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Executive Board Committee  
January 26, 2017

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[LB210 LB230 LB464]

The Executive Board of the Legislative Council met at 12:00 p.m. on Thursday, January 26, 2017, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB210, LB230, and LB464. Senators present: Dan Watermeier, Chairperson; John Kuehn, Vice Chairperson; Kate Bolz; Ernie Chambers; Sue Crawford; Dan Hughes; Tyson Larson; John McCollister; Jim Scheer; and John Stinner. Senators absent: None.

SENATOR KUEHN: Good afternoon and welcome to the Executive Board committee hearing. I am John Kuehn, Vice Chair, representing District 38. The committee today is going to take up three bills in the order posted. Our hearing today is the public part of the legislative process and is your opportunity to express your position on the proposed legislation before us. We have committee members here today who may come and go during the hearing. We do get called away for various reasons. Please know that is not an indication we are not interested in the bill being heard in this committee. It simply is part of the process. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please silence or turn off all cell phones. The order of our testimony will begin with the introducer of the bill, followed by proponents, followed by any opponents, followed by neutral testimony, and finally closing by the introducer. If you are testifying, please make sure you fill out a green testifier sheet to be available for the committee clerk. These are located just outside the entrance to the room. When you do come up to testify, please hand the green paper to the page, state and spell your name for the record at the start of your testimony. If you should not be testifying in person but would like to go on record as having a position on a bill being heard today, there is a white sign-in sheet at the entrance where you can leave your name. These sign-in sheets will become exhibits in the permanent record entered for today's hearing. Written materials may be distributed to the committee members while testimony is being offered. Please hand these to the page when you come up to testify, and we will need a total of 12 copies. If you do have written testimony but do not have 12 copies, please raise your hand now so that our page can make copies for you. To my immediate right is our legal counsel, Janice Satra. To my left is committee clerk, Laura Olson. Those committee members who have been able to join us today will introduce themselves beginning at my far left with Mr. Speaker.

SENATOR SCHEER: Oh, Jim Scheer, District 19, Madison County, a little bit of Stanton County.

SENATOR MCCOLLISTER: John McCollister, District 20, central Omaha.

SENATOR HUGHES: Dan Hughes, District 44, ten counties in southwest Nebraska.

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SENATOR CHAMBERS: Ernie Chambers, the 11th District, Omaha.

SENATOR CRAWFORD: Good afternoon. Senator Sue Crawford, District 45, eastern Sarpy County, Bellevue and Offutt.

SENATOR LARSON: Tyson Larson, District 40, northeast and north-central Nebraska.

SENATOR STINNER: John Stinner, Legislative District 48, Scotts Bluff County.

SENATOR KUEHN: And our page today is Alex Brechbill from Aurora, Nebraska. Our committee will take up bills in the following order as posted beginning with LB210, followed by LB230, and followed by LB464. So beginning with LB210 by Senator Watermeier.

SENATOR WATERMEIER: Thank you, Vice Chair Kuehn, members of the Executive Board. I am Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r, representing District 1, southeast Nebraska. I introduce this bill on the committee's behalf of Performance Audit because a new committee had not been created yet that as a past chairman and I do have new committee does support this bill. LB210 would make two changes to the Legislative Performance Audit Act. First, for tax incentive performance audits, LB210 would allow the Legislative Audit Office to give its draft audit report to the agency that runs the audited program before giving the report to the Performance Audit Committee and the Fiscal analyst. Under current law, the Audit Office has to give the draft report to the agency and the committee and the Fiscal Office at the same time. Giving the draft report to the agency first will allow the agency a final check to ensure that the draft contains no confidential taxpayer information before anyone outside the Audit Office reviews the draft. The second change would allow the Performance Audit Committee and Audit Office discretion in the number of continuing education hours the auditors have to receive each year and how often we have to have a peer review of the office. This change was brought to my legislative auditor, Martha Carter, who is also here to testify about this proposal. Currently under the Government Auditing Standards that the Audit Office is required to follow, our auditors must earn 40 hours of continuing education every year and the office is subject to a peer review every three years. Under LB210, the Legislative Auditor would be able to determine how many continuing education hours the auditors would earn and the committee would determine how often a peer review would be held. These changes would have a small amount of state dollars and will allow the Audit Office to be more efficient without reducing the quality of the work. Thank you and I'd be glad to answer any questions if you want. But as I mentioned, Martha Carter, who is the lead auditor, is behind me and prepared to give testimony as well. [LB210]

SENATOR KUEHN: Any questions for Senator Watermeier? [LB210]

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SENATOR WATERMEIER: All right, thank you, Chairman. [LB210]

SENATOR KUEHN: Thank you. [LB210]

