurer's Office and for operating costs. The operating costs include legal services in connection with the drafting of an RFP, legal services for preparation of a contract with the program manager or with another state, and some funding for a program manager in 2015-16 and 2016-17 in the event we do not receive any responses to an RFP in which a program manager would fully fund start-up expenses. The College Savings Plan is and has for several years been self-funding. It's funded by a small percentage fee on the assets of the plan. However, to get started the Nebraska College Savings Plan was funded by General Fund money. In my opinion, it may take several years before there are adequate investments in the program for it to become fully self-funding. We will certainly do our best to grow the program as rapidly as possible to reduce and eventually eliminate the need for any General Funds. I do want to point out that I do not spend taxpayer funds unless it is necessary to accomplish program purposes. In that regard, in my first year as State Treasurer I asked the Legislature to reduce my overall operating budget by 13 percent, which the Legislature did do. My second two years as State Treasurer, I asked the Legislature for an additional 1.2 percent reduction in the State Treasurer's Office budget, which was also approved. In my first four years as State Treasurer, we saved Nebraska taxpayers \$2.8 million. So if we do not need all the General Funds which we have requested for the first two years of implementation for this

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program, we will not spend them all. I do want to point out that we will proceed with implementation as rapidly as possible if the Legislature passes the bill. It will, however, take some time to have the program up and running. And because this is a new program and no state has ever set up an ABLE program, it is difficult to estimate exactly how long that might be. But barring unforeseen circumstances, I'm committed to having a program in place by sometime next calendar year if the Legislature passes LB591 this year. Again, I would urge the committee to approve LB591 as amended by AM627 and advance the bill to the full Legislature. I'd be happy to take your questions. [LB591]

SENATOR SCHUMACHER: Have any questions for Mr. Stenberg? Burke. [LB591]

SENATOR HARR: Thank you, and thank you for coming here, Mr. Treasurer. First of all I want to thank you and commend you for the lost check refund I got so quickly. So I appreciate that. So you made a lot of reference to the 527 (sic) plans and that they're self-funded. I guess my first question is, did we learn any lessons from the 527 (sic) plans the first time so that this time we can do it cheaper and more efficiently so it won't be the same cost plus 2 percent for each year? [LB591]

DON STENBERG: Well, that goes back to 2001 so I don't have a lot of history to answer that question. I do think that, you know, in the College Savings Plan, pretty much every state has a 529 college savings plan and that's because there's a very large universe of potential college students. In other words, almost every child is at least potentially a college student. So there are a lot of families, almost every family that has kids, that potentially can utilize a 529 plan. Our penetration rate...and we have one of the more successful plans in the country. Not only do we have 65,000 Nebraska accounts, nationwide we have 225,000 accounts. So a lot of families in other states choose the Nebraska plan over their own plan. [LB591]

SENATOR HARR: It's one of the best. [LB591]

DON STENBERG: And that's one of the lessons we can learn is that the more states we can get to contract with Nebraska, the faster we can get off General Funds and the more quickly it becomes self-funding. So that's certainly one... [LB591]

SENATOR HARR: So that's my question--and thank you for correcting me; it's 529s--can we piggyback off of the current 529 plans? [LB591]

DON STENBERG: No, I don't think so. The legal requirements are different enough. And it's a trust fund, and so the money in the trust including the administrative expenses basically are

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pledged for the use of college savings. Also, the criteria on who's eligible are obviously naturally very different. And so I don't think administratively it would be possible to do that. [LB591]

SENATOR HARR: And then one last question. Is it possible for the RFP to say to get this funding you would have to cover the initial administrative cost? [LB591]

DON STENBERG: We can make that a provision of the RFP, but the people responding to the RFP can take exception to that. [LB591]

SENATOR HARR: Fair enough. [LB591]

DON STENBERG: So you can't bind them. As I was telling Senator Bolz just before the hearing began, and this is just my opinion and I can't prove it, but my opinion is this, that because the universe of users of this is much smaller than the College Savings Plan, I think that probably when everything shakes out over the next two to three years there's probably going to be anywhere from 5 to maybe 15 or 16 states that have their own program. And everybody else is going to have to contract with one of those states. And the reason I say that is these programs are generally paid for by a percentage of the fee on the assets. And I don't think there's going to be enough assets for every state to have its own. And so if the Legislature wants Nebraska to have its own plan as opposed to contracting with another state, this bill really needs to be passed this year. I think if it doesn't pass until next year, I'll proceed as I outlined. But I think a number of states will already have program managers in place. And we may not have program managers interested then in undertaking the Nebraska plan. That's only my opinion. I've had some conversations with treasurers in a few other states. But that's about the only source of my opinion. [LB591]

SENATOR HARR: Well, thank you. I appreciate it. [LB591]

SENATOR SCHUMACHER: Senator Scheer. [LB591]

SENATOR SCHEER: Thank you, Senator Schumacher. Mr. Treasurer, based on your comments that we do have a smaller finite number that will be participating in this, it took I think you said three or four years for the college to become self-sufficient. [LB591]

DON STENBERG: You know, I don't know, Senator. If I...I didn't mean to say that. I didn't go back and do all the history. I don't know how long it took. I did think in this case it could easily take three or four years, yes. [LB591]

