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Government, Military and Veterans Affairs Committee
January 26, 2017

[LB431 LB432 LB479]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Thursday, January 26, 2017, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB431, LB432, and LB479. Senators present: John Murante, Chairperson; Tom Brewer, Vice Chairperson; Carol Blood; Tom Briese; Joni Craighead; Mike Hilgers; John Lowe; and Justin Wayne. Senators absent: None.

SENATOR MURANTE: Everyone, welcome to the Government, Military and Veterans Affairs Committee. My name is John Murante. I'm the State Senator for District 49, which includes Gretna and northwest Sarpy County and I'm the chairman of this committee. We are here today for the purposes of conducting public hearings on three bills. We'll be taking the bills up in the order on which they appear on the agenda which is listed outside of this room. If you wish to testify on any of the matters before us, we ask that you fill out this green sheet. These sheets are located on either side of the room. If you are here and wish to state your support or opposition for any of the matters before us, but do not wish to testify, we ask that you fill out this sign-in sheet which is again located on either side of the room, and I can assure you that your opinions will be given the same consideration as if you had testified. If you do testify, we ask that you begin by stating and spelling your name for the record. That is very important for our transcribers office. The order of proceedings is that we will allow the introducer of a bill to make initial remarks. We'll then proceed to proponent testimony, then opponent testimony, then neutral testimony, and the introducer will be allowed an opportunity to close. We ask that you listen very carefully and try not to be repetitive. If someone has already articulated the point that you wish to make, again we ask that you fill out the sign-in sheet, state your support or opposition for the matters before us. In the Government Committee we do use the light system. Every testifier is permitted four minutes; when the amber light comes on, you have one minute remaining. We ask that you begin concluding your remarks. When the red light comes on, we ask that you conclude your remarks and we will open up the committee to any questions that they have of you. At this time, I'd like to encourage everyone, both in the audience and on the committee, to turn off or silence any cell phones or electronic devices, anything that makes noise. With that said, the Government Committee is a committee that is equipped for technology so you may see members referencing various technology devices. We're just taking notes. We assure you we are paying very close attention to what you have to say. If you have a prepared statement, an exhibit, or anything you would like distributed to the committee, we ask that you turn 12 copies over to our page. If you don't have 12 copies, don't worry about it. Give it to the page and he will make copies for you. Our page for the day is Joe Gruber from Omaha. Thank you for being here, Joe. And with that, I will proceed to the introduction of members. To my far right, your far left, State Senator John Lowe from Kearney, Nebraska; to his left, Senator Tom Briese from Albion, Nebraska; to his left, Senator Mike Hilgers from Lincoln, Nebraska; Senator Tom Brewer from Gordon, Nebraska. Senator Brewer is the vice chairman of this committee; to my immediate

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right is Andrew La Grone. Andrew is the Government Committee's legal counsel; to my left, Senator Justin Wayne from Omaha; to his left, Senator Joni Craighead also from Omaha; and to her left, State Senator Carol Blood from Bellevue; on the far left is Sherry Shaffer. Sherry is the committee clerk for the Government Committee. And with that, we have dispensed with the formalities and welcome, for the first time, I believe, Senator Erdman. Welcome to the Government, Military and Veterans Affairs Committee.

SENATOR ERDMAN: (Exhibits 1-3) Thank you, Senator Murante, committee. Appreciate the chance to be in front of this prestigious committee. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I come today to talk to you about LB431, a bill that I have introduced. Over a period of time as the county commissioner I dealt with several budgets and budget issues not only from the county level, but also those entities that report their mill levy to us for ratification. As that process unfolded over the years, I discovered that some people budget conservatively and others try to budget for what they may think may happen. And so consequently as I looked at the budgets of several of the taxing entities, they have a significant amount of reserve. Some of them as much as two, three, three and a half years of reserve of their operating...of their tax asking. So reviewing those on several occasions, at least this last year we asked several of those taxing entities to come in and to explain to us why do you have such a large reserve, and we got comments like, we may need to build a new building some day or we may need to do this or that. And some people accumulate cash reserves for unforeseen things that may happen and we have insurance for those things, and I'll share with you some of the things that I experienced as a county commissioner. Now when I became a county commissioner in 2005, our county had zero cash reserve and I had asked that question shortly after becoming elected and taking office, how much reserve do we have. And they said we don't have any because the commissioners before you thought it was wise to run as close to the cup as they could. So what happens if we have a murder trial or a blizzard or something unforeseen happens? And they said, we never plan for that. So fast forward to 2009, I was reviewing our county valuation that had never gone up for five years and I could not figure out why. When I finally discovered it that our assessor was doing things that were not appropriate, basically were illegal, the state assessment division came in and forced our county to do a whole county reevaluation. Now remember, we got zero cash reserve. The state assessment division said you have two choices. We can do the assessment, probably cost you a million dollars, or you can choose to contract for it and do it yourself. Now remember, we had zero reserve. We decided to do it on our own. That assessment cost us \$500,000. We figured out a way to pay for it. We made it work. We didn't have any reserve but we were able to work through it. The point I'm trying to make is all these cash reserves that these entities are holding are for whatever reason they have, are not necessary. And so after I reviewed several of those, ESUs, NRDs, community colleges, I find that there's a lot of reserve that's there because someone had told them that that's what you must have. As a county commissioner, we hired a person to do our budget. That person every year would say, you don't have enough reserve and you need to build it up to where you have at least 50 percent of one year's expenses.

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In our county that would be about \$1.7 million. So we began to build a small reserve. We had \$100,000 and \$200,000, and we got by just fine with \$100,000 or \$200,000 because most counties, or all counties, collect most of their money May 1st and September 1st, so it's a cash flow problem, it's not a spending problem. And so the point is, we made it with very little reserve and I believe these doubting entities can do the same. I don't believe it's correct and appropriate for people to collect dollars and put it in a fund somewhere in case something may happen. And so consequently, that's why I have introduced LB431. I also passed out to you a document that is an amendment to the bill and it amends on page 2, at the bottom, it takes away the information...it says, the exclusion of the capital outlay items are excluded. It was brought to my attention if we left that in there, they may very well just transfer that to the capital outlay and that would not be able to restrict what they have in reserve. The other two documents that I passed out to you, the one of them, the first one that has the community colleges on it, those are all the community colleges that are in the state of Nebraska. And I'll call your attention to the top line. The one on the top is Central Community College and I'll explain those lines to you. The delinquent tax line, the one right after the phone number, is the amount of taxes they collected because of delinquent taxes and we'll talk about that on LB432. But line 6, tax line 6 is the amount of taxes they collect on an annual basis from property and personal property. As you'll see when you go over to the cash reserve, that community college system has \$24 million in a cash reserve which is about 50 percent of their annual tax asking. It would not have...this bill would not have any affect on that college at all. The Metropolitan Community College, they collect \$57 million in taxes. Their reserve is \$49 million. They would have to go down to \$24 million or twenty-seven and a half, twenty-eight million. The next line down, Mid-Plains Community College, they have a \$13 million reserve on a \$15 million tax asking. So they would have to trim off about half of what they have. Then you go on down the line, and so consequently at the bottom, you have a total of \$173 million for the whole system. Right now, they're asking for about \$205,000 annually. So we would ask that they put back in to their operations about fifty, sixty thousand dollars. They need to be down to \$102 million, so about \$70,000...\$70 million, excuse me. Now, one of the things that you'll see in the bill is...there's nothing mentioned in there about how we get from that reserve of that amount to the amount that they should have. I was hoping that the community colleges, the ESUs, the NRDs, anybody, the cities, whoever was affected by this bill would have contacted me and we'd negotiated some kind of an attempt to get that right sided. I haven't heard from anybody until this morning. Okay. So I didn't put that in there because I didn't want to be as onerous as I could be. I don't intend for those people to take that cash reserve and build a building or to waste it, just to spend it. I believe that cash reserves should be used to lower their tax asking. That is my goal. That's what I would like to see. The second document that I passed out to you is on the ESUs and there are 19 ESUs in the state. And as you see, some ESUs are more conservative in their budgeting than others, but the point is at the very last page you will see that the ESUs have \$63 million in reserve. So when you analyze that and you look at what their tax asking is, there are several of those ESUs have way more in reserve than they need. Some of them have as much as three and a half years of tax

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asking in their reserve. I don't believe that's the way we should use tax dollars and I don't believe the taxpayers can afford to contribute their money to a fund just to set somewhere in case they may need it. They all have insurance and they all have FEMA and NEMA available to them if they have a problem that has to be dealt with. And so consequently, those are my issues. That's what I seen as a county commissioner. As I was running for this position people told me, do something about my taxes. My property taxes are too high, what can we do? And so this is just a small step in figuring how to solve this. This won't be a solution forever because what will happen is they'll figure how to get around it. But for now, this is a way to bring some commonsense budgeting back into those entities who ask for tax dollars. There will be others who will testify and share their experiences with what their budgets were and how they made it work as well. So, I'd be glad to answer any questions. [LB431]

SENATOR MURANTE: Thank you, Senator Erdman. I have two. First, your...the sheet that you handed out relative to the community colleges. On tax line 6 you said this is the amount of receipts that they have for personal and real property. Is that correct? [LB431]

SENATOR ERDMAN: That's correct. [LB431]

SENATOR MURANTE: Okay. Do you know what their budgets are? [LB431]

SENATOR ERDMAN: I don't. [LB431]

SENATOR MURANTE: Okay. So your bill as I see it changes from a cap that is currently 50 percent of their total budget and you're transitioning from...your transitioning to 50 percent of personal and real property taxes. I'm trying to get an understanding of how much of a difference that is. [LB431]

SENATOR ERDMAN: Well, Senator Murante, in the first one under Central Community College there's no adjustment necessary. They're exactly where they should be. They're 50 percent of their tax asking. And so going forward those other entities or those schools, other colleges, will have to adjust their budget, their reserve to equal 50 percent of that line 6. [LB431]