MARTHA CARTER: Vice Chairman Kuehn and members of the Executive Board, my name is Martha Carter, M-a-r-t-h-a C-a-r-t-e-r, and I'm the Legislative Auditor. As Senator Watermeier indicated, I asked him to introduce the part of this bill that deals with the government auditing standards that we have to comply with. And while I realize that it's not a very exciting topic to talk about, I'd like to just give you a little bit of technical information and then mostly be here to be available for questions. So I just want to have on the record that I and my staff support continuing education for us and we support having peer reviews. The issue is, as Senator Watermeier noted, we are required under the Government Auditing Standards to get 40 hours of continuing education a year; and we're required to have a peer review every three years. And what we have found is that it is challenging to get 40 hours of continuing education on matters that are, in fact, relevant to what we do. So my request...and the reason that this came up right now is that when division directors were asked to look at our budget for the next biennium and cut 4 percent, what we're going to be cutting for the Audit Office would be money for travel and training and likely contractual services dollars. So that would be the money that would go for us to complete continuing education hours and for peer review in 2018, which is when it would be due for our next one. So I came to Senator Watermeier and said, in light of that and in light of the fact that we have had a challenge with finding relevant hours of training, I would like to ask for the discretion that I would be able to determine how many hours we're going to get for the continuing education and the committee would decide how often we would have a peer review. And if the Legislature would pass this bill, my recommendation to the committee would be that they adopt an internal policy that we would get a peer review about every five years because I think there's...I'm not aware of any substantive reason why three years is so much better than five. That would save us a little bit of money. It would just spread things out a little bit in terms of the peer review. And the way this would work in practice is when you follow the Government Auditing Standards, you attest in your reports that you follow those standards. And then the peer reviewers come in to be sure that what you've done has, in fact, complied with the standards. So what we would need to do if this passed is just amend that little statement that we have in our report to say we follow all of the standards except we don't get the full number of continuing education hours or have the peer review quite as often. And I have put in a call, I talked actually to somebody at the GAO in Washington--they're the ones that put out these standards--and checked that with them. And they said, yes, you would need to do that and they were going to consider it some more and get back to me with any other feedback. They haven't yet, but it was just last week when I called them. So, you know, obviously we'll do anything else that they would suggest if this should pass. So with that, I'm happy to answer any questions about either that provision or the one about the tax incentives report. [LB210]

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SENATOR KUEHN: Thank you. Questions? Senator Crawford. [LB210]

SENATOR CRAWFORD: Thank you, Senator Kuehn. And thank you for being here and all your work examining these programs. So as I understand, you're in conversation with the...one of my questions was going to be about any particular base standard that we would need to make sure we maintained in terms of certifications or other standing for the Legislative Audit Office. And so as I understand it, you are in conversation with the GAO office about if there is a floor that might need to be met. [LB210]

MARTHA CARTER: Yes. And I was thinking, too, if the question came up about, well, how many do I think we should get, attorneys in Nebraska have to get ten hours every year; so I think we should at least get ten. I think we can probably do 10 to 20 relatively easily, you know; but 40 is a lot. [LB210]

SENATOR CRAWFORD: That's very helpful. I was just wanting to get a feel for what you might be interested in, in terms of a floor if the language as it is would really allow someone to just pull all of your funding because it's. [LB210]

MARTHA CARTER: Well, let's check. [LB210]

SENATOR CRAWFORD: And so I would be concerned about protecting that and making sure there's attention to what we need to maintain as a minimum standard. [LB210]

MARTHA CARTER: I appreciate that. [LB210]

SENATOR CRAWFORD: Thank you. [LB210]

SENATOR KUEHN: Other questions from the committee? Senator Bolz. [LB210]

SENATOR BOLZ: Just a comment or a comment for further thought perhaps is I know with social workers there are certain parameters where you have to get so many hours related to ethics, for example. [LB210]

MARTHA CARTER: Um-hum. [LB210]

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SENATOR BOLZ: And maybe if our committee is adopting a specific policy, we decrease the hours but put some more specificity as it relates to auditing procedures or ethics or something along those lines. [LB210]

MARTHA CARTER: Um-hum. [LB210]

SENATOR BOLZ: So I would defer to your expertise on what that should look like, but maybe there's a compromise in that. [LB210]

MARTHA CARTER: Absolutely. [LB210]

SENATOR BOLZ: Thank you, Mr. President...Mr. President. Thank you, Mr. Chairman. [LB210]

SENATOR KUEHN: Senator Stinner. [LB210]

SENATOR STINNER: Yes, thank you. Thank you for being here. Peer reviews, maybe you can explain to us what...I mean, I came from public accounting so we always had those peer reviews. They were quality control (inaudible). And on the government side, I'm not sure what we get out of that. And also what's the standard for the industry? Is it five years or three years? What's the norm? [LB210]

MARTHA CARTER: Sure. It's really...it's exactly the same kind of process that you're familiar with. What we have...and essentially what we tell agencies is the peer review is when people come in and do to us what we do to you, which always makes them feel a little bit better. Because, you know, I don't care how well you're doing your job, nobody likes to have somebody else come in and go through line by line and be sure, you know, ask you questions about it. And so the way our peer reviews have worked--and we've had three now--a staff member at the National Conference of State Legislatures coordinates the team. They pick either two or three auditors from other state legislative audit offices. Not all legislative audit offices follow these Government Auditing Standards. The Government Auditing Standards started being directly applicable to financial audits, and they've kind of grown to include performance audits while in the academic world you've had the discipline of program evaluation. And so there are some audit offices that don't follow the Government Auditing Standards but essentially do the same work under the same kind of research principles through program evaluation. So...but since we have the Government Auditing Standards requirement in state statute, we follow those. When NCSL picks a peer review team, I always ask that they have at least one person who is also from a state that follows the Government Auditing Standards because that seems important to the credibility

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of the peer review. And they come in then for a week basically and interview all of us and select reports and go through and take our findings and look at the documentation and track back and see if they can confirm what we've found in the reports and that kind of thing. And I would say the industry standard is probably the three years because that is what the Government Auditing Standards require. And in my opinion, you know, these standards apply to entities that audit much bigger, you know, federal grant programs and those kinds of things. And it's certainly possible that for some entities that higher level of continuing education is needed because there's a lot of technical changes that happen in the field and the peer review needs to happen more frequently. But I'm just not sure that that's necessarily true for the scope and breadth of what we do. [LB210]