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SENATOR SCHEER: Well, I guess that's my concern...it's not a concern. My thought is if there are going to be smaller numbers and obviously states are going to have to go together, does it make sense for us to try to spend the \$400,000 or \$500,000 or \$600,000 to develop our own if somebody else is going to spend the \$600,000 and they're going to be responsible for the first two, three, four years that it may not be self-sufficient and we can participate with them for whatever the small fee might be to be part of that? Wouldn't it be less costly for the state from that vantage point? We still would have the program. It just...this isn't necessarily administrated by your office. It may be by somebody else. [LB591]

DON STENBERG: It's a good point, Senator, and I've thought about that. I don't think we can assume that the other state, if they contract with us, will not want us to share in their start-up expenses. In other words, if we have to go to another state to contract, there will be a negotiation. But the state treasurer, if that's where it's at in another state, let's say Kansas, the state treasurer of Kansas may want to be reimbursed some of their start-up expense as part of agreeing to let Nebraska participate in their plan. And that's why I said we should have this funding whether we have our own plan or whether we contract. If states are contracting with us, I would hope to recover some of our start-up expenses in the contract that we have with them in some up-front payments enabling them to contract with Nebraska's plan. And I would expect the business-minded administrators in other states to look at it the same way. You know, why should Kansas residents bear the full cost of starting up their program if Nebraska wants to be part of it? So that's... [LB591]

SENATOR SCHEER: And that's fair... [LB591]

DON STENBERG: It's good question, and I've thought about it. And that's how I kind of see things shaking out. [LB591]

SENATOR SCHEER: And I guess that's fair enough. I mean regardless if you have to pay 20 percent of that, it's still less than 100 percent. [LB591]

DON STENBERG: That's true. [LB591]

SENATOR SCHEER: And so I'm just not sure that it makes financial sense for Nebraska to take the lead on this hoping and maybe sort of assuming that others might participate with us. If they don't, for whatever...somebody else may give them a better deal than we do or whatever the reason might be, so they all flock to three or four other states and we're an island among ourselves. And we've essentially expended that amount of dollars that we could for other services rather than starting up our own program and still having to make that program viable

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over the one to three to five years that it may take to get substantial enough assets in it to work. [LB591]

DON STENBERG: Well, I mean all those things are possible, Senator. I guess all I can say is we've been very successful with our College Savings Plan and not just since I've become Treasurer. My predecessor has done a great job getting it started and expanding it. I mean the fact that we have more than twice as many folks from other states participating in the Nebraska College Savings Plan as we do have residents of our own state I think shows that we're capable of running a program that will attract national support. [LB591]

SENATOR SCHEER: I'm not questioning your ability by any means. Please don't misinterpret that. I'm just looking at the cost to the state. I want these folks to have their own program. I think it's important. I think it's a viable tool. My only point would be is it something that we should be doing as a solo venture on behalf of the state of Nebraska? Or is it something that we should be doing in concert with other states not necessarily having to have us be in the lead position? [LB591]

DON STENBERG: I mean that's certainly a position the Legislature could take. I'd like to see a Nebraska program if we could have it. I think when we put out an RFP, program managers to some extent may answer your question for you. In other words, if they don't think Nebraska has the ability to add other states and have a viable program within a few years where they can financially justify being the program manager, they're not going to respond to our RFP. If they think Nebraska is a great lead state, they'd like to contract with us...and we'll have help from a program manager. If we get a program manager on board, they have every incentive to go to these other states and help us negotiate agreements with them to bring those assets here into the state of Nebraska. [LB591]

SENATOR SCHEER: Okay. Fair enough. [LB591]

DON STENBERG: And so... [LB591]

SENATOR SCHEER: That's fair enough. [LB591]

DON STENBERG: One way to answer your question is let's find out what the program managers think of our chances at doing that. [LB591]

SENATOR SCHEER: Fair enough. And I don't want to burn a lot time. That's more of a technical one. So thank you, Senator Schumacher. [LB591]

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SENATOR SCHUMACHER: Thank you, Senator Scheer. [LB591]

DON STENBERG: Any other questions? [LB591]

SENATOR SCHUMACHER: I just have one. [LB591]

DON STENBERG: Sure. [LB591]

SENATOR SCHUMACHER: If we capitalize this well, what do you see as a possibility that actually we can become a central facility for all the states or a good number of the states that now have got to be sitting in the same boat that we are? And if we really aggressively go to be a center--we've got insurance, we've got banking that are strong here, why not this? [LB591]

DON STENBERG: Well, I agree, Senator. I'd like to see that. I think if we get the bill passed yet this session, I think there's a good chance we can become 1 of the 5 to 15 states that are running one of these programs. And the more other states we can bring in, the lower the administrative cost for everyone and especially for Nebraska residents. [LB591]

SENATOR SCHUMACHER: Do we have enough money here for you to be aggressive at that? [LB591]

DON STENBERG: We do. [LB591]

SENATOR SCHUMACHER: Thank you. Any other questions? Seeing none, thank you for your testimony. [LB591]

DON STENBERG: Thank you. [LB591]

SENATOR SCHUMACHER: Next proponent of LB591. [LB591]