SENATOR MURANTE: Okay. And how significant of a reduction in cash reserve would you anticipate for the community colleges? And maybe the community colleges have the numbers up there getting the answer, but I'm getting yeses, so we may already have the answers. [LB431]

SENATOR ERDMAN: Okay. But it's pretty simple. If you take line 6, 50 percent of that would be their reserve. [LB431]

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SENATOR MURANTE: Okay. Got it. [LB431]

SENATOR ERDMAN: So if you go down to the bottom one, it says \$12 million, they'd have \$6 million. So they need to go from 18 to 6. [LB431]

SENATOR MURANTE: All right. Senator Blood. [LB431]

SENATOR BLOOD: Thank you, Senator Murante. I understand what you're trying to do here and I respect that and I know this is a constant struggle, but reading through this I have questions because of my municipal background that I need answered. So I look at some community like Bellevue. So with low cash reserves, how would a municipality say like Bellevue who had those horrible floods, and NEMA, year after year after year didn't pay us, if we didn't have these cash reserves, insurance isn't covering that. How do they handle the numbers they see like that? [LB431]

SENATOR ERDMAN: You're not getting any response from NEMA and FEMA? [LB431]

SENATOR BLOOD: It's a whole another issue outside of this committee, but Bellevue did not get paid from NEMA. We had to take it up to the state after two-three years. [LB431]

SENATOR ERDMAN: What kind of cash reserve did you have, how much? [LB431]

SENATOR BLOOD: To be really frank, I don't remember what our cash reserve was, but it was substantial so we could pay because we live by the Missouri and flooding is not something that doesn't happen, it's something that does happen. And so, we always have to be prepared because of things that aren't necessarily covered by insurance and if we can't count on entities that are supposed to reimburse us, to reimburse us, what's the municipality to do. And then this ultimately...the burden fall on the shoulder of the taxpayers. [LB431]

SENATOR ERDMAN: That's where the burden is now on the taxpayer. That's why we're doing this. [LB431]

SENATOR BLOOD: And I don't disagree with you with that. I guess I'm looking for...that's one of my concerns with bills like this. Do you have an answer for that? [LB431]

SENATOR ERDMAN: Well, in our county's case we had two tremendous floods in 2009, 2010. We didn't have any reserve at all. One flood cost us \$4 million. We were able to manage through

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that. We didn't get paid right away from FEMA, NEMA, but were able to manage through it. We, as elected officials, cannot think of every possible incident that will happen. We have to work through those when they come and work with whatever issues we have and solve those the best we can. And so in the situation we're in today, is everyone who get taxes, everyone who collects property taxes has to come around the taxation pool. And we all got to hold hands, and on three, we all got to jump in and make a contribution because if we're going to cherry-pick this and say, well, this person, we can't do that, this entity can't do that. We've all got to make a contribution. We didn't get here overnight and it will take us a long time to get away from it. But we've got to all make a contribution. [LB431]

SENATOR BLOOD: And I do not disagree with that. I just...I use Bellevue as an example, because obviously that's what I know the most about. You know, that's Nebraska first city, it's old infrastructure. It's got all kinds of issues that we have to prepare for. So the other question that comes to mind is, how is this going to...is this going to drive down our Moody's credit rating because isn't part of that formula having...and hopefully someone can speak on this because I'm just...I seem to remember that that's part of the Moody's formula and if that changes our rating, then would that ultimately cost taxpayers money too because we have to get loans at a higher rate? [LB431]

SENATOR ERDMAN: I can't answer that question about the ratings. And here's my situation that troubles me so. This bill has had a hearing notice advertised for over a week and no one contacted me with any of those issues until today. [LB431]

SENATOR BLOOD: Did you reach out to them when you...? [LB431]

SENATOR ERDMAN: No, no. [LB431]

SENATOR BLOOD: Because when I have a bill if it's something that happens to be controversial, I actually call the entities I think that will complain. [LB431]

SENATOR ERDMAN: Okay. Good thought. Okay. I've been here 16 days, a little busy. Okay. Don't know where to go, don't know who to call, but I'll tell you this. If I were a lobbyist, or if I were a person that was concerned about a bill, I would look at the calendar for hearings and I would say, in a week this bill is coming up. This bill affects me. I'm going to call this guy. Okay. I need to give him an alert what's going on here. All right. So nobody reaches out to me until an hour before the hearing and I'm supposed to solve all these problems. So, there is some onerous problems here, I understand for some of these people, but by the same token, I'm not unreasonable. I'll work with people if I find the exceptions that need to be dealt with. But by the same token, I don't believe that it's my job to call everybody that may be affected by something

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and tell them that I'm going to do something. That's their job. It's open in public hearing. It's all advertised. Everyone can see when it's going to happen. So that's my thought. [LB431]

SENATOR BLOOD: Didn't mean to ruffle your feathers this early. I think they make a lot more money than we do and in some ways I agree. [LB431]

SENATOR ERDMAN: I don't mean to be...sound like I ruffle my feathers, but I get a little passionate about this. I've been dealing with these things for a long time. [LB431]

SENATOR MURANTE: Senator Craighead. [LB431]

SENATOR CRAIGHEAD: Thank you, Chairman Murante. Okay, example. If we have...let's take Metro Community College whose got tax line 6 of \$57 million and their cash reserve is \$49 million and you want them to go to half of that, so that's basically going to cut out \$20 million to \$21 million. Where does that money go? [LB431]

SENATOR ERDMAN: I haven't made that decision and I was hoping that we'd have that discussion with the community college, how do we get to it. But I haven't had that discussion. My goal...here's my goal. My goal would be that money would be used to lower the tax asking. Okay. Use it for operations, lower the tax asking as you go forward. Don't build a building that don't rot, and spend it on something unwisely. I would like to see it used up in the form of a reduction in taxes. [LB431]

SENATOR CRAIGHEAD: So like maybe a reduction in mill levy or something like that? [LB431]

SENATOR ERDMAN: Right. Whatever it takes, just to get it used up until you get back to the right numbers. And if you want to go one year, you don't want to ask for any taxes for one year and get it right, that's up to you, but we need to figure out what it is. So I would hope that when this hearing is over that those people who are affected by this will sit down and have a discussion to see what the amendment needs to be so that we can put something in there that works for everybody. [LB431]

SENATOR MURANTE: Thank you, Senator Craighead. Senator Brewer. [LB431]

SENATOR BREWER: Thank you, Chairman. I guess when I went through and read this, the part that I did find the most valuable was the fact that it actually shows you what the numbers are because your normal routine doesn't provide visibility on that and I think once you see that, it's a

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bit of an eyeopener because I haven't been on city council. But, you know, in the case of the ones I'm looking at for my district, two and a half years seems like a substantial reserve and it's questioned the times we're living in now, it does, you know, bring up a valid question about why we would have that much. So, you know, the part of the bill that I took notice on here was that it's provided some transparency that honestly didn't have before. That part of it has been valuable. [LB431]

SENATOR MURANTE: Thank you, Senator Brewer. Any additional questions? Senator Hilgers. [LB431]

SENATOR HILGERS: Thank you, Senator Erdman, for your time this afternoon. I noticed on...these numbers are fascinating. A couple questions. One, I noticed on, at least one, if not more than one...I think, well, two, it looks like the cash reserve is actually in excess of their yearly tax takings. And you...how long were you county commissioner? Was it eight years? [LB431]

SENATOR ERDMAN: Twelve. [LB431]

SENATOR HILGERS: Twelve years. So you've been a county commissioner and you know a lot of county commissioners. Are you aware of any incidences in which a county has needed, in your experience or heard where they've needed at least one X or more of their other total tax takings in a year? [LB431]

SENATOR ERDMAN: No, sir. Senator Hilgers, I talked to NACO, Larry Dix at NACO. He stopped by last week and he said, I've read about the counties and we don't know of one county that would be affected by this. Counties are pretty conservative in their tax asking because as a county commissioner I spent that money like it was my money, and I've seen those people at the ball games and at church and at the cafe and they weren't afraid to come and tell me. And so we made those decisions like it was my money and most county commissioners do the same and so, this will not have no effect on the counties. [LB431]

SENATOR HILGERS: And the second question. Just so I understand how the law currently works because under your proposal, there's already a...I'm looking at page 2, lines 26-29, there's already language restricting the cash reserve of the entity, right? [LB431]

SENATOR ERDMAN: Yeah. That's correct. [LB431]

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SENATOR HILGERS: And it's currently, the cash reserve shall not exceed 50 percent of the total budget adopted exclusive of the capital outlay. [LB431]

SENATOR ERDMAN: That's correct. [LB431]

SENATOR HILGERS: So what I guess...maybe you can brought some clarity here to me, it seems to me, for instance, I'll say Western Community, either one or two things are happening because what I see is a cash reserve that's one and a half times the (inaudible) so either the budget is three times what it took in, \$36 million, or they're in violation of the statute. Do you know which of those...or which is always implied, I'm missing something, but... [LB431]