SENATOR KUEHN: Speaker Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Kuehn. A couple things, one, I think Martha does an absolutely wonderful job; and I've served on the committee the last two years. So my concern is not necessarily with Martha at all. I just think it's important to remember when you are delegating send the bills, things that we're going to do, in my perspective I'm looking at Martha knowing that Martha does such a great job and so I don't have a problem doing it. But Martha is not going to be there forever. [LB210]

MARTHA CARTER: That's true. [LB210]

SENATOR SCHEER: So to me that is sort of a downside. I'm supporting this because I'm supporting Martha and I know the capabilities of that. I don't know who or what might be the case in 5 years or 50 years. So that's...that does not make me pause, just bringing that up. The second part as far as the 40 hours a year, there's very few areas that I know that really require that much. I'm in the insurance business and I'm not saying that's similar, but we're at about the same. We're 20 every two years with the addition of a three-hour ethics or something. So Martha's point of being somewhere in the neighborhood of 10, 15, 20 a year probably is closer to most industries across the board. So I certainly do support that as well. [LB210]

SENATOR KUEHN: Senator McCollister. [LB210]

SENATOR MCCOLLISTER: Thank you, Senator Kuehn. I also have a great deal of respect for Martha. And given our budget imperative, I see the need for this change. So thank you for appearing and thanks for saving us a few bucks. [LB210]

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SENATOR KUEHN: Any other questions from the committee? Seeing none, thank you. [LB210]

MARTHA CARTER: Thank you. [LB210]

SENATOR KUEHN: Do we have any other proponents for LB210? Anyone wishing to provide opposition testimony? Any testimony in the neutral capacity? Senator Watermeier, would you like to close on LB210? [LB210]

SENATOR WATERMEIER: I would waive closing unless there's further question. [LB210]

SENATOR KUEHN: All right. With that, we will advance to the hearing on LB230. [LB210]

SENATOR WATERMEIER: All right. Vice Chair Kuehn and members of the Executive Board, I'm Senator Dan Watermeier, W-a-t-e-r-m-e-i-e-r, representing District 1 in the southeast corner of the state and here to introduce LB230. LB230 would create the Nebraska Economic Development Advisory Committee. The committee is created to provide a more coordinated approach to legislation addressing economic development since no standing committee is specifically dedicated to this topic. The committee is to gather input on issues pertaining to economic development, discuss proactive approaches, guide policy development, and discuss long-range strategic plans to improve economic development in the state of Nebraska. The committee would consist of the following nonvoting members: one senator from each Congressional District appointed by the Executive Board; the Chairs of the Appropriations Committee, Business and Labor Committee, Revenue Committee, and the Urban Affairs Committee or their designee; the director of the Department of Economic Development or his or her designee; and the Commissioner of the Department of Labor or his or her designee. The committee would select a chair and vice chair from its members. The committee is to meet at least three times during the interim and will sunset in seven years giving further legislators the ability to review the committee's work and determine if it would be beneficial to extend the life of the committee. Last year pursuant to passage of LB1083, I was selected as the Chair of the Venture Development and Innovation Task Force. Invest Nebraska was hired to prepare a statewide strategic plan. One of the policy recommendations was to establish an economic development special committee in the Nebraska Legislature to review economic trends and to develop strategy on priority legislation. Economic development is very important for Nebraska's future, and I believe everyone agrees with that. But we don't have a unified approach for developing strategy on what works and what doesn't work, what we need to promote and prioritize, and what needs to be altered to be effective. The Economic Development Advisory Committee would have the ability to bring in others with knowledge in pertinent areas to assist with their work. Therefore, I believe that the committee would have an expertise to move our

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state forward in the critical area of economic development. I urge you to advance LB230 from the committee, and I'd be happy to answer any questions. [LB230]

SENATOR KUEHN: Thank you, Senator Watermeier. Questions from the committee? Senator Bolz. [LB230]

SENATOR BOLZ: Just one question. I don't see any required reports or any specific action. And I just...I think sometimes when we create committees without some of those benchmarks then concrete action doesn't get taken. And I just wondered if you would consider or had considered what that could look like or would look like and whether or not there maybe should be some language requiring a report or recommendations or reporting out even information that this committee is working on. [LB230]

SENATOR WATERMEIER: I appreciate the question and the comment because what I've done in the last year and a half, two years actually I've had several conversations with even Senator Crawford, Senator Johnson, and several people in the last couple of years. And we ran into this legal issue between the separation of powers between the executive branch and our branch. And as soon as you require a report like that, it's going to be construed as producing legislation. And if the executive branch is involved, that's going to be a problem. And you'll probably hear some testimony, the executive branch is probably going to be neutral. I'm still working with them even up to this morning because it's still not crafted like I'd like to see. There's issues. But the whole procedure for me was to get a proactive discussion starting economic development. We've all seen these bills show up here in the last week or two, and we just haven't had them vetted with the body. So my hope is that we will come together on the interim and the bill says is a minimum of three times--June, September, and December--you can meet every week if they wanted to. But that was my goal is that we would have a conversation and be involved with economic development and the Department of Labor. And what we would probably do is...and I think once other members get wind of it, they're all going to show up. And I think they'll be participating as they have time. So it's one of these deals where, sure, I'd like to have had something with a lot more meat into it, but I just couldn't get there with the executive branch. And I still think even after today it's going to be evolving a little bit. [LB230]