KIM BAINBRIDGE: (Exhibit 2) Good afternoon, Senators. My name is Kim Bainbridge, K-i-m B-a-i-n-b-r-i-d-g-e. I'm the proud mother of Justin. He's going to be 26 years old in June, and he has Down syndrome. I can vividly remember shortly, just weeks after he was born, being told you cannot save any money for him. Do not let his grandparents put anything in his name. Do not open any savings accounts. Do you realize, Senators, that as a parent I have never been able to save one penny for my son the entire time? I have the 529 plans for my older son and for my daughter who is still in college. So I can save money for them, but I can't save money for my son

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who is basically going to need help the rest of his life. He's already called me three times this morning, and he's going to be calling me exactly at 4:00 wanting to know why I'm not in Omaha to pick him up from work. As a parent, you are really handcuffed by both the federal government and the state of Nebraska. Your child at age 18 must pretty much go on SSI because at age 19 you have to be on SSI to qualify for Nebraska Medicaid. Why do you have to be on Nebraska Medicaid? Because when you turn 21 years of age, in order to get day or residential services, you have to be Nebraska Medicaid. My son has Down syndrome. He is currently getting day services. Why do you need day services? He's used it for job coaching. He has used it for different groups like Mosaic or VODEC to find him a job. That's why you need day services. And by day services and competitive jobs, I'm usually talking about a job that is less than 20 hours a week, you usually are paid minimum wage, and you get no benefits. So why does my son Justin need an ABLE account? Why do I want to save money for my son Justin? Well, when he was born, I was told by the genetic counselor at UNMC that he would live to 40 to 45. I was 32 when he was born and I thought, okay, I can handle that. I'll be in my 70s. Now Justin is projected to live to 65 to 70. So I'm going to be 92 to 102. So I'm either going to be dead or incapable of taking care of my son. Reason number two why Justin needs an ABLE account, individuals with Down syndrome are at a much greater risk for Alzheimer's, can sometimes start in their 30s, usually in their 40s and 50s; where for most adults, Alzheimer's you might see it in their 60s. So greater risk and he will also have it at an earlier age. I'm very proud of my son. He has been working at a competitive job ever since he graduated from the Millard Transition Program at age 21. Included in my testimony is what his wages have been. The most he has ever made is \$3,744 a total year. Reason number four, right now my son is bringing home approximately \$133 every two weeks. Every time--because we're supposed to go to the bank today when I pick him up from work a little late--when we deposit that check he will say to me, "Mom, I a rich guy." And I look at him and I say, "Justin, you are a rich guy because you're working and you are doing work that you enjoy." And right now he is folding towels at Prairie Life Fitness. And if you asked him what he is at Prairie Life Fitness, he will tell you he's the boss because somebody has to be the boss of folding towels. And he's been doing that for the last five years. But what Justin doesn't understand is that \$133 every two weeks is not going to provide for him. It doesn't pay his rent, doesn't pay his utilities, doesn't pay his staffing costs, doesn't pay his food costs. Reason number five why Justin needs help, currently he's on the waiting list for residential services. I asked for help in 2010, July 1. We still haven't received residential services. So that's been for five years. And there's 342 adults still ahead of him, and we've been on the list for many years. Justin lives on SSDI which is projected by the Social Security Administration to go bankrupt in 2016. If he would miss one SSDI payment, he would be homeless. He would be without. I see my time is up, and I have to talk very fast. But I want you to know that I want to save for Justin. I want to help him in the future. But this \$2,000 limit that is based on SSI and Nebraska Medicaid means my son can't have more than \$2,000 in assets. The ABLE account will allow us as parents to finally save for my son. I've already went to funeral of two friends who have sons Justin's age. They're in their 50s. And it's really a gut-check

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for me. It's like, oh, wow, is my special-needs trust, is it set up correctly? Because I guarantee you that Nebraska Medicaid will be on me if there's one word right (sic). I have been audited by Nebraska Medicaid three times in the last 19 months. And I'm getting audited again in June to make sure that my son is never over the \$2,000 in assets or that he's not making too much money at his jobs. All we ask as parents is the ability to save money. And my response to Senator Scheer is let's let Nebraska, for once, be first in the nation about being proactive about an ABLE account. I very much support Treasurer Stenberg in advocating that. Let Nebraska be number one for something in the disability world. Thank you. Do you have any questions for me? [LB591]

SENATOR SCHUMACHER: Any questions for Kim? I've got one. In our...we've got a Planning Committee in the Legislature. And one of the things that has showed up on the radar screen there is situations such as yours and the burden shift to the state that probably will occur as your generation gets in a position where it's unable to provide all the services that it...for the younger generation. How much--if you can kind of guesstimate--will...should you, for example, today vanish from the face of the earth and your son have to be taken care of, how much a year do you anticipate would be needed to take care of him? [LB591]

KIM BAINBRIDGE: Currently, like right now, I would say that my son would need, because I don't have residential services, that he's going to need like \$20,000 to \$25,000 a year to support him, because I'm privately paying for the staff that works with him. You know, in the future as his needs change, boy, if my son would even develop Alzheimer's at an early age, that completely blows it off the chart of how much money I would need. I'm very fortunate right now that my son lives independently in an apartment with his best friend who also has Down syndrome. They both each have two jobs and they both take continuing education. But they only get two hours of help a day. So if my...I'm saying the \$20,000 to \$25,000 is based upon two hours of help a day. If my son would ever start needing more help, which would mean if I'm gone, it would be a lot more. I was just out of the country for two weeks and it took nine people to do what I do for my son during that 11-day period. [LB591]