SENATOR ERDMAN: There may be somebody here that can speak to that, but let me give you what I understand on Western. There are about 27...something like that, 27 percent is taxes and then about...that equals tuition. And then the rest of it is from the state, so 48 or whatever it is. I think that was a couple of years ago when I went to their budget hearing I always count the number that I...that I remember. I may be off a little bit on that. But that's why I see their budget is...they're not even on that number of \$18 million, they're not even close to one-half of their annual budget and that's the problem. And so, you know, that's one of the situations we find ourselves in and in the case of those, last year they raised taxes because they want to do a remodel on the front of the building and they had \$18 million in reserve and they raised taxes to pay for the remodel. So, the issue that we also have is several people from the community have gone to some of these budget hearings, and when they go to the budget hearings, the comment is made, you should have come while we're working on the budget. This is too late. We've already decided. Well, that's not what the budget hearing is for. The budget hearing is to get input from the community and then make the correct decisions or adjustments after that happens. And so, when people go and testify and they don't get any input or conversation back with their comments or questions, they don't feel like it's worth their time to go. And we need to make sure that we are spending people's money wisely and when you don't listen to what they say at the budget hearing, they get a little frustrated. And so what happens in the county commissioner level, and when the budgets are all put together and they're all approved, then the second week in September, those mill levies will all come to the county. And it is a formality because we have no authority, but we do it anyway. We vote to approve those mill levies, basically. And it's just a stamp of approval that, yes, they did have a budget hearing, and yes, they did approve this mill levy and we have no jurisdiction over them that we can restrict them to collect in a month. So last year, Morrill County called in three entities that take tax dollars and two out of the three voted no. They voted no that you not receive your mill levy, but it didn't make any difference because the state statute tells the county treasurer once she has \$10 in there, she has to distribute it. So I don't know why...we need to look back and see what that statute is all about because it doesn't make any sense that I vote on something that I have no authority over. So that's how we see all that. So we had them come in and explain their budget and, you know, they have reasons,

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but it didn't seem to make a lot of sense and the taxpayers have a lot of money invested in this.
[LB431]

SENATOR HILGERS: One last question. Do you have comparable data for counties? I mean, these are all community colleges. [LB431]

SENATOR ERDMAN: Those are all community college. I don't...I would assume that the information on the counties is probably all...they're very negligible in their reserves. Our county probably has today probably has...we had a murder trial, so it probably has \$100,000 and some. I believe there's an ex-county commissioner that's going to testify what he experienced. We run the counties pretty close to the cup. We make it. We make it work and sometimes you have to be creative. [LB431]

SENATOR HILGERS: Thank you. [LB431]

SENATOR MURANTE: Thank you, Senator Hilgers. Additional questions? Senator Craighead. [LB431]

SENATOR CRAIGHEAD: Thank you, Chairman. Senator, let's just play out a scenario here. Let's say a city, let's say like Omaha it's trying to build a reserve; say bond and rating agencies want to see that to keep the ratings high and the bond interest rates low. So how does your bill affect that? [LB431]

SENATOR ERDMAN: I don't know. I don't know how it is. We'll have to talk about...I mean those are the things that we should have been visiting about before. Those are the things we should have talked to somebody about. Okay. And they should have contacted me and we would have talked about it. I don't know. The SIDs are going to be affected by this some because when they first start up they have a lot of money. They haven't collected much taxes but they haven't built anything yet. So they may have money and this may affect them. Okay. So there's situations that are going to have to be dealt with, but the point is, we have to make a decision on, are we going to continue to waste taxpayers money in an account somewhere that doesn't do us any good, or we're going to have sound government, commonsense decisions on how best to manage people's money. That's the question, and so I'm glad to have come here and shared that with you and if you have any questions, I'll be glad to try to help answer. We'll look up some of this stuff and try to work with those people. Whoever wants to work with me, I'll work with them.
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SENATOR MURANTE: All right. Seeing no additional questions, thank you very much for your introduction. [LB431]

SENATOR ERDMAN: Thank you. [LB431]

SENATOR MURANTE: Appreciate it. And we will now proceed to proponent testimony on LB431. Are there any proponents? Welcome. [LB431]

TERRY KEEBLER: Hi. Thank you, Senator Murante and members of the Revenue Committee. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r, and I'm a farmer and former county commissioner here on behalf of Nebraska Farm Bureau to testify in support of LB431. According to Senator Erdman, the sponsor of this legislation, LB431 would correct a relationship between taxes levied and cash reserves and I think that's a good thing. As a former county commissioner, current property taxpayer, I support the notion of accountability especially as it relates to judicious use of property tax dollars. Some entities with taxing authority build exorbitant cash reserves, in many cases unnecessarily. While I was Johnson County commissioner, we never had a cash reserve anywhere approaching 50 percent. The last budget I helped to write in 2014 had a \$340,000 cash reserve, tax asking of \$2,504,000. This is less than 14 percent of tax asking and about five and a half percent of the total budget of expenditures for the year. This amount allowed the county to operate without cash flow problems and in my 12 years as county commissioner, in the early years we did have cash flow problems. I know what they're like. We were the first county, and maybe the only county, that has ever did registered warrants in order to pay bills. So, we did have issues. We finally got out of those. We had a little cash reserve, we built it up and this was more than for us to operate under. Johnson County from 2006 to 2016, actual taxes levied on farmland has increased 120 percent; taxes on farm sites and improvements have increased 119 percent. As a former county commissioner, I can tell you the counties and the other local subdivisions are paying for more and more state mandates. Johnson County has to...a prison at Tecumseh that was costing us some pretty good, a penny and a half, two cents of levy when it opened. So the issue addressed by LB431, however, capping cash reserves is something we can back locally. Thank you for your time. Be happy to answer questions. [LB431]

SENATOR MURANTE: Thank you. I have two questions for you and Senator Erdman had asked you to just sort of file it back and then maybe you can address them in your closing as well. So the policy question before us is sort of twofold, in my view. First, is the amount of budget that is allowed to be in a cash reserve, is that amount too high, and second, should we change the metric from the total budget to the amount of real...personal and real property taxes. And my question to you is, first is, right now when we look at the political subdivisions because this bill applies to all political subdivisions, there is going to be a wide disparity between the

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amount of each political subdivisions' budgets that come from personal and real property taxes versus come from some other source, right? So the city of Gretna is predominantly going to be personal and real property taxes, probably has some sales taxes which I include...assume are not going to be included in this bill. But as we establish, you're going to have community colleges which gets substantial amount of money from tuition, right? And that would not be included in this bill for the purposes of determining how much should be in their cash reserve. So what do you think is the better public policy? What is the better metric? Is it the amount of taxes that we collect, or is it the total budget of the political subdivision, and as a secondary, if the number is just too high, should we just lower the percentage of the total budget that should be allowed to be in the cash reserves? [LB431]

TERRY KEEBLER: Good questions. You know as long as we can cut back on some of the tax dollars that are going to build these cash reserves, I don't know if there's a right or wrong answer to that one. This is the bill that Senator Erdman brought and we support that as the way that take care of some of these issues. I think that's something as a policy decision is up to you and I understand that. So, hopefully, Senator Erdman will be willing to address those a little bit later too. [LB431]

SENATOR MURANTE: Fair enough. All right. Are there additional questions? Seeing none, thank you very much for your testimony. Much appreciated. Welcome. [LB431]

TERRY JESSEN: (Exhibit 4) Thank you. Good afternoon, Chairman and committee. My name is Terry Jessen, T-e-r-r-y J-e-s-s-e-n. I am testifying in strong support of LB431. I'm an accountant. I'm also a farm property owner, farm operator. As an accountant, I have been asked to be the voice of other farm owners. There is no organization that I represent. I have been in the Capitol and on the legislative floor as a visitor for the month of January. I am not being paid. I'm simply volunteering my time here in Lincoln. I live in Scottsbluff. I've taken my personal time and money to testify in this matter. In the fall of 2016, I became very involved in the budget process for taxing entities that affect my personal real estate tax bills. I had not done that for many years. I attended and testified at eight different budget hearings. That was a very mixed result. The very first hearing that I went to, I asked questions of the board, but was totally ignored. That has fueled my desire to see that the laws are changed in Nebraska. The taxpayers of Nebraska need representation, need to be heard when there are important issues. The cash reserves that many of these entities are holding are simply wrong and these entities by having these cash reserves at very unrealistic levels are showing that they have total disregard for the taxpayers. And by their actions, they're showing that they believe that they are a better steward of the taxpayers' money than the taxpayers themselves. They're extracting this money through higher levies than need be and they're storing the money in those entities without any particular plan for why that's there. The example of the six community colleges in Nebraska have total cash reserves of \$172 million. Their tax asking for the year is \$205 million. That's just plain wrong. In

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talking to the budget office, there's over 2,500 budgets. I have not reviewed all those budgets and I doubt that anyone else has either. The ESUs are worse offenders in terms of percentages than the community colleges. They have total cash reserves of \$62 million and tax asking of \$34 million. These cash reserves belong to the taxpayers. They do not belong to those taxing entities and they need to be returned to the taxpayer in the form of reduced tax asking until those reserves are at a reasonable level. This legislation proposes a 50 percent level maximum of cash reserves. One of the problems with that is there would be entities that would say, well, then we won't go to 49 percent, we're going to be at 50 percent. There needs to be some rational as to what a cash reserve is for, what the purpose of it is, and why they have it. And a cash reserve should be just simply for those unexpected things that are not in their current budget or not anticipated. So the law really doesn't make much sense the way it is. That's allowed them to accumulate these reserves. You know, you just heard the representative from Farm Bureau saying that they had 13 percent cash reserves in Johnson County and never experienced any problems once they had that. So 50 percent allows them a lot of flexibility. If others speak today in opposition of this legislation, I feel this committee needs to carefully consider who they are and who they represent. I represent taxpayers. I would anticipate most of the others that might speak may be lobbyists where they represent taxing entities who are the ones who have violated the cash reserves. That's not a fair approach to use the taxpayers money to fight against the taxpayers try to justify excessive cash reserves. Be happy to answer any questions. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Senator Blood has a question. [LB431]

SENATOR BLOOD: First, I want to thank you for being such a good citizen advocate. [LB431]

TERRY JESSEN: Thank you. [LB431]