SENATOR BOLZ: Well, thank you. That's informative for me and I appreciate where you're coming from. A follow-up is, okay, Mr. Chairman, in lieu of that, is there any way to ensure that these meetings are open to the public, for example? I just think that that connection to communicating with the rest of the stakeholders outside of the committee in some way, shape, or form is important. [LB230]

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SENATOR WATERMEIER: I think it is imperative that it's open. I fully intended to have the entire body involved, public notices. But to have it whittled down to seven or eight or nine, whatever the membership, I think it's nine...seven, excuse me, as mandatory so we know they are there at least. And then when they'll have an educational seminar, they...and then they'll decide when they want to meet again and then who they want to have come back in and present. I mean, there's lots of resources inside the university, Dr. Linderer (phonetic) economic development, there's so many good groups. And I just think every month or so they could have someone else present to them. And within that collection you would have somebody that would be a driver in there that would say, you know, this is something I want to grab a hold of and grab the legislation and be...just being proactive. And as I've had conversations, it really came from Senator Wesely. In the last three or four years, we've had conversations about what happened with LB775 was born. They were in a panic and they created this committee and all of a sudden it grew from five members, seven members, they had like 35 members. They had legal counsel, but it was all reactive to the situation. And you can just recognize that we need to be more proactive in these conversations. But yet I know there's gray area in here, and I really don't want to cause trouble, you know. But we got to create something that's just as fluid as possible, let the public know what we're doing, and then just be informative to our own members and just kind of forcing the dialogue a little bit. [LB230]

SENATOR KUEHN: Speaker Scheer. [LB230]

SENATOR SCHEER: Thank you, Chairman Kuehn. I had talked to Senator Watermeier this morning and I do have a concern with this because of a committee with both legislative people and executive branch. And my suggestion to Senator Watermeier at that time was to statutorily change the duties of the Department of Labor director and the director of Economic Development that would state that they must meet no less than quarterly with the Chairs that are stated and whenever else you would like to do on that. But then it becomes your obligations to meet with us. It is not a special committee. We are not building something that has never been developed that we do not have any committee that has both executive branch and the legislative branch in and of...on the same committee. So by having it part of the director's duties to meet with those selected group no less than on a quarterly basis provides essentially the same shell to work out, but it does still separate those two entities so that we don't compromise the legislative process. And so I would throw that out. And Senator Watermeier and I have talked about this morning. I don't know that he's receptive or not. I'm not trying to (inaudible). I just think personally that that's a better solution to that process. [LB230]

SENATOR KUEHN: Senator Watermeier, do you have any? [LB230]

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SENATOR WATERMEIER: It was conversation that we had gotten started just from his looking at the bill closer and I appreciate the conversation. And I actually had reached out to the executive branch again this morning. And at about 11:30 we had another suggestion yet. And so what I'm just going to offer is that I'll be working on it before I bring an amendment up that we can Exec on. I'll share as best I can. I wouldn't have a standing amendment to hand to you today. It would be nice to have that today and to have it in the record, but I'll be presenting an amendment during committee Execing. [LB230]

SENATOR KUEHN: Okay. Other questions from the committee? Senator Hughes. [LB230]

SENATOR HUGHES: Thank you, Mr. Vice Chairman. Thank you, Senator Watermeier. Just so that I'm clear on what this is doing, this is basically setting up a committee to advise the Legislature on possible introduction of legislation that we would need to further economic development in the state of Nebraska. Is that...? [LB230]

SENATOR WATERMEIER: That's probably even a stretch. It's probably not going to advise the Legislature, but I think that's the lack of a report as Senator Bolz had brought out. It's actually going to be just bringing that group of people together and outside of that I think someone will take a personal responsibility for it. But we will be required to meet three times during the interim, and through that conversation you will have someone that will take charge of it. I mean, I may be an individual that's willing to do it. It may not be a member even from the seven, but I think we're going to get enough involvement from outside senators that are going to want to show up (inaudible). [LB230]

SENATOR HUGHES: So you don't feel that there's enough input from the people that are already in place. I mean, we have the Department of Economic Development, I mean, under the jurisdiction of the administrative branch. I mean, I'm looking at redundancy here, that we're creating something that's already being done is my concern. [LB230]

SENATOR WATERMEIER: Well, I would answer that question in the fact that it's being done but look what happens in our body. We have a record of getting these at the last minute. And it just seems as though our efforts are always reactionary to what the industry wants. And so what my hope is and that we'll have interaction with the industry sooner rather than right at the last minute when we're introducing bills. We'll have this conversation in the summertime in the interim. And if you look at the question about the redundancy, we really don't even have a clear place in the body for economic development. It falls under banking, insurance, and commerce. Commerce catches it all as far as economic development. But the shocking effect is that the bills go to Revenue, they go to Urban Affairs, they go...they're everywhere in the body. And I had-- Senator Crawford could, you know, maybe answer this too--we had several conversations last

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year about changing the rules, changing standing committees. And my gosh, that was a direction I didn't want to go. It was a whole conversation they didn't want to go and so come back to the big picture was I just wanted to make sure the conversation was taking place that we had an avenue, a vehicle in place for members of the Legislature to interact with the executive branch and to interact with industry and that conversation would happen. I just think the educational meetings that we have are going to be really helpful and the spark will be born in there. I just really believe that. [LB230]