SENATOR SCHUMACHER: That's very helpful. Thank you. Any other questions? Thank you for your testimony today. [LB591]

KIM BAINBRIDGE: Thank you. [LB591]

SENATOR SCHUMACHER: Next proponent for LB591. [LB591]

DENISE GEHRINGER: (Exhibit 3) Good afternoon. Thank you, Senators of the Revenue Committee, for hearing our testimony today. My name is Denise Gehringer; it's D-e-n-i-s-e G-e-

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h-r-i-n-g-e-r. I'm the mother of a 19-year-old son with Down syndrome. Since the day Jacob was born, we set out to do everything we could to assist him in reaching his full potential so that he, too, like every American, could pursue his inalienable rights to life, liberty, and the pursuit of happiness. Seems dramatic, I know, but that's the things we ask for, for all of our children. He was fully included in both place and curriculum while in school, where in addition to academics, he learned basic computer skills, common social skills, and time-management skills. He was engaged and involved in his high school community and played percussion in the marching band. Although he has many skills yet to master and adult life lessons to learn, he graduated from high school with potential to contribute to society. However, with the current criteria to be eligible for the supports he will need as an adult, it's basically left him all dressed up with no place to go. Imagine if any your kids...you went to school and they were ready to go off to the next adventure, and you said, sorry. Adult life for people with intellectual disabilities can be quite bleak, primarily because they are forced to set their expectations and lifestyle to live below the poverty level in order to meet the eligibility criteria of supports that they need. In addition to this being a disincentive to work, it stifles their full potential, makes them dependent people, and offers them limited opportunity to contribute to society. And with supports, many of them are very capable of contributing. The ABLE Act will allow people with disabilities and their families to create tax-free savings accounts to use for their future without risking the person's eligibility for benefits. Without risking the person's eligibility for benefits--what exactly does that mean to an adult with intellectual disabilities? I know Kim touched a bit on that. But benefits or supports for adults with disabilities can mean many different things. It can mean supportive employment and job coaching where a specialist provides on-the-job training and assists the individual in learning tasks required for that job. It can mean independent living support and instruction in the individual's own home where independent living instructors provide education, training, and supports to maintain or increase independent living skills such as housekeeping, meals, paying bills, essential errands, and personal care. And it can mean continuing education classes where individuals continue to learn skills that may someday lead to employment and independence. Often a lot of our people just have a later readiness for some of these things. And so continuing education can certainly train them to do things that are...can help them with their independence. It can mean working on job skills in a work center. It can mean providing essential assistance such as help bathing, dressing, walking, toileting, eating, and needed supervision. And it can mean transportation. How does an adult with disabilities qualify for these important developmental disabilities? Reiterating what Kim commented on, they must meet the eligibility criteria for Medicaid. In order to qualify for Medicaid, you must be eligible for the Supplemental Security Income and have assets less than \$2,000. In order to get the essential services needed, a person with disabilities cannot save for an emergency, save for specialized training, or postsecondary education. And there are a number of states that offer those opportunities now for our friends with special needs. I know UNO was looking at that in 2012. So this is a potential for people in our area as well. It's impossible for them to put money aside to purchase costly medical equipment or assistive technology and cannot...a person cannot simply save for the future.

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They're forced to live in poverty with no safety net. An ABLE account will allow people with disabilities and/or their families to save for emergencies, needs, and future expenses without losing these essential developmental disability supports that they need to live a dignified life, work towards employment, and contribute to society. Senators, I'm asking all of you to please forward LB591 to the entire Legislature. Please pass this bill and encourage your colleagues that this bill must be passed. My son Jacob works very hard to reach his goals, probably twice as hard as most of us. He aspires to work in early childhood education. He's training in a kindergarten and is taking classes to achieve this goal. He wants to work but will need supports. ABLE will allow him to work and still receive the supports he needs. Jacob is currently learning about budgeting, spending, and the value of saving. Please give him the right to allow him the dignity to work, earn, and save for his future like we're all able to do. Thank you, and I'll be happy to answer any questions. [LB591]

SENATOR SCHUMACHER: Thank you. Any questions for Denise? Seeing none, thank you for your testimony. [LB591]

DENISE GEHRINGER: Thank you. [LB591]

SENATOR SCHUMACHER: Any additional proponents for LB591? Welcome. [LB591]