SENATOR BLOOD: We have a family farm. I mean, I totally hear where this is coming from, but the more I hear people speak, the questions that keep coming up to me, and I think it's wonderful that there's been counties and municipalities that have had cash reserves that haven't had to spend them, but I look, I think of the people around the river. I think of Omaha and Bellevue and Sioux City. And without those cash reserves, they'd be in trouble and I don't look at...when I look at situations like that, I don't see it as being excessive. I see that as being prudent with the tax dollars in the way that...especially with the older municipalities that have infrastructure issues and that are always and, you know, they're going to meet the Missouri, that's never going to change. We're...it's going to flood. How do you weigh the two? It's easy to say they don't experience ever any kind of emergency, they don't have to use their reserve, but then you look at these other municipalities that most definitely will and can and do. [LB431]

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TERRY JESSEN: You have an unusual circumstance, you're referring there. So what percent of the property in those counties or in those entities is within that flood zone area? I think you'd find it's a very small percent. [LB431]

SENATOR BLOOD: I think you'd be surprised how substantial it is in Omaha and Bellevue. [LB431]

TERRY JESSEN: You know, I understand there was major flooding a couple of years ago. Understand that. [LB431]

SENATOR BLOOD: And it affects the economy then, so there's less money coming in and it's a long list. So I sincerely...in asking that question I'm trying to get it straight in my head. How do we justify the two, because one is something they've got to have? And the other, you're telling me, they don't need it. So where's the middle ground? [LB431]

TERRY JESSEN: But if you look at, like these community colleges, their structures, their buildings are not in flood zones. I'm very specifically familiar with WNCC in Scottsbluff sitting up on top of a hill. If that floods, there won't be a town of Scottsbluff. I mean, that would be in the 40 day rain event, not in a normal situation. [LB431]

SENATOR BLOOD: What about a tornado like happened when I was growing up in Hastings, or Grand Island or...? I mean, I'd look at Nebraska and, I mean, I guess we have earthquakes now, too, so I can't say we don't have that, but I just...and again it's different for me because I come with a municipal background and I see what just one really bad incident can do to city coffers and I worry. But again, I hear what you're saying and I really am asking you guys to give me some kind of middle ground to make it right in my head and I'm not hearing that. [LB431]

TERRY JESSEN: I think those entities that have buildings would have insurance on those buildings that would include the tornado event. So I don't see that as a cash reserve normal thing, something that they need to have a cash reserve for. And included in that insurance, I mean, if they had to go and have a different campus for a while, their insurance will cover that cost. So there's really no net out-of-pocket cost in that situation. [LB431]

SENATOR BLOOD: Up to a certain window of time. [LB431]

TERRY JESSEN: Yeah, there may be some gray, unique little slices. Thank you. [LB431]

SENATOR MURANTE: All right. Senator Briese. [LB431]

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SENATOR BRIESE: Thank you, Senator Murante, and thank you for being here, Mr. Jessen. I'm assuming there will be folks later that could probably answer this question also, but you indicate that community colleges have a total cash reserve of \$172 million, ESUs at \$62 million. Do you know what percent those numbers would be of a total operating budget? [LB431]

TERRY JESSEN: No, I did not pull their budget numbers and bring those with me, but I think that's why they've been permitted to have those cash reserves is because they were within that 50 percent, which to me is just exactly the reason why the law needs to be changed. If you take WNCC at a \$12 million tax asking, cash reserve of \$18 million doesn't make any sense. I asked the question at their budget hearing and they ignored me. No answer. Not very good treatment of the taxpayer. [LB431]

SENATOR BRIESE: Thank you. [LB431]

TERRY JESSEN: Thank you. [LB431]

SENATOR MURANTE: Any final questions? Seeing none, thank you very much for your testimony. [LB431]

TERRY JESSEN: Thank you. [LB431]

SENATOR MURANTE: Much appreciated. Additional proponent testimony to LB431. Are there additional proponents? Seeing none, opposition testimony to LB431. Is there any opponents? How many opponents to the bill do we have? Okay. We have a number of open seats in the front, so if you intend to testify in opposition, I ask that you fill up the three seats over here. Proceed swiftly. Welcome. [LB431]

JASPER FANNING: (Exhibit 5) Thank you, Mr. Chairman, and members of the committee. My name is Jasper Fanning, F-a-n-n-i-n-g. I'm the general manager of the Upper Republican Natural Resources District. I'm here testifying on behalf of the Nebraska Association of Resources Districts. I don't know that this causes a large problem for a lot of the districts, but some districts such as ours that take on large projects to help the state manage its interstate water issues and flood control issues in some of our larger cities across the state. The unique thing maybe, you've heard a little bit about what the counties and how they operate, natural resources districts are a little bit different in that the property tax asking is a relatively small percent of our budget in our case and we're a relatively small district. We have about a \$15 million budget. We collect \$2.1 roughly in property tax asking and we have in this year's budget about a \$1.2 million cash reserve. So 14 percent of our budget is funded by property taxes. We have a lot of other fees,

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some other taxes, a lot of federal funds, those sorts of things that make up the majority of our budget. And when we're running these very large, augmentation projects in our case, and a budget spans actually two different years of accounting in the compact with Kansas, so when you look at how much water are we going to have to pump to Kansas, and the weather changes one way or the other, we need a sizable cash reserve for some of things that can come up in our operations. And I think it's, in my mind, it's probably more sensible to have a restriction that is in relation to the entire budget, the risks that you actually face because varying entities, political subdivisions have different types of projects, different types of responsibilities, face different sorts of risk, and the amount of cash reserve that's appropriate for different entities may not be a one size fits all solution. And with that, that's all I have and I'd be happy to answer any questions. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Senator Briese and then Senator Hilgers. [LB431]

SENATOR BRIESE: Thank you, Senator Murante, and thank you for being here. If you were going to suggest an appropriate percentage of your overall budget that the cash reserve would need to be limited to, what percent would you suggest? [LB431]

JASPER FANNING: You know, I don't have a certain number. I do know that ours runs around 9 or 10 percent usually. Other districts that face maybe more risks or more volatility in their budget, something higher than that would certainly probably be appropriate. [LB431]

SENATOR BRIESE: Thank you. [LB431]

SENATOR MURANTE: Any additional...Senator Lowe. [LB431]

SENATOR LOWE: Well, thank you also for coming. How often do you delve into your cash reserves? [LB431]

JASPER FANNING: Historically, we've dipped into the cash reserves a couple different times when we took on some of these large augmentation projects, some of the things that had to be done very quickly. In our case, in terms of compact compliance and these projects came up in the middle of the budget year that it had already been...the budget had already been adopted. We had to amend the budget, but normally you hope not to. But those unforeseen circumstances can make you dip into your cash reserves. [LB431]

SENATOR LOWE: And approximately how much? [LB431]

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JASPER FANNING: When we first took on one of our larger projects, we drew our cash reserves down to approximately \$100,000. And at that time...at that time, we didn't have \$1.2 million, but, you know, a few hundred thousand dollars that we dipped in. [LB431]

SENATOR LOWE: Okay. [LB431]

SENATOR MURANTE: Thank you, Senator Lowe. Any additional questions? Senator Blood. [LB431]

SENATOR BLOOD: And then would you go to your cash reserve, should you be given the unfunded mandate, something that had to be done that you didn't have the funds for in your budget? [LB431]

JASPER FANNING: That's always a possibility and unfortunately we seem to get unfunded mandates from the federal level all the time in the water business. [LB431]

SENATOR MURANTE: Any additional questions? Seeing none, thank you very much for your testimony today. Much appreciated. [LB431]

JASPER FANNING: Thank you. [LB431]

SENATOR MURANTE: Additional opposition testimony to LB431. Don't be shy. Welcome. [LB431]

JON HABBEN: Thank you. Good afternoon, Chairman Murante, and members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, and I represent the Nebraska Rural Community Schools Association, about 195 school districts across the state. They're also members of other entities by the way. One hundred and seventy schools districts are nonequalized. This probably isn't going to matter to those school districts because except for the smaller amounts of money that come from elsewhere, property taxes are paying the bill there. So this doesn't really fit them, doesn't change anything. The districts that are members of our association, small B, C, and D to use the NSAA classification, those districts are limited by 45 percent of their GFOEs, their reserve. When you're generally Class D districts, and above that up into B, are 35 percent of their reserve. Okay. So when you get into the size districts where they begin to be equalized, and when I say equalized, they may receive \$10,000 or they may receive \$200,000, whatever it might be. Think of it this way. If you've got three school districts and they're all the same size, relative to enrollment, I mean, and this district gets no state aid whatsoever...equalization aid, I mean. This district gets a little, this district maybe they get 25

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percent. The question becomes if you do this with the reserve capacity, you are treating those three districts differently. They all have the same mission. They all have approximately the same sized budget. They all have approximately the same enrollment, but what happens is, this district that's nonequalized gets to accumulate more reserve under this proposal certainly than this district that is partially equalized. My only point to that is, I don't think this method of establishing a reserve deals in any way uniformly with the sizes of the budgets that the districts have to deal with because it's focused on a percent of the property and personal property tax rather than the size of the budget which is what drives that school district into every year. Okay. I might just mention, to give you some sense of where school districts are at, as of '15-16, and that's as far as our data go, when you take a look at the number of school districts that are in the top quartile of whatever 100 percent of their reserve is, what you get are 32 districts are in the top quartile, 58 districts are in the second quartile, 71 districts...in other words, all the districts aren't in that top quartile sitting on lots of reserve. I talked to a superintendent the other day. His reserve is to the point where...and his board decided they wanted it there in order to manage their local tax asking, but he gets to go to the bank every month. Well, if that's what you decide to do as a local board, that's what you're going to do. Other boards have a different philosophy. They don't want to go to the bank every month so that they can be prepared for the low tax months. They want to have a reserve that they can actually use whether they have to amend their budget or whether it's a cash flow issue in the low tax months. I would just simply suggest that I understand the Senator's motive. I understand it completely, but I think in the treatment of the school districts what we are doing now seems to be satisfactory and seems to be workable for everybody. Thank you. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming down today. Much appreciated. Additional opposition testimony to LB431. Welcome. [LB431]