SENATOR KUEHN: Any other questions? Senator Crawford. [LB230]

SENATOR CRAWFORD: Thank you, Senator Kuehn. And just to confirm that I think my sense of this effort is not to duplicate something that exists but to provide a setting for that coordinated discussion about what might happen in different committees and how the different efforts of the different committees might work together. [LB230]

SENATOR WATERMEIER: Um-hum. [LB230]

SENATOR CRAWFORD: So my sense of that would you agree that there's not really that forum that brings these committees and actors together in our current system? [LB230]

SENATOR WATERMEIER: Exactly. That's a good description. It doesn't bring the Urban Affairs person with the Revenue person when they need to be there. But one of those committee representatives will be there and all of a sudden the spark will go off and they'll have that conversation. And they may go of a different direction and you'll have another educational meeting one day and that generates a different conversation between Business and Labor and Urban Affairs or whatever it is. I think that's accurate what you described it. [LB230]

SENATOR CRAWFORD: And I understand from your earlier discussion that you intentionally left out any voting mechanism because that's really been an obstacle... [LB230]

SENATOR WATERMEIER: Yes. [LB230]

SENATOR CRAWFORD: ...to having these joint committees in the past. Is that correct? [LB230]

SENATOR WATERMEIER: Correct. [LB230]

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SENATOR CRAWFORD: Right. So that gives an option to have this conversation by being careful about leaving that component out. [LB230]

SENATOR WATERMEIER: Correct. [LB230]

SENATOR CRAWFORD: All right. Thank you. [LB230]

SENATOR KUEHN: Senator McCollister. [LB230]

SENATOR McCOLLISTER: Thank you, Senator Kuehn. Following up on the questions from Senator Crawford and Senator Hughes, does the department itself have any outreach effort or it's ongoing that would be duplicate in any way what we're trying to do here? [LB230]

SENATOR WATERMEIER: Oh, probably, which department--Department of Labor or Economic Development? [LB230]

SENATOR McCOLLISTER: Economic. [LB230]

SENATOR WATERMEIER: Director Dentlinger and I have had several conversations about that thing...very same question. Even in the last year with the SRI study that the executive branch initiated and she had her economic development summit this summer, there is duplicative efforts being made. But it's okay. I mean, we're just asking that one individual to come to a meeting three times a year and they may or may not be a part of the educational process for that particular day. But I think it's okay because you just have to encourage the conversation I guess. Does that answer your question, Senator? [LB230]

SENATOR McCOLLISTER: Yeah, thank you, Senator. [LB230]

SENATOR WATERMEIER: Okay. [LB230]

SENATOR KUEHN: Any other questions from the committee for Senator Watermeier? Thank you, Senator Watermeier. Do we have anyone wishing to testify in support of LB230? [LB230]

RENEE FRY: (Exhibit 1) Good afternoon, Senator Kuehn and members of the Executive Board. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. I'm here today in support of LB230. As a state, we are lacking a clear and comprehensive vision for Nebraska's economic future. Furthermore, the lack of one legislative

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committee responsible for economic development makes it difficult to craft such a vision. Experts in economic development such as Timothy Bartik at the Upjohn Institute and SRI International, who was hired by the Governor to conduct an analysis of Nebraska's economic development ecosystem, recommended that Nebraska pursues economic development policies that result in higher wages, not just new jobs. So how do we go about achieving higher wages? We should focus on both labor supply and labor demand. According to Dr. Bartik, this would include supporting policies such as customized job training on the labor supply side and high quality pre-k on the labor demand side. While Dr. Bartik does not find general business tax cuts to be an effective economic development policy, he finds that business tax incentives can increase a state's earnings per capita by \$3 per \$1 of cost. However, he finds that customized job training can increase a state's earning capacity by \$10 per \$1 of costs. On the labor supply side, he finds that for each \$1 a state invests in high-quality pre-k, the present value of state earnings increases by \$6 per capita. And programs such as mandatory summer school for those below grade level and high school career academies each can generate an earnings benefit cost ratio of \$13 to \$1. But the way our committee structure is currently set up, there is no one committee that has jurisdiction over all of these types of programs. Historically, job training has gone to Appropriations, business tax incentive programs go to Revenue, and early childhood and other education programs go to the Education Committee. LB230 would provide more opportunity for a cohesive economic development policy to emerge. Furthermore, Nebraska is incredibly generous with its incentives. According to Dr. Bartik, our business taxes are average, but our incentives are about 80 percent greater than average. Dr. Bartik would recommend targeting our incentives to specific industries rather than across-the-board programs. He further suggests that benefits should be front loaded in the first several years, and that far-off sunset dates are costly to the state. He recommends targeting export-based industries that bring dollars to Nebraska rather than firms that compete with each other in Nebraska alone. And that we should analyze the companies that receive incentives, and ensure that recipients are both hiring and increasing wages for their workers. This committee would create a structure that would allow for a more robust conversation about our current economic development policies and how they should be changed as we look toward the future. And this would put us among 37 other states that have committees either partially or entirely dedicated to economic development. We would, however, strongly recommend the inclusion of the Commissioner of Education in whatever capacity is determined, given the conversation you're having about the executive branch, as well as the Education Committee Chair as part of this committee. Education is a critical component of a labor supply strategy and should be a central part of a comprehensive economic development policy. With this caveat, we strongly support LB230. Thanks for your time. I'd be happy to take any questions. [LB230]