SHERRI HARNISCH: (Exhibit 4) Thank you. Thank you for having me, and special thanks to Senator Kate Bolz for sponsoring this bill, and big appreciation to our State Treasurer Don Stenberg for his support for the Nebraska Achieving a Better Life Experience Plan. My name is Sherri Harnisch, S-h-e-r-r-i H-a-r-n-i-s-c-h. I stand before you today...sit before you today as president of Down Syndrome Alliance of the Midlands, and in my capacity as Nebraska state ambassador for the National Down Syndrome Society. Most importantly, I am here as a mom. Down syndrome advocates have worked tirelessly for eight years to pass the ABLE Act. Down Syndrome Alliance of the Midlands and all five of our Nebraska members of Congress were very active in this national effort. With 454 cosponsors in the House and the Senate, this made up more than 85 percent of Congress, the ABLE Act was the most bipartisan piece of legislation in the 113th Congress. Signed into law by President Obama on December 19, 2014, the ABLE Act amends the federal tax code to allow Section 529, tax-exempt savings accounts for disability-related expenses. The recent passage of the ABLE Act is the most significant step to positively impact the disability community in 25 years, since the Americans with Disabilities Act. I recall a little over five years ago, shortly after her birth, holding Macy in my arms, looking into her eyes and immediately falling deeply and unconditionally in love with this precious person. She was my daughter. So imagine our surprise a few moments later when we were told that she had Down syndrome. Initially, we were shocked, confused, worried, and scared. We were quickly informed that this extra chromosome brings with it, along with a huge list of high likelihoods for various

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medical conditions, also brings with it intellectual and physical disabilities. I remember just holding her, staring at her, trying to figure her out. It is amazing to think about how intimidating a five-pound person can be. It's even more amazing to think about how intimidating and limiting government policy can be when it comes to something that should be as simple as saving and providing for our own child's future. We began investing in Macy's future early on. At just two weeks of age, we started early intervention. And we've been doing private therapy several times a week since those two weeks to ensure that she has as bright and productive a future as possible. I am certain that due to this support she will no doubt be a gainfully employed, contributing member of society. She, just like the next person, deserves to work, earn a fair wage, have the ability to save and spend her own money just like anyone else. Resigning to a life of poverty and dependency is certainly not in line with the dreams we have for the future of our child. Prior to ABLE's passage, if a person with disabilities had more than \$2,000 of assets in his or her name at any time, they would become ineligible from receiving government benefits. As you can imagine, this discouraged the efforts from families like ours from starting to save for our child's future. So essentially, this outdated policy has been forcing people with disabilities to live below the poverty line. And this needs to change. The ABLE Act will have a major impact on our family. It will simplify the ability for us to begin saving for Macy's future. The savings options we are currently faced with are complex and intimidating and costly to set up. A special needs trust, for example, may still very much have a place in our family planning. But an ABLE account at least will allow us and many other families like us to get that initial comfort of knowing that we can start saving for our child's future in a simple fashion. I feel this new law also affects our other daughter, seven-year-old McKenzie, just as much. It's no secret that as Macy gets older she may require a little more assistance than the typical developing person to ensure she is a successful and productive member of our community. If Macy is allowed to work, earn, save, and spend her own money just as every other American is able to do, this will no doubt provide McKenzie not only...peace of mind, in addition to us. I envision both of my children to be as independent as possible: finishing school, going off to college, and being gainfully employed, you know, the typical dreams a parent has for their child. That's the American Dream, and I refuse to sit back and allow outdated policy from getting in their way. To Macy, the ABLE Act means less dependence on the government and more dependence on herself. The Nebraska ABLE Act will open the door to many more opportunities for thousands in our state. Today, I am asking you to do the right thing. I am asking you to advance this to the floor and to encourage swift passage of LB591. It is my hope that Nebraska can be a leader in the country and can have everything in place so individuals with disabilities and their families can open ABLE accounts as soon as possible. Thank you. [LB591]

SENATOR SCHUMACHER: Thank you for your testimony. Any questions for Sherri? Senator Sullivan. [LB591]

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SENATOR SULLIVAN: Thank you, Senator Schumacher, and thank you for your testimony. You mentioned the special needs trust. I'm not all that familiar with it, but how would that interact with this ABLE account, if at all? [LB591]

SHERRI HARNISCH: Just like any person is able to meet with a financial planner and determine what goals are best to...are needed and necessary to best suit their family's financial needs, a special needs trust is an opportunity that's available to us right now. And we can save and put money into this trust that will stay with her. And as it sits right now, a person, to set up a special needs trust, you would undergo a certain amount of fees to enlist the help of a financial planner and an attorney. And there's costs involved to set that up. I think it's a couple thousand dollars, depending. And it is taxed at the highest tax bracket, which right now in Nebraska is right around 39 percent. So we certainly have this opportunity to save money for Macy and put it in the special needs trust, taxed at 39 percent. [LB591]

SENATOR SULLIVAN: Okay. Thank you. [LB591]

SHERRI HARNISCH: Yeah. [LB591]

SENATOR SCHUMACHER: Any other questions? Thank you very much, Sherri. [LB591]

SHERRI HARNISCH: Thank you. [LB591]

SENATOR SCHUMACHER: Next proponent for LB591. Welcome. [LB591]

LYNN REDDING: (Exhibit 5) Good afternoon, Revenue Committee. My name is Lynn, L-y-n-n, Redding, R-e-d-d-i-n-g. I am here today to testify in support of LB591. As a person with a disability living on a very low income imposed upon me to qualify for the supports I need to stay alive, it is important for me to have access to all possible avenues of support. The ABLE Act allows me to pursue employment and put money away for my future expenses. I have recently been diagnosed with MS and will have many medical needs in my future. Currently, I'm without a job. I cannot take a job that I am qualified for as it will disqualify me for the important supports I need--Medicaid. The ABLE Act allows me to pursue employment and put away the money I will make without losing Medicaid that keeps me alive. It's a win-win scenario. I get to work and contribute to my care, and I don't lose the supports I currently need to continue to work and live. Again, I support LB591 and encourage you to move it to General File. Thank you. [LB591]