BRIAN DOYLE: Good afternoon, Mr. Chairman. My name is Brian Doyle, B-r-i-a-n D-o-y-l-e. I'm here on behalf of the Eastern Nebraska Development Council which is a group of lawyers, engineers, developers, real estate professionals that primarily develop in eastern Nebraska, in the Omaha, Bellevue, metropolitan area. I also represent a large number of sanitary and improvement districts. My office represents approximately 140 of them. First, I'd like to thank the Senator for taking time to speak with me this morning about this, about the issue that affects the SIDs, and I sincerely appreciate his willingness to work with us on finding a solution that makes sense for SIDs. I conveyed to him earlier today, SID has a big problem with this bill. When a SID first starts, it virtually has no tax base, it's empty land. I took a new SID that I looked at and in year one it had \$3,600 in total tax revenue collected. In year two, it only had \$24,000, but as houses get built, as commercial buildings get built, that tax base will grow. So after a few years, the one that I looked at is eventually going to have a probably \$50 million tax base. And meeting the cash reserve requirement of the total tax asking, like the Senator's bill

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proposes, for a developed district is not a big deal. But for a new district, we would almost certainly be in violation of the law virtually immediately on any sort of new SID. So the other side of this that I see is, there are a handful of SIDs that are very old that are in a location where they may not be annexed by say, an Omaha, or the Bellevue. They're geographically far away. As they age and get older, many of those districts, the ones that are 20, 30 years old, 40 years old, they want to collect money, build up the cash reserve in order to do major infrastructure repairs rather than borrowing the money. The cost for an SID to borrow money is higher than cities because it's unrated debt. I know there was some discussion about Moody's ratings, SIDs paying higher interest rate already because they're unrated primarily because of the cost of getting rated is too much to justify it. The alternative for some of these older districts if they can't build up a cash reserve, they're going to be stuck in a position where their only option is to go and borrow at a greater cost to their taxpayers because you'll add in interest costs and fees, paying for disclosure for the sale of public debt. So both of these, we're not talking about the bulk of SIDs. Most SIDs would be unaffected by this. It's this very small number at the kind of beginning and the end that it could have a significant and dramatic impact. And again, I'd like to thank Senator Erdman for his time and for his willingness to work with us and work through these issues. Thank you. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Senator Blood. [LB431]

SENATOR BLOOD: What would you say is probably the number one criteria for a municipality to annex a SID? [LB431]

BRIAN DOYLE: Number one, is the debt to value ratio. They're looking at how much debt overall do they have to the total taxable valuation. [LB431]

SENATOR BLOOD: And would you say that they would also...of course, they would want the debt paid off because they don't need that debt, right? [LB431]

BRIAN DOYLE: Paid off or at a level that's low enough that fits within cities' criteria. [LB431]

SENATOR BLOOD: And do you think they also consider if there isn't any cash reserves, should they need to add a park, sidewalks? [LB431]

BRIAN DOYLE: The SIDs that I deal with on an everyday basis, the things that we talk about are public parks and public streets, things that people use and so the elected trustee members of the SID boards, they know exactly where their money is going in these districts. I do think that the cities look at how much cash is on hand, but when you're talking about, for example, a

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district that's at a \$50 million value...well, let's use a hundred because it makes it a lot easier. A \$100 million valuation, most cities like you to be under a 4 percent debt to value ratio. Typically, it's under 3, so you're talking about roughly \$3 million in debt. On a district that size, they might have a \$200,000 annual budget and a \$100,000 cash reserve. So most districts, particularly districts that are about to be annexed, this calculation of cash reserve really doesn't hurt them or affect them. [LB431]

SENATOR MURANTE: Thank you, Senator Blood. Any additional questions? Seeing none, thank you very much for your testimony. [LB431]

BRIAN DOYLE: Thank you. [LB431]

SENATOR MURANTE: Additional opposition testimony. Welcome. [LB431]

PAUL ILLICH: (Exhibit 6) Thank you. Good afternoon, Chairperson Murante. I'm handing out a facts sheet and you'll see on that facts sheet, community colleges every year we serve about 70,000 students in our credit programs and you can see on that sheet, we produce about 65,000 graduates in key career technical fields every ten years. That ranges from agriculture to manufacturing to health, sciences, and many other careers in technical fields. And one of the things I can tell you is that our fund reserve is absolutely critical to help us not only to continue with this fray, but to help us to expand our capacity in order to meet that demand, to meet that gap that we knew existed between what we're producing and what we need to produce. So community colleges have fund reserves to ensure we can continue to operate under...with unexpected fluctuations in enrollment, state aid, and economic conditions. As you've heard already, we currently have...required to have no more than 50 percent in our total adopted budget within our fund reserve. We have three sources of revenue. I heard a couple of the senators sort of speak to this. Three sources of revenue. We have property tax revenue, state aid, and tuition. So our fund reserve is made up of revenue from all three sources. The proposed bill would include only property tax to set the maximum fund reserve. So in the case of Southeast Community College, when you calculate what would happen, we would go basically to about 11 percent of our total adopted budget. And I heard this question before, the range...the current range, all of the colleges are somewhere between 23 and about 38 percent of their total adopted budgets. So none of the colleges have really got up anywhere near that 50 percent. The proposed bill would take that down. The range would go from 13...or 11 to 18 percent. So, it's typically recommended by our auditors that we keep about six...we keep about six months of operating expenses within our fund reserve. This would take us down to about two to three months. Now what's key here is that this is really...this is not anyway a constant percentage. What I just told you, that's not constant. So that particular methodology would be completely dependent on any variation you might have in your levies. So any legislation that would take that downward, any

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decrease in valuation, so you really wouldn't have control of what your fund reserve might...max might look like. So 70 to 80 percent of our funds are associated with personnel which have contractual obligations. What that means is, we wouldn't really have control. We'd have to use program reductions if we didn't have sufficient funds. Another key issue for us is the accreditation. We're all accredited by the Higher Learning Commission which absolutely looks at our fund reserves as one of key factor of our financial stability. If we don't show that we're financially stable, we could lose that accreditation. And that's really, really critical because that's where we get most of our money through federal financial aid. We lose accreditation, we lose all federal financial aid which most of our students are on. The other key issue is cash flow impact. This is very important to us, our cash flow. So what happens with the community colleges we have different sequencing for our revenues and our expenditures. So what that means, our revenues come in, in quarters and in systems; but our expenditures, because they're mostly percentile, they come in on a monthly basis. So without the cash flow, we couldn't cash flow on a short-term basis. So that's very critical there. And then the other thing that I wanted to mention was the bond rating. Our bond rating would be negatively impacted not only because we have smaller amounts, but also because we wouldn't have control over what that max levy would be. So those are the things I would impact this. But one of the main issues is it wouldn't be connected in any way to our total budget. It would only be connected to one source of our fund reserve. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions?
Senator Hilgers. [LB431]

SENATOR HILGERS: And I don't know, did he introduce himself for the record? [LB431]

SENATOR MURANTE: Oh, would you state and spell your name for the record? [LB431]

PAUL ILLICH: Yeah, Paul Illich, P-a-u-l I-l-l-i-c-h. I'm the president of Southeast Community College. [LB431]

SENATOR MURANTE: Thank you. [LB431]

SENATOR HILGERS: That was not my question, but I wanted to make sure that was on there. You mentioned that the cash reserve plays a role in your accreditation. [LB431]

PAUL ILLICH: Absolutely. [LB431]

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SENATOR HILGERS: Could you speak to...can you just describe that a little more in particular. Are there any specific benchmarks that you're given or guidelines if you fall below which could certainly impact your accreditation? [LB431]

PAUL ILLICH: Absolutely. So the way...the Higher Learning Commission uses something called the composite financial index to determine our financial help. And so while they do not have a specific percentage associated with the fund reserve, they definitely look at your...you know, how many months, for example, could you cover your expenses and look at a number of different issues and absolutely the fund reserve is...and they look at the audits. And in the audits, they recommend six months at a minimum of expenses. And so the...when you look at what the proposed bill would do, it would be down to about two or three percent. The other thing I wanted to (inaudible) is that fund reserve is made up of those three different sources. So they use that composite financial index, but it's not...it's just one of four metrics that are associated with your financial help. But it is a key component in that you could put yourself in jeopardy with your accreditation if that gets too low. [LB431]

SENATOR HILGERS: Okay. Thank you. [LB431]

PAUL ILLICH: Thank you. [LB431]

SENATOR MURANTE: Senator Lowe. [LB431]

SENATOR LOWE: I was just going to ask your name before, but that was already answered. [LB431]

PAUL ILLICH: Oh, okay. [LB431]

SENATOR MURANTE: All right. Thank you, sir. Senator Briese. [LB431]

SENATOR BRIESE: Thank you, Senator. Thank you for being here. You mentioned earlier, on average of the community college system and your community college system the percent of overall budget in reserve varies from what, 23 to 38 percent? [LB431]

PAUL ILLICH: Yeah, with one exception and that is Western...and all of this depends on how it's calculated, but this is the...Western would be at 46 percent and this is based if you go to the uniform budget documentation, budget document, you will see that calculation associated. And that's associated with the total budget adopted. Mine is capital outlaying is how that is calculated.