SENATOR KUEHN: Thank you, Ms. Fry. Questions from the committee? Senator McCollister. [LB230]

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SENATOR McCOLLISTER: Yeah. Thank you, Senator. On the last page or on the last paragraph on the first page, it talks about Nebraska is incredibly generous with its incentives according to Dr. Bartik. [LB230]

RENEE FRY: Yes. [LB230]

SENATOR McCOLLISTER: Our business taxes are average, but our incentives are about 80 percent greater than average. Compared to who or what states? [LB230]

RENEE FRY: So Dr. Bartik is undertaking and actually should have a report out fairly soon, but he's undertaken a study of 30 states. [LB230]

SENATOR McCOLLISTER: Thirty states. [LB230]

RENEE FRY: Yeah, and compared to those other states, he finds our incentives about 80 percent higher than the average. [LB230]

SENATOR McCOLLISTER: If you have those statistics or net report, I'd like to see (inaudible). [LB230]

RENEE FRY: Yeah, absolutely. He...when he was here at our symposium presenting at our symposium, he put together two or three pages on Nebraska specifically so I'd be happy to share that with you. [LB230]

SENATOR McCOLLISTER: Thank you very much. [LB230]

SENATOR KUEHN: Any questions from the committee? I do have one question just as a matter of process since in your testimony you state what Dr. Bartik would recommend, what Bartik does not find. Does Dr. Bartik know that you're providing this testimony today using his knowledge and content? [LB230]

RENEE FRY: He...this was information that he shared and presented at our symposium specifically. [LB230]

SENATOR KUEHN: Okay. [LB230]

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RENEE FRY: So it's all information that he's already shared publicly in Nebraska at our symposium. [LB230]

SENATOR KUEHN: Okay. So from another report that you've gleaned and synthesized but not specific to this particular piece of legislation. [LB230]

RENEE FRY: No, no. [LB230]

SENATOR KUEHN: Okay. Great, just for clarity. Other questions from the committee? All right. Thank you. [LB230]

RENEE FRY: Thank you. [LB230]

SENATOR KUEHN: Do we have anyone else who is willing to testify in support of LB230? [LB230]

JENNIFER CREAGER: Vice Chairman Kuehn and members of the Executive Board, my name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r. I'm the senior director for public policy for the Greater Omaha Chamber. I'm also here today representing the Lincoln Chamber of Commerce in support of LB230 which would create the Economic Development Advisory Committee. And we appreciate Senator Watermeier's strong interest in economic development policy. Just how the mechanics and structure of this would be set up we leave to you. Senator Hughes, we do share some redundancy concerns. And, Senator Scheer, I'm certainly sensitive to the former Speaker counsel to constitutional questions. That we do appreciate providing for some outside invited participation if something is set up. We believe it would be valuable to have an ongoing conversation on economic development programs. We would certainly like to participate in that conversation. The mission of the Chamber is economic development and that's what we do every day. Our staff of 30 economic development professionals at the Omaha Chamber focus on these issues every day. Growth of our state is vital and the tools that we use to recruit and retain both talent and businesses are worthy of our attention. If you choose to move forward with the proposed structure, Senator Watermeier mentioned the Banking Committee does have jurisdiction over DED so that's a consideration. And then also you may consider including someone from the Department of Revenue. LB230 signals the Legislature's keen interest in having senators engaged in discussions across multiple disciplines and policy areas seeking input and developing strategic plans. It could lead to a better appreciation of the challenges that economic development. Whether this should be done through a formal process as proposed here or just gathering the committee and agency representatives for discussion, we would certainly like to participate in that conversation. Thank you. [LB230]

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SENATOR KUEHN: Thank you, Ms. Creager. Any questions from the committee? Thank you. Anyone else wanting to speak in support of LB230? [LB230]

BRIAN WALLINGFORD: Thank you. My name is Brian Wallingford. I'm here to testify on behalf of myself, Steve Glenn, and Executive Travel. We would like to support this bill and feel it is something that is long overdue for economic development here in Nebraska. We feel that by bringing all of the different areas together under one meeting that it will...essentially you're bringing in all the silos so communication will be better and the direction that we go will have a clearer path. Thank you. [LB230]

SENATOR KUEHN: Thank you for providing information to the committee. Do we have any questions from members? Speaker Scheer. [LB230]

SENATOR SCHEER: Yeah. Just for the record, could you spell your name just for the transcriber. [LB230]

BRIAN WALLINGFORD: Oh, sorry. It's Brian, B-r-i-a-n, Wallingford, W-a-l-l-i-n-g-f-o-r-d. [LB230]

SENATOR KUEHN: Thank you, Mr. Speaker, for that guidance. Anyone else who would like to speak in support of LB230? Anyone providing testimony in opposition? Anyone wanting to speak in a neutral capacity? Senator Watermeier, would you like to close? [LB230]

SENATOR WATERMEIER: You bet. Yeah, I just appreciate the conversation. I think what we'll probably end up with is another task force. You know, we've had 18 task forces since I've been here developed, and I really wanted to avoid that conversation. But it's probably where it will go and that's okay too. But just being on record the public knows we'll make it available to all the senators. You know, my wish would be that we have seven members on this, but we have 25, 30 senators show up every month in the interim and they can all be having the same conversation we're hearing because it will just be about generating conversation under a structure. It may take a little while getting along and getting started. I had a suggestion earlier this morning about cutting the sunset date down from seven years to four. I'm fine with that, just so it's in statute so it wouldn't go on forever and ever. It shouldn't be any cost to it. I mean I just don't anticipate in that. The cost will fall back to the seven members that are here. Won't be any additional cost so as far as a fiscal note goes. With that, I'll consider that my closing. [LB230]