SENATOR SCHUMACHER: Thank you, Lynn. Any questions for Lynn? Thank you very much for your testimony. Next proponent. [LB591]

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JANINE BROOKS: (Exhibit 6) Good afternoon, Senators of the Revenue Committee. My name is Janine Brooks, J-a-n-i-n-e B-r-o-o-k-s. I am both parent and legal guardian to Aleene Brooks, and adult, age 28, on the autism spectrum. I'm here speaking on her behalf today because she's working. Allye, as she prefers to be called, has had behavioral health issues the entirety of her life. At age 18, Allye was reevaluated by a psychologist who explained that she actually had autism and not mental health issues. With this diagnosis, everything made sense for us. The puzzle pieces all started coming together, but not the services that she needed. My intentions today though are not to talk about the services that Allye is denied access to, because Allye does not have access to developmental disability services, but rather to talk about the costs involved in obtaining some of those services she cannot access, expenses she is presently not allowed to build up in anticipation of denial of services from Medicaid and DHHS. Allye is a vibrant young woman in the prime of her life. She just started a job at the Omaha Henry Doorly Zoo to help in the kitchens. It's the first job she's had in 16 years. You may also see Allye behind the counter on the food truck the Taste of New Orleans helping chef on a Friday primarily volunteering her time for experience so that she could get the job at the zoo, earning the income...earning tip monies for her efforts in prepping foods. Since 1994, Aleene has been receiving SSI for her disabilities. Allye requires significant supervision and guidance. Individuals working with her must possess a lot of tolerance as it takes Allye a long time to understand things, even when she has been told how it is numerous times. In addition to autism, Allye has executive functioning issues and a memory retention rate of between 3 percent to 5 percent. In public, Allye uses a service dog to help her get by. Tuwhee, who rarely is away from her side, helps her to identify facial expressions in social situations and helps her in meeting people. He allows her to be able to walk into stores alone, something she has difficulty in doing without her service dog. Tuwhee has given her independence. He is an excellent dog, but he has his own health issues. He is also getting old. For Tuwhee, Allye is not allowed to save up for emergencies. If her service dog were to get sick, she would not be able to pay for any substantial treatment. She would end up having to put the dog down. In the event Tuwhee passes on, something that happens as part of life, she will require a new service dog. Without the dog, she will regress. Me, as an employee of the university, has access to WageWorks, a service that reimburses me for medical expenses. They will recognize a service dog as a medical expense, but Medicaid will not. A trainer in Omaha, to work with a dog, to set it up as an autism dog, costs about \$4,000. To purchase a dog, even a rescue dog costs anywhere between \$200 to \$400 and it involves finding the right dog since it will be an autism service dog. Having an ABLE account will allow for Allye and for me, since we live together, the neighbors and the family that we have, my coworkers, and the community at large to make contributions to help her for when she needs to acquire that service dog, or should Tuwhee require emergency treatment. Allye desires to be a culinary chef. She has a long way to go, although she has been slowly making progress towards her goal. Oh, I better speak fast. She strives to graduate from MCC, but she is currently enrolled at Southeast Community College. Allye endures extreme stress. It is very frustrating to her that she has difficulties. What Allye needs is not only a tutor to help her out, but one who can teach her educational skills that will

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benefit her in her studies. That same individual would also need to help her in organizing her week so that she can better study in a productive manner. When I attempted to get help for this, I found out, as mentioned above, that she was not eligible for these services under Medicaid waiver long-term care aged and disabled. The cost of such a person, \$22 to \$28 an hour, is out of Allye's affordable range. She only brings home \$730 on SSI. She still has to pay for housing expenses, costs for her service dog, costs to live, and be her own person. Having access to an ABLE account would allow her monies to set aside that Allye could tap into to help her with additional educational expenses incurred to help her in learning. She would be able to pay for that specialized tutor coordinator and for the software equipment she may need to help her along with studies. Once again, those of us that are in the village of Allye's community would be able to help her by making contributions to this fund. I don't have much time left, but I just wanted to say that having an ABLE account gives hope to families to know that monies can be set side to individually help them with their disabilities. This includes not only children and young adults, but also married couples that are on the spectrum that have to rely on their spouses for assistance. Sometimes if they're not bringing in income, they, too, have issues that I think this fund is really important and it would help a lot. Thank you. Any questions? [LB591]

SENATOR SCHUMACHER: Thank you very much, Janine. Any questions from the committee? Seeing none, thank you very much for your testimony today. [LB591]

JANINE BROOKS: Thank you, sir, for hearing us. [LB591]

SENATOR SCHUMACHER: Next proponent. [LB591]

DEBORAH GOODKIN: Hello. [LB591]

SENATOR SCHUMACHER: Welcome to Revenue. [LB591]