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But also calculated, while you earlier had asked a question, if you just did the total budget adopted, as an aggregate we're about 23 percent of the total budget adopted. [LB431]

SENATOR BRIESE: And you said earlier that the auditor, he has a recommendation or a standard that he recommends for the amount in reserve, and what is that amount you're saying, twice? [LB431]

PAUL ILLICH: Well, what our auditor recommends is at least six months of operating expenses...we only cover only six months of operating expenses and what's key there, is in the case of Southeast Community College, 80 percent of our budget is tied to faculty and staff which have contractual obligations. So that would put us in a very difficult situation if we didn't have that available. [LB431]

SENATOR BRIESE: Okay. Thank you. [LB431]

SENATOR MURANTE: Thank you, Senator Briese. Any final questions? Senator Brewer. [LB431]

SENATOR BREWER: Thank you, Chairman. All right, let's go back to your breakout on the three, the property tax, state aid, and tuition. What is the percentage on those so we've got a better idea of how that breaks out? [LB431]

PAUL ILLICH: So the...those percentages vary substantially across the community colleges. Let me start with Southeast Community College. So right now, our property tax percentage is about 39 percent; our state aid is about 34 percent, and our tuition and fees is right around 25 percent. And then we've got a small percentage in another category. So the other colleges vary differently. Western is at 35 percent property tax; 48 percent state aid; and 15 percent tuition. So they're all just sort of...vary as an aggregate of all community colleges. The property tax is about 48 percent; the state aid is 30 percent; and the tuition fees is 20 percent. And that's as an aggregate, but you've got to remember there's substantial differences across each due to their varied service areas. Some like SCC, we have a really combination rural and urban service area. [LB431]

SENATOR BREWER: And if we roll over to the federal financial aid, and we just say, use your institution, what would that be? [LB431]

PAUL ILLICH: The federal financial aid percentage of our budget? [LB431]

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SENATOR BREWER: Right, an amount, if you have that. [LB431]

PAUL ILLICH: I don't have an amount in front of me, but I can tell you it's, you know, our budget is about \$170 million and approaching 70 percent of our students are on federal financial aid. So it's the bulk of the budget and that's why you want to be very careful with your accreditation, that's called Title IV funding. If you lose Title IV funding, that makes it pretty much impossible to operate. [LB431]

SENATOR BREWER: Thank you. [LB431]

SENATOR MURANTE: Thank you. Any final questions? Seeing none, thank you very much for your testimony. Appreciate it. [LB431]

PAUL ILLICH: Thank you. [LB431]

SENATOR MURANTE: Welcome back. [LB431]

RANDY SCHMAILZL: (Exhibit 7) Thank you, Senator Murante, Chair, and the committee. Randy, R-a-n-d-y, Schmailzl, S-c-h-m-a-i-l-z-l, and I am the president of Metropolitan Community College in Omaha. Our Board of Governors has sent forward a request to oppose this legislation, and the handout that you're receiving is a building project that will be open this fall for students at the Fort Omaha Campus of Metropolitan Community College. It's a \$90 million project for the trades and IT and applied technology and careers and academic skills. This program and funding for this did not raise taxes, it did not raise tuition, and it did not raise, of course, state aid. We raised \$45 million privately in the Omaha area. We saved in our accounts \$45 million so we could match this over about ten years, and our reserve that you talked about earlier represents the next X years, three to five years of operations and maintenance for these buildings so we're not going to raise property tax. And we're not going to raise tuition on our students. We feel this first year we're going to have significant number of the students in those buildings about 800-900 students and the year after that, it will go up about 20 percent, the year after that it will go up about another 20 percent. So this is a difference maker for Omaha. This is all about business and industry coming forward with the college and presenting their needs. Metro represents 36 percent of the community college enrollment in the state. Our budget is made up of 26 percent tuition; 28 percent property tax...excuse me, 28 percent state aid; and 46 percent property tax. Our general fund reserve, and that's what the discussion is about, is made up of those three components. So it's not just property tax. Property tax if you would extrapolate it out it would be about 46 percent of that number, if we just had property tax in it. Metro's valuation, 95 percent of our local valuation comes from business and residence...residential property; 5 percent comes from farmland. So the windfall that was received was not received by

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Metropolitan Community College because we have no...basically no farmland in our four counties to speak of. Our budget on the general fund, Senator Murante, is about \$105 million, on the general fund. Each year we budget. Deficit, we're not able to garner enough revenue to support our budget needs. So from our general fund reserve this year, we moved over \$5.2 million as the deficit. Our hopes is that we'll spend around 94 to 96 percent of our budget, and then be able to keep that cash reserve going for the future. We're also involved in, you know, our state aid cut to the Governor's budget. There's a bill out to eliminate property tax and this bill takes effect July 1, 2017. All those components create a tough situation for the local community college when we're growing and we're trying to serve our business needs because there's uncertainty on revenue sources. And our board has done an excellent job. In the last 15-20 years, we lost \$8 million of state aid one year and we had to raise our property tax about one and a half cents to make that up. And since that time, we've been at 7.5 cents on the general fund and we'll continue to be at 7.5 percent in the general fund with a \$90 million building project that was not bonded. So the red light is on. I'll entertain questions about Metro. I'm very good about Metro. I'm not very good about representing everybody else, so. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Are there questions? Senator Wayne. [LB431]

SENATOR WAYNE: Well, thank you for the leadership and particularly Omaha regarding in this case the trades and a couple of things that...the expansion of workforce development and the growing workforce development, so I appreciate that. My question is, and you kind of already answered it a little bit, but I just wanted to clarify. So over the next ten years, how do you see your cash...your cash reserves in relation to property tax increases or the mill levy increased? How are you going to balance that and what are you kind of projecting right now? [LB431]

RANDY SCHMAILZL: We're at what I would call a high right now because these buildings are going to get ready to open up. And so our cash reserves on the general fund will go down. If you look at the cash reserve, only \$27 million is actual cash. If we had to write a check today, I could only write the check for \$27 million because there's \$18 million of uncollected property tax in there. And that comes in June 30th. Of course, that's perpetuated. But the question you're asking, we anticipate if we had to put, you know, just our property tax revenues into a reserve, we would be below the threshold that's being asked. But when you add it with tuition and state aid, then we, of course, go above. So we're going to gradually whittle this down, our reserve, because we normally we run around a twenty to twenty-five million dollar reserve, but in trying not to charge the taxpayers for a \$90 million building project, and in trying not to bond it, our board's fiduciary responsibility was to take the tools that we had on the table and this started about six, seven years ago and build up our cash reserve, both on the capital side with donations, and on general fund side by being prudent in our budget, and then spend it down in the first years of this project. So, hopefully, we'll have enough money to make it through the first years of the project. [LB431]

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SENATOR WAYNE: Thank you. [LB431]

SENATOR MURANTE: Thank you. Any additional questions? Seeing none, thank you very much for coming down today. Appreciate it. Welcome. [LB431]

DON HERZ: (Exhibit 8) Senator Murante and members of the Government, Military and Veterans Affairs Committee. My name is Don Herz. And that's spelled D-o-n, last name is H-e-r-z. I'm the interim finance director for the city of Lincoln providing testimony on LB431, which is amending the amount of cash reserves that political subdivisions can maintain. The city of Lincoln is strongly opposed to the amendments to Section 13-504. This bill would reduce the allowable cash reserve from 50 percent of the total adopted budget to 50 percent of the amount received from property taxes. There is no doubt our ability to manage our cash flows would be severely impacted. In Lincoln, there would be a reduction of our cash reserves, as defined by the Nebraska Budget Act, just what we're talking about, from \$152 million to approximately \$32 million, or nearly a 79 percent reduction. Those cash balances for the most part represent the aggregation of balances in a number of funds that need these balances for month-to-month cash flow purposes. The city of Lincoln has a true cash reserve fund that currently holds approximately \$1.5 million, or less than one percent of our tax budget. In Lincoln, our property tax assessment represents about one-third of our tax budget and even less when other budgeted funds are included in the total budget as defined by the Nebraska Budget Act. Even if all of our receipts were from personal and real property taxes, the provisions of this bill would likely result in severe cash flow problems. We receive the bulk of our property taxes in two major installments from the county treasurer and it would be nearly impossible to cash flow our operations if the cash reserve limit was 50 percent of the property taxes we receive. Since we rely on many other sources of revenue, including sales tax and occupation taxes and other various taxes, this restriction would even be more devastating. This bill if passed would lead to significant concern from our creditors and bond rating agencies. It will affect not only our general fund, but also the other funds as defined in the Budget Act. So with that, I would urge you to not advance this bill and will be willing to answer any questions that you may have. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Senator Blood. [LB431]

SENATOR BLOOD: Don, do you know what Lincoln's Moody's rating is...credit rating? [LB431]

DON HERZ: We have a triple A rating from Moody's and S&P. [LB431]

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SENATOR BLOOD: In your professional opinion, what do you think something like this would do to your credit rating? [LB431]

DON HERZ: It would certainly knock it down to a low A rating, I think. And we would... [LB431]

SENATOR BLOOD: Explain to those that might not understand, which hopefully everybody does, but let's just....since I have you here, the difference in bonding what it can ultimately cost when your rating goes down. [LB431]

DON HERZ: Well, it certainly could cost you 50 basis points, a half of a percent or more, but when that is spread over 30 years and you have a significant bond rating, you're talking about millions of dollars of additional interest expense on a moderately sized bond. [LB431]

SENATOR BLOOD: So ultimately, it becomes a burden of the municipality and potentially the taxpayers. [LB431]

DON HERZ: Yeah, you would have to either downsize your project or ask for more resources to cover the higher interest costs. [LB431]

SENATOR BLOOD: Because I'm guessing ultimately you revisit those bonds, if there's better rates you take...you turn them around and try to save money, but this would be almost doing the opposite effect? [LB431]

DON HERZ: To some extent. We refinanced almost all of our debt here recently because of the lower rates. [LB431]

SENATOR BLOOD: Thank you. [LB431]

SENATOR MURANTE: Thank you. Any additional questions? Senator Hilgers. [LB431]

SENATOR HILGERS: Sir, what is...I note in your testimony you said the current cash reserve is \$152 million. Is that correct? [LB431]

DON HERZ: Correct. [LB431]