SENATOR KUEHN: Thank you. There are no questions from the committee. That will close our hearing on LB230. Moving on to LB464, also by Senator Watermeier. [LB230]

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SENATOR WATERMEIER: (Exhibits 1 and 2) Thank you, Vice Chair Kuehn and members of the Executive Board. My name is Dan Watermeier, W-a-t-e-r-m-e-i-e-r, representing District 1 in the southeast corner of the state. I'm here to open on LB464 which deals with the Administrative Procedure Act. LB464 provides more consistency and guidelines of the Administrative Procedure Act for the adoption and promulgation of rules and regulations as required when legislation is passed and for when an agency proposes or is required to make changes in existing rules and regulations. Primarily LB464 provides for greater transparency in public access by requiring the Secretary of State to publish the proposed rules and regulations on its Web site at the same time that they post the public hearing notice. Other information would also include the fiscal impact statement and the explanatory statement. This information can be requested by the public now, but few know it is available. Providing for posting makes it easily accessible on-line to all parties who may have an interest. I have passed along a copy of the actual information contained on an explanatory statement. I have also distributed an amendment to LB464 which strikes some redundant language. Thank you for your consideration of the legislation. I'd be happy to answer any questions. This is another one of these bills where the APA opens up a box and then as of this morning I've had several comments. And so we'll probably have another amendment that will have to come forward to this as well. This was brought to me by a past senator, Annette Dubas. I think she's here in the room and can testify as well and she can speak clearly to what the issue was in regards to having me bring this bill for her. [LB464]

SENATOR KUEHN: Questions for Senator Watermeier from the committee? Seeing none, thank you. Those wishing to speak in support of LB464. Welcome. [LB464]

ANNETTE DUBAS: (Exhibit 3) Thank you. Good afternoon, Senator Kuehn and members of the committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s, and I am the executive director for the Nebraska Association of Behavioral Health Organizations, otherwise known as NABHO. We are the state's premier behavioral health organization including a very diverse membership of providers, consumers, as well as the regional behavioral health authorities. We are also unique in the fact that our organization benefits from the experience of both mental health and substance use providers. Most other states have separate organizations. We'd like to thank Senator Watermeier for introducing LB464 on our behalf. As statewide business owners, we understand the need for regulations to ensure there is a level playing field and appropriate protections are in place. But at the same time, we struggle with the financial and administrative burden that new or existing regulations bring into play. We appreciate the opportunity to participate in the hearing process when regulations are being proposed and make every effort to stay on top of these hearings and submit comments that support or oppose such regulations based on our business experience. Currently we are working closely with the Division of Medicaid and Director Lynch's staff in reviewing all of the regulations which impact behavioral health. We also understand such a review is taking place for all of the Medicaid regulations. Our members literally took each regulation and reviewed them line by line and then submitted our edits for

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changes or potential elimination to those regulations to the division. They're currently being reviewed. We are hopeful that by the time they are ready to submit their revisions for the final phase of public hearings and adoption that most of that heavy lifting will have taken place and be completed and we will have an end product that creates a balanced and far less burdensome regulatory environment. LB464 intends to improve the development of those rules and regulations. The information that is currently required through some reporting is a hearing notice, the draft of the rule, the entities that are impacted, fiscal impact, as well as other information. That is being submitted by the agency and kept on file in the Chair of the Executive Committee's office. This information is critical for stakeholders to understand the impact on state agencies and/or the people being regulated. LB464 simply requires that those reports and information that is already being collected be posted on the Secretary of State's Web site along with the hearing notice so that it is available for the public to access and can be used when they prepare testimony or comments to submit. In 2010, Senator Tim Gay led an interim study to develop performance measures for behavioral health. Out of that work group a report titled "Regulatory Reform to Reduce Administrative Costs in the Nebraska Behavioral Health System" was drafted. And I've given you a page out of that report specific to this particular bill. Of the five reforms identified having a "cost analysis prior to administrative rule change" was included on that list. The report states that "without such an analysis, behavioral health providers and taxpayers alike are subject to unfunded mandates and unanticipated costs and public policy makers have no means of determining whether such costs are justified by the benefits to the public good." Having this information is a priority for NABHO members because it helps us have a better understanding of the proposed changes. It helps us evaluate the fiscal impact on our business and then to be able to submit comments that can inform rule makers of the potential burden and any unintended consequences. Behavioral health providers operate on very tight budgets. As business owners, we are always looking for ways to save money without compromising the essence of our work and that is helping people recover from mental illness and addictions. We firmly believe that LB464 will create more accountability and transparency in the rule-making process by ensuring that these reports already being put together with relevant information are more readily accessible to the public prior to any hearings. With that, I'd be happy to answer any questions. And as Senator Watermeier said, I know there's been some questions raised about some of the language in the bill. We've already had some preliminary conversations with legal counsel. I think we can clear those up and make this bill even simpler and more straightforward than it appears to be right now. So again, I'd be happy to answer any questions. [LB464]