DEBORAH GOODKIN: (Exhibit 7) Hi, my name is Deborah Goodkin, spelled D-e-b-o-r-a-h G-o-o-d-k-i-n. I'm here on behalf of First National Bank of Omaha, the program manager for Nebraska's College Savings Plan. And I'm...have had a wonderful experience working with Treasurer Stenberg and his staff. Today I'm talking in support of the pending amendment to LB591. I've been involved with 529 plans since 1998, just about when they began. And throughout those years, I've been asked if 529 plans can be used for disabled individuals to pay for a variety of their expenses. Through these discussions, I've become aware of the need to have a tax-advantaged way to pay for expenses of disabled individuals, especially if one family member, as mentioned before, can pay in a tax-advantaged way...can save for college for other children and they can't save for the long-term needs of the disabled family member. Our industry is keenly aware of our mission, which is to enable individuals to be effective members of the

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community. Many of us were together at a conference when the federal ABLE legislation passed the House, and we quickly organized to see how we can contribute to ABLE's success. I became a member of industrywide committees, two of them, whose goals are to provide input into IRS regulations to ensure procedures and policies result in low-cost ABLE plans and that establishing an account is easy. We are working with other states to understand and provide support and input for their ABLE legislation and with groups representing the disabled community. CSPN committee members, including myself, are talking with and drafting comment letters to the Treasury Department and key congressional leaders to use our extensive experience to provide input into the act's successful implementation at the state level. Yesterday, the Treasury Department issued Notice 2015-18 in support of states' ability to enact 529A accounts even though the Treasury Department and the IRS do not believe their guidance will be available for more than six months or up to one year. As chair of the CSPN, that's the College Savings Plan Network, operations and the corporate affiliates committee, I've talked with many 529 providers who have indicated that while the rules between the two types of vehicles differ, operationally 529 rules as outlined in the federal legislation could certainly be incorporated into the current processing structure. In Notice 2015-18 the IRS pointed out there are only real differences to the existing 529 guidance, and that is the owner and the beneficiary must be the same person, and the person with signature authority, in case it's a minor or an incapacitated person, can't have beneficial interest in the account. Existing 529 plans can accommodate these differences even though the 529A plan would need to be segregated. The 529 industry has come together as a community to use our experience and systems to enable state ABLE programs to be streamlined, to minimize start-up and operating costs, and to implement these plans quickly and economically. We want to be a partner in this even though, as mentioned, there probably will not be a lot of plans...I mean accounts. At First National, we fully support this bill, and I'm pleased to be part of these industry discussions to help successfully implement ABLE in Nebraska. I'd be happy for any...answer any questions you may have. [LB591]

SENATOR GLOOR: Thank you. Are there any questions? Senator Schumacher. [LB591]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony. It looks like there's a situation where there's not going to be a whole lot of these accounts, maybe even across the country. And if we move efficiently and promptly, we may get a certain density, a certain headwind that we may be able to attract some activity and some revenue into this state. Do you think we're well-positioned to do that? And do we need to do any more in this bill to optimize that probability? [LB591]

DEBORAH GOODKIN: I think the bill is fine as it is. And I really do respect Treasurer Stenberg wanting to do an RFP. But I do want to say that the systems and the structure of a 529A is almost identical to what's now available in the 529s for qualified withdrawals. If I responded to the RFP and were successful, based on my analysis and the analysis of my recordkeeper, we

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wouldn't have to do that many different things in order to implement this plan. In addition, we are already working on it just in case. We'll be partnering with the state. So I think it's really good news for ABLE accounts, especially those that are currently working with Nebraska's 529 plans, because they'd get the same customer experience, the same processing if they have children in both types of plans. So I think it depends upon the response to and who gets the contract. But just to let you know, the industry is working very hard to have the existing 529 recordkeeper and back office support to be able to accommodate 529As without a lot of their work that has to be done. [LB591]

SENATOR SCHUMACHER: Thank you. [LB591]

DEBORAH GOODKIN: You're welcome. [LB591]

SENATOR GLOOR: Other questions? Not seeing any. Thank you very much. [LB591]

DEBORAH GOODKIN: Thank you. [LB591]

SENATOR GLOOR: Additional proponents. (Exhibits 8-14) And while he's moving up here, we have letters from proponents: Cathy Clark-Martinez, Autism Family Network; Wendy Hamilton, Autism Society of Nebraska; Michael Wasmer, Autism Speaks; Sherri Harnisch, Down Syndrome Alliance of the Midlands; Anne Mancini, Down Syndrome Alliance of the Midlands; Sara Hart Weir, National Down Syndrome Society; and Michael Chittenden, The Arc of Nebraska. Thank you. Welcome. [LB591]

RICH MCGINNESS: (Exhibit 15) Senator Gloor, members of the committee, thank you very much for giving me this opportunity to sit before you. And it was kind of happenstance that I had this opportunity, but I jumped at it because as a...first of all let me say my name is Rich McGinness, and for the record it's R-i-c-h M-c-G-i-n-n-e-s-s. And I work with a registered investment advisor in Omaha; that's Bazis and Young Investment Group. And we provide financial planning and also money management services to our clients. We have clients here in Nebraska, but also throughout the United States. And recently our firm had received an inquiry from a client asking whether we knew anything about this ABLE Act. And I hadn't heard of it before. I began to research it, found out it received overwhelming support from both Houses and was quickly signed into law by our President, as somebody mentioned, in December. And I wasn't sure...I didn't do well in civics, but I understood it was then going here within the individual state legislation and so I, through contacting various state offices, I found out that the legislation, which is known as LB591, would be set before this committee today. And I believe this is an important piece of legislation, and I believe its passage will benefit many people with disabilities. It will provide them with a financial tool that will enable them to gain improved