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SENATOR HILGERS: What is the percentage of that as to the entire city of Lincoln's budget? [LB431]

DON HERZ: It's roughly 50 percent. It's obviously more than our general fund. The budgetary rolls in a lot of cash funds as they're defined at the state level or internal service funds, and those kinds of funds, so probably 50 percent. [LB431]

SENATOR HILGERS: Thank you. [LB431]

SENATOR MURANTE: Thank you, Senator Hilgers. Seeing no additional questions, thank you very much for your testimony. Much appreciated. Ms. Abraham, welcome back to your committee on Government, Military and Veterans Affairs. [LB431]

CHRISTY ABRAHAM: (Exhibit 9) Senator Murante, thank you so much, and thank you to the rest of the committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, representing the League of Nebraska Municipalities. And I, too, just want to join in the other testifiers who have thanked Senator Erdman. We had a nice conversation with his staff this morning and I appreciate his time and I certainly would be happy to offer up the League's assistance along with your excellent legal counsel in any help you might need and provisions to this bill that might be necessary. The League has heard from all sorts of sizes of municipalities on this issue. You've already heard from Lincoln and I believe you'll hear from Omaha too, and they've expressed concerns about their bond ratings, their ability to borrow money, and the increased interest rates. In some of our medium-sized cities, I learned that a large percentage of their budget comes from local option sales tax. The example I want to use is Kearney, Nebraska. They have a very low property tax asking because they have the happy circumstance of being located on the I-80, a lot of their revenue comes not from property tax, but sales tax. So for them, their cash reserve would drop almost 75 percent because so much of their general operating budget comes from property taxes. And I passed out a letter from the city of Stromsburg and I think they expressed it very well. For them it seems to be their concern is they're...it may impact their ability to pay operating expenses because property taxes come in late in their operating year. And so they dip into their cash reserve to sort of pay for operating expenses until those property taxes come in for them at the end of the year. And again, the city of Stromsburg does a nice job of explaining that. The only other issue we would bring up is something you've heard before is that sometimes cities do run into emergency situations. I think one example is snow removal. If you have a particularly harsh winter, you may dip into your cash reserve just to pay to plow the snow. Certainly, the city of Bellevue has a lot of experience on flooding and other issues, and Senator Blood is correct, some cities waited months and sometimes years to get their money from NEMA. So that can be a significant impact on communities. Anyway, thank you so much for your time on this and I'm happy to answer any questions you might have. [LB431]

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SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming in. Much appreciate it. [LB431]

CHRISTY ABRAHAM: Thanks so much. [LB431]

SENATOR MURANTE: Welcome. [LB431]

DAVID LUDWIG: (Exhibits 10-16) Good afternoon. I'm David Ludwig, it's D-a-v-i-d L-u-d-w-i-g, and I do appreciate the opportunity of being here, and especially in times like these I appreciate the leadership from the legislative body and the work you do. So thank you again. I'm the executive director for the Educational Service Unit Coordinating Council since July 1, 2014. And prior to that, my role, I served as the chief administrator in Fremont at ESU 2 in Fremont, so that's why I'm here to share my concerns about LB431. For the past 50 years, ESUs have been in existence to create efficiencies and effectiveness for the school districts, 245 school districts we serve. Since the inception of the ESUCC in July 1, 2008, we do the same thing statewide. That's our goal, efficiencies, effectiveness. Within the Nebraska Budget Act, the ESUCC and the ESUs provide a budget that's responsible to taxpayers, stakeholders, school districts and most importantly the 307,000 students within the state. All of our budgets are reviewed with the advisory committees with the school districts. We go through that process with them through a program of services. Our board members review and approve the budgets during budget hearings. Then also, board members participate in long-range plans as well for budget needs meeting the needs of the districts, staff, and students within each service area. You know, for the past several years, our legislative goals within the issue of coordinating counsel has been communication and awareness, so therefore, we have not and we are not asking for anything other than an understanding of our vision and purpose. And I want to be very clear with that as well. But each year with our vision and purpose it gets a little more difficult to achieve especially with beginning in the year 2011, '12 our core funds were reduced 5 percent and we've been at a zero percent growth since then. We are also...I've included within that 4 percent reduction of the current year, and then plus with the potential impact of LB431, that could have an impact on the school districts we serve from Gretna to Bellevue to Grand Island, Kearney, Scottsbluff, Chadron and so on. But it would provide some impact on the 307,000 students we serve. For ESUs, the tax levy is only a small part of the budget. Revenue from core funds, which is our state aid, federal grants, state grants and contracted services provides an even greater portion of the budget for ESUs and the ESUCC. Now keep in mind, within the coordinating council, we're part of the Nebraska Budget Act, but we don't receive...we don't have any levy authority as well. So as I reflect upon my first year as the chief administrator at ESU 2 in Fremont, cash flow was a concern specific to monthly operational expenses. As with all ESUs, we all have grants, but funds for those grants are not received upfront. You know, they come in after the funds are spent and we have to apply for them and wait until that time period comes in after that. The same holds true for any contracted services that we have as well. You know, we provide those services and

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then bill them out accordingly waiting for us to invoice and then also waiting for their boards to approve those bills for a payment to be sent with that. All that is necessary to have that cash flow. And as I consider with my first year within at ESU 2, that was a concern because our cash reserves were so low. Again, this is...just want to have an understanding of our budget needs and the shortfall that we've had, and with our level of awareness and concerns at this time would be the ability for the cash flow to offset the timing of the receipts that we have. So anyway, I do appreciate your efforts and intentions, but at sometimes I feel this bill would be counterproductive to what we're trying to do and our vision and mission of what we do. You also are receiving copies of letters from Dr. Ted DeTurk from ESU 2, Paul Tedesco ESU 11, Jeff West from ESU 13, Paul Calvert from ESU 15, Marge Beatty from ESU 16, and Geraldine Erickson ESU 17. So I respectfully submit these letters. So again, I really appreciate your leadership. I know you have a tough job ahead of you, so anything we can do to help out too. Again, I appreciate sharing my thoughts with you guys. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming down today. Appreciate it. [LB431]

DAVID LUDWIG: Thank you. [LB431]

SENATOR MURANTE: Welcome. [LB431]

DAN SCHNOES: (Exhibit 17) Good afternoon. My name is Dan Schnoes, D-a-n S-c-h-n-o-e-s, administrator of ESU 3 in La Vista which serves the Omaha Metro area. I'd like to thank all of you for your service on this committee and respect the tough decisions that are ahead of you. Today, I'd like to speak on behalf of ESU 3 and the challenges that LB431 would force upon our service unit with regards to cash reserves. Cash reserves are a necessary tool used by ESUs for paying the cost of services up front for the numerous services we efficiently and effectively try to provide for our school districts. Most of our tax revenues are received towards the end of our fiscal year and our grants and contracts are reimbursed quarterly. Our reserve helps us manage our cash flow throughout the year. Annually our budgets are reviewed and approved by our ESU 3 board, who are very active in our budget process. Annually, also our 18 superintendents approve the services we provide and budget according to state statute. For all the services we provide, property taxes only account for 24 percent of our entire budget. We started this fiscal year with a projected budgeted cash reserve of 33 percent, which is significantly lower than the previous year, 41 percent. We've already started tightening our budget. Setting the cash reserve limit at 50 percent of property taxes collected would not leave us enough reserve to successfully operate the other 76 percent, over \$18 million of our expenditure budget. If our cash reserve is too low, we will be forced to take out loans to make our financial obligations so our school districts do not lose out on the services we provide. One example of how we use our cash

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reserve, and as most of you know, our member school districts, we have 18 of them around the Omaha Metro area, are growing. And ESU 3 has to respond to this growth as well for our services. Over the past three years we've been in contact with a number of senators regarding necessary capital projects. Their response was, use your cash reserve as the financial engine to fund these projects, and that's what we did. An example of this is over the last several years we have planned and budgeted to relocate and remodel our 24-year-old unprotected data center. Why, you might ask, would we do that? Well, currently our preschool to 12 population in our service units, there's over 80,000 kids. That's about one-fourth of the students in the state of Nebraska. Our data center on any given day can have over 90,000 devices that can hit our Internet access. So fill Memorial Stadium with a bunch of kids and teachers, give them all a device, and that's what can hit our place. Our school districts look to us for this service and have strongly expressed the need to make sure that our network connection is never off-line. This means 24/7, 365. Now I'd prefer not to have to answer calls from parents of the 80,000 students who can't access their textbooks, class information, and grades on-line if we go down, and understand, it's probably a few of you in this room. In summary, ESU 3 supports efficiency and we believe an efficient level of cash reserve is needed. LB431 would tie our hands, potentially increase our costs, and probably in the end reduce the amount of services that we can effectively provide to our school districts. On page 2 you'll see a brief summary of the number of projects and services that we provide. Our mission statement is built on efficiency, effectiveness, and excellence. We work towards these every day. Our total budget is \$24 million; our cash reserve currently is running about 33 percent is what we budgeted. Currently, we have in the 25 to 30 percent range. [LB431]

SENATOR MURANTE: All right. Thank you very much for your testimony. Are there any questions? Seeing none, thank you for coming down today. Much appreciated. Welcome. [LB431]

LARIANNE POLK: (Exhibit 18) Good afternoon. My name is Larianne Polk, L-a-r-i-a-n-n-e, Polk, P-o-l-k. I'm the chief administrator of the Educational Service Unit 7 in Columbus, Nebraska. I'm speaking to you today in opposition of LB431 with the support of my board president, Don Ellison, and vice president, Terry Fusco. Our service unit has 90 staff members. We cover 3,000 square miles. We support 19 school districts, 1,200 teachers, 12,000 students. Our ESU leads the school districts through a data driven process to determine what kind of services would best meet their needs and would help student achievement. We don't budget or staff until we know that. This year our budget is \$11 million with a levy revenues at about \$2.7 million. Current statute allows us to carry 50 percent of our budget in cash reserve. We do not. We carry 24 percent or \$2.7 million with the expectations not to exceed 30 percent and that is a board goal. Our budget is funded by zero percent core funding, zero percent state aid, 23 percent levy dollars, 35 percent in state and federal grants, 42 percent contracts to districts. If our cash reserves are limited to 50 percent of the real property taxes, our reserves would be reduced to