SENATOR KUEHN: Thank you. Questions? Senator Crawford. [LB464]

SENATOR CRAWFORD: Thank you, Senator Kuehn, and thank you, Senator Dubas, for being here today. So I was just reading through the bill quickly and while I see changes to make sure that we're clear about when this processes would be put in place and try to improve access to

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information, I didn't see cost analysis language. Is the cost analysis already required and the bill will make sure that's more accessible? Is that the case? [LB464]

ANNETTE DUBAS: Correct. The reports, and I have a copy here. I know that legal counsel could let you see copies of that and in these reports there's a copy of the public notice, the regulations, all of that information is in these reports that the specific agency is putting together. So there's a fiscal impact, policy changes, staffing changes, all of those things are in this report that are currently being submitted to the Executive Committee Office and kept on file there. [LB464]

SENATOR CRAWFORD: And so this bill by expanding access to that will allow more people to see that information more readily. [LB464]

ANNETTE DUBAS: Currently, yes, correct. This information is being sent over to the Executive Committee who in turn is then giving that information to the appropriate standing committee. But it's real...the public can ask for it if they know that it's available. [LB464]

SENATOR CRAWFORD: Right. [LB464]

ANNETTE DUBAS: But I don't think the public is aware that this is even available. But if they go to the Secretary of State's Web site to follow the hearing notices for the regulation hearings, then this report would be there... [LB464]

SENATOR CRAWFORD: (Inaudible). [LB464]

ANNETTE DUBAS: ...and available for their access. [LB464]

SENATOR CRAWFORD: Thank you. That sounds very helpful. Thank you. [LB464]

SENATOR KUEHN: Other questions from the committee? Seeing none, thank you. [LB464]

ANNETTE DUBAS: Thank you so much. [LB464]

SENATOR KUEHN: Anyone else wishing to testify in support of LB464? [LB464]

DAVE McBRIDE: Good afternoon, members of the committee. My name is Dave McBride, D-a-v-e M-c-B-r-i-d-e. I'm the executive director and a registered lobbyist for Nebraska Optometric

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Association, appearing on their behalf. We represent about 275 licensed optometrists in the state of Nebraska. Our support for this bill is based on a recent experience of our profession with the rules and regs process. And I thought it would be maybe helpful for the committee to have an illustration of one of the examples where we think this kind of a change would be helpful. Our understanding of this bill is that, among other things, it would help facilitate a more timely response to the promulgation of rules and regs. The particular situation that prompted me to be here, the Board of Optometry, which is the regulatory entity for our profession, in about 2005 or 2006 had approved several changes to the rules and regs for the profession not prompted by any specific legislation that required rules and regs. A couple of years later they approved some additional changes to the regs, again not prompted by or required by any legislation. And then again in about 2014 they approved some additional regs. And all that time, none of those regs were officially promulgated by the Department of Health. They'd never gone through the process, never had a hearing. And it took...it was about eight years, almost nine years from the time of the first rules that were approved by the Board of Optometry to the point where they finally wrapped all of the changes into one and officially promulgated the regs. By the time that happened, there was some question by the Board of Optometry and our association about whether some of the changes that they had approved back in 2006 were even still relevant. And we had to spend some time going back to see whether some of those had to be modified again. So some of those changes had to do with things that simply impacted the (inaudible) requirements and otherwise but some had to do with really issues having to do with public safety, including regs having to do with Medicaid contact lenses, which at the time they were adopted were new on the market. So it's probably not in the best interest of the public to have the process take that long. So we realize there are mitigating circumstances. Sometimes state government, the agencies, and the departments can't promulgate rules and regs right away. But we had a hard time getting any explanation of why this was taking so long, and there wasn't really any remedy for that. So we think the changes that are part of LB464 would be helpful in that regard and probably in everybody's best interest. It's just another potential remedy for averting hopefully some delays in promulgating rules and regulations. So we would certainly support this bill based on our experience and be glad to answer questions. [LB464]

SENATOR KUEHN: (Exhibits 4, 5, and 6) Any questions for Mr. McBride from the committee? Seeing none, thank you. Anyone else like to testify in support of LB464? Anyone in opposition? Anyone in the neutral capacity? We do have letters for the record pertaining to LB464 from Todd Pankratz of the Nebraska Medical Association in support; Tim Texel of the Nebraska Power Review Board in a neutral capacity; and Tony Fulton of the Department of Revenue also in a neutral capacity. Senator Watermeier to close. [LB464]

SENATOR WATERMEIER: All right. Thank you, Vice Chair Kuehn, appreciate that. APA, I didn't even know it existed six years ago. Since I've been in the Legislature, I can just see it's a key thing to get what's going on in this monster we call government out to the public. And any

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little thing we can do...and this started out with Senator Dubas and I as a simple little addition to get something posted on a Web site. Even doing that is like moving a mountain, but we're going to get it done. And I know there's some changes yet. There will be some other suggestions. But I just really appreciate the conversation and the APA...and Senator Mello and I had some conversations over the last several years too--it's what drives government. And we got to make it right and we got to make it more flexible. So that would be my closing. Thank you, Vice Chairman. [LB464]

SENATOR KUEHN: Thank you, Senator Watermeier. Any further questions from the committee? This closes our public hearing on LB464 and closes... [LB464]

SENATOR WATERMEIER: And we need to stick around for Exec.

SENATOR KUEHN: ...closes our public hearing on Exec Board. We will move in to Executive Session to follow.