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financial security and a step towards greater financial independence. Just let me add to this because listening to some of the individuals, \$100,000 I think was what I read was the limitation before it would impact SSDI. I mean in reality that's probably not enough, but it is a good start. And I think certainly something that I see as a very positive thing when you consider they were only allowed to have up to \$2,000 on behalf of someone with a disability. The ABLE Act will provide them with a tax-advantaged investment savings account that will supplement and not supplant the benefits they're currently eligible to receive. And that to me is very important obviously. We currently have several clients who benefit from this NEST Direct College Savings Plan, which is our state's current 529 plan. And I find it very easy to understand as an investment advisor. It's a very quick, simple process to get somebody signed up. And I think that's important to folks that want to do something today to start saving money and not make it a drawn out, you know, you have to go see an attorney, which they may still need to do that. They will likely maybe still need a special needs trust or other things in place. But given the ABLE plan is administered in a similar manner as the 529 plan, this should make it very appealing to those individuals who would like to begin a tax-advantaged savings program today for their loved one who has a disability. I just want to say thank you so much for giving this opportunity. I'd be glad to try and answer any questions. [LB591]

SENATOR GLOOR: Are there any questions for Mr. McGinness? I don't see any right now. Thank you. [LB591]

RICH MCGINNESS: All right. Thank you. [LB591]

SENATOR GLOOR: Other proponents. Good afternoon. [LB591]

AMY SVOBODA: Good afternoon. My name is Amy Svoboda, A-m-y S-v-o-b-o-d-a. I'm here as a parent. I'm a member of the Down Syndrome Association for Families in Lincoln. And I'm a member of the National Down Syndrome Congress and the National Down Syndrome Society, as well as The Arc of Lincoln, though I'm just a member of all those, not really speaking on their behalf. I don't think...I'm only going to say two things because the parents before me have very eloquently and sufficiently described what the needs are for parents and the individuals with special needs. I have a Down syndrome son of 22 and a sister about my age who has a mental health disability. And so I've been really struggling for a number of years with the income restrictions and trying to figure out the whole thing. So the first thing I want to say though, in case you don't really realize it, this is a great day. I really thank Senator Bolz for bringing this legislation here. It's really the culmination of years. I'm not sure, but I think it's at least eight years that I've been going to Down syndrome conferences and they've been talking about this legislation, and the excitement and the anticipation for parents on this is just amazing. And so this is really something that we're here today. And I thank you all for thinking about it. And the

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only second thing I want to do is just address Senator Sullivan's question about the special needs trust. And I'm not a...I'm an attorney but I'm not an estate or trust attorney, so this is a little dangerous. I'm only going to speak to the cost and the expense for the trust for my sister and my son. I know we've spent at least \$8,000 getting it straight. And it's just not the price of the drafting of it. First off, my son's trust went to the federal Social Security in Kansas City for months. And there was, you know, interplay between my attorney that I'd hired and Social Security there. And then just last year again, the local Social Security branch wanted to see my son's, and I don't know what they did with it, but it seemed to pass. But that's a lot of expense. And we were able to do it. But for a lot of parents, you know, that's a really...you know, one more need that I think that this fund, at least for self-settled trusts, not trusts that, you know, grandpas are going to give to your son or daughter. But for the self-settled trust in which the individual does have some money, I think this may be a real godsend in terms of not having to set it up. But anyway, thank you very much. [LB591]

SENATOR GLOOR: Thank you, Ms. Svoboda. Hang on just a second. Let me see if there are...you tempted the two attorneys on the council when you said that you didn't know a lot about trusts. They may want to throw something at you. [LB591]

AMY SVOBODA: Yeah, well, try it. But you'll probably be disappointed. I just know they're very costly. That was my big point, (laugh) at least for us. [LB591]

SENATOR GLOOR: Are there any questions? I don't see any. Thank you. [LB591]

AMY SVOBODA: All right. Thank you. [LB591]

SENATOR GLOOR: Additional proponents. Is there anyone who is in opposition to this bill? Anyone who would like to speak in a neutral capacity? Senator Bolz. [LB591]

SENATOR BOLZ: I'll be brief. I know it's getting late and getting warm. I just wanted to say that I think Nebraska is very well-positioned to be a leader in this field. And setting up our own system where we negotiate the terms, we make it fit our state, we make sure that we establish a system that moves to self-sustainability, and low fees for our people really has value. And I hope we take advantage of the opportunity. [LB591]

SENATOR GLOOR: Any final questions? I see none. [LB591]

SENATOR BOLZ: Thank you. [LB591]

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SENATOR GLOOR: Thank you, Senator Bolz, and thank you all for attending. We envy you going out into a cooler area, but we have a special Executive Session we have to move into. So I would ask if you would try and exit as soon as you can. And that ends the hearing on LB591 and our hearings today. Thank you. [LB591]