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\$1.3 million which would make it difficult to cash flow the payroll, unencumbered grant expenses that we may have out, as well as contracts. Our contracts with schools plus grants make up 77 percent of our budget. We must cover the cost of those services and grants until we get payments from school districts and the Department of Education. The cash reserve we carry allows us to do that. The example below demonstrates for you a comparison of our current cash reserve allowance to the proposed LB431 cash reserve allowance with respect to our September and October estimated average payroll as well as some of those outstanding revenues from the grants and contracts. The proposed bill would make it difficult to cash flow those expenses as early as September, as you can see from that negative \$316,036. The second example there for you will be, we are the fiscal agent of the Migrant Education Grant. That grant is about \$900,000. The grant year for that grant is October through September, but the grant is not approved by the Department of Education by a standard procedure until about January or February. So, therefore, we've been paying for those expenses since the grant year started. Last year we had some outstanding reimbursements have yet to be paid to us, so currently we are covering the Migrant expenses of \$298,000. In summary, I respectfully oppose LB431. ESU 7's cash reserve is our cash flow solution for grants, contracted services and other operational expenses, not including our long-term facility in capital improvement goals. Without the allowable 50 percent cash reserve, we would not be able to sustain a payroll, services to districts, federal program facilitation. We believe it's our responsibility to provide the services to our public schools that meet their needs based on their data with as little cost passed on to them as possible. The passage of LB431 would make that very hard for us to do. Thank you very much for the opportunity to speak before you. [LB431]

SENATOR MURANTE: And thank you for coming down today. Are there any questions? Seeing none, thank you very much for your testimony. Welcome. [LB431]

ANDREW BROTT: Thank you. My name is Andrew Brott, B-r-o-t-t, and I'm with the city of Omaha, Nebraska. My concern, I guess, on this is just that it seems like all municipalities are kind of treated the same in this bill. And Omaha, when you look at what we have as far as our revenues, we have a budget of about \$919 million annually. And so when one of my concerns on this is that it's limited to just property tax. Property tax for the city of Omaha is only about 16 percent of all our funding sources. So for us, obviously, that would put a large prohibition on the kind of reserves. One of the concerns I have is, for the city we're self-insured in a lot of areas. I'm just trying to just cover the areas that haven't been talked about, but we're self-insured. We don't have insurance, for example, for all of our cop cars, all of our fire trucks, all of our ambulances, all of our public works vehicles, all of our parks vehicles, and we have about 565 police cars, we have 150 fire vehicles. Many public works vehicles and parks vehicles that are driving around, some of them 24 hours a day, and so, I mean, we get sued on a regular basis, we have to have reserves to cover these liabilities, especially because we're self-insured. I mean, just to give an example, a ladder truck, a fire ladder truck is three-quarters of a million dollars. We

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just had a \$500,000 loss of a fire truck just a couple months ago that we're having to pull from our reserve or whatever to be able to pay for that, so. On top of that we're also self-insured for all of our health and dental insurance which is about \$62 million, just that piece by itself. So if there's a large medical issue or whatever, we have to cover that. We also cover retirees. So any of the retiree group that might have a large medical issue, I think, don't quote me on this, but I think our plan there's no lifetime max, so I mean it could be a huge dollar amount that we're liable for. So, you know, we just have to be careful that we're able to cover these things and have enough money in our reserve in case there's a large lawsuit or something like that. Cash reserves, I think, can help preserve taxpayers against tax increases. The city has had in the last few years, I think we've had two property tax reductions so we've been trying to lead by example in this regard, but we have...a lot of our large reserves are not just because they're, you know, money that we can use for anything. The way the city village form works that we fill out to make sure we're in compliance with this law, it combines all of our stuff together, including the city of Omaha CSO fund. I mean, that fund by itself, the bond covenants require we have tens of millions of dollars sitting there because when the bond...when people are buying bonds and they want to know that there's enough in there, enough coverage to take care of, you know, paying them for their investments. So, I think, just that alone is a concern because that's in the cash balance. So, that's the reason that we're asking for opposition. [LB431]

SENATOR MURANTE: Thank you very much for your testimony. Questions? Senator Blood. [LB431]

SENATOR BLOOD: You may not know this answer, but I'm going to ask. Do you know off the top of your head or an estimate, of what the recent floods cost Omaha? [LB431]

ANDREW BROTT: I think it was in excess of \$11 million. [LB431]

SENATOR BLOOD: Thank you. [LB431]

SENATOR MURANTE: Thank you. Any final questions? Seeing none, thank you for your testimony today. Much appreciated. [LB431]

ANDREW BROTT: Thank you. [LB431]

SENATOR MURANTE: Do we have additional opposition testimony to LB431? Seeing none, any neutral testimony on LB431? Seeing none, Senator Erdman. [LB431]

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SENATOR ERDMAN: Thank you, Senator Murante. I didn't know I had that many friends. Maybe I made some new ones. (Laughter) [LB431]

SENATOR MURANTE: I think all the cities in the state of Nebraska are here today. [LB431]

SENATOR ERDMAN: Okay, I appreciate you listening to what they had to say and as we move forward, it appears that there are some issues that need to be dealt with. I'm new at this and I'm willing to work with those people, but what you have heard, those people that are getting tax dollars don't want their dollars to be cut. One of the things you don't ever hear is those people paying the taxes, they never call them to say, can you pay more? They just send them a notice and collect more. And their issues they have, they say with the capital outlay or what they are spending those reserves for, can't be accomplished unless they have that much. What you also heard is that they have not reached the 50 percent level of what their annual budget is. So the numbers that you see from the ESU and the colleges, they could actually have a larger reserve under the current statute than they have now. So as we go forward, we've got to make a decision, are we going to make a difference in the state and try to hold down spending and cut taxes, or are we going to continue as status quo? So I would ask you to move this bill forward. I think we need to work together with those people who had those concerns and we need to make a difference with the people in Nebraska. That's why we came here. So I'd ask you to advance LB431 to General File. Thank you. I'll answer any questions you may have, if I can. You got a question over there that you wanted me to answer? [LB431]

SENATOR MURANTE: (Exhibits 19-23) Well, we could talk about it...before we get to voting on the bill, but are there any final questions? Seeing none, that will close...before we close the hearing on LB431, I have letters of opposition from Nancy Bryan, city clerk and treasurer of the city of Stromsburg; Margene Beatty, the administrator of ESU 16 in Ogallala; John Spatz of the Nebraska Association of School Boards; Virgil Harden of Grand Island Public Schools; and the United Cities of Sarpy County. And with that, we close the hearing on LB431 and proceed to the next item on the agenda, LB432. Senator Erdman, welcome back to your committee on Government, Military and Veterans Affairs. [LB431]

SENATOR ERDMAN: (Exhibits 1-2) My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n, and I'm sorry I've kept you here so long. This bill, LB432, the information I'm passing out is very similar to what I sent around before. I thought it was appropriate we send two different sets of information, even though it is similar. And the issue this time is the fact that there is a provision in the state statute that these taxing entities can ask for up to, in some cases I believe it's 5 percent of the annual budget for unpaid...for delinquent taxes. The information is such that there is actually no thing as delinquent taxes in the state of Nebraska. And if you look on the sheet that I passed out on the community colleges, several of those colleges are asking for that delinquent

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taxes appropriately. And I call your attention to the Metropolitan Community College as well as Northeast. Those two community colleges are collecting about one-tenth of 1 percent of the unpaid taxes, and that is about what the exact annual, not paid, taxes is, about one-tenth of 1 percent. So, 99.9 percent of all taxes are paid because on the first Monday of March of every year, every county treasurer in the state will put up for sale those tax certificates that weren't paid. Those tax certificates yield 14 percent interest, so in our county as well as most other counties, we have people standing in line to buy those. And so, for a long, long time, there has not been anything such as unpaid or delinquent taxes. So, therefore, because there is no unpaid taxes, I believe that provision should be stricken from the statute. And so that is what LB432 does and I'll probably have the same 20 friends on that one. (Laughter) But the point is, that's how they get the reserve. And if you look at Central Community College, the delinquent taxes they ask for is \$2.5 million and their total tax asking was \$49 million, a nearly 5 percent. And so consequently, they're building reserves by asking for delinquent taxes that may not be paid, but they are paid. And in some cases, some of that we checked with the county treasurer said they actually collect more taxes than they actually asked for. And so if there's something that is not relevant, I think we ought to eliminate it, and so, therefore, that's why I've introduced LB432. Any questions?

SENATOR MURANTE: All right. Thank you very much for your opening. Are there any questions? Senator Hilgers. [LB432]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Senator Erdman. Just so I'm on the same page with you and you and I had discussion before this hearing, just so I understand. So in any given year the county may...there are people who won't pay their property taxes, right? [LB432]

SENATOR ERDMAN: That's correct. [LB432]

SENATOR HILGERS: And that is...that number is larger than .01 percent. [LB432]

SENATOR ERDMAN: Yes, it is. It's not a huge number, but as the economic times in agriculture continue as they are, the number could get larger. But we have a significant number of people wanting to buy those. [LB432]

SENATOR HILGERS: Well, so putting aside that piece, just so I...before the tax certificate sale, there's some percentage that's greater than .01 percent, it may be...do you have any numbers on that, 3, 5 percent? [LB432]

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SENATOR ERDMAN: It's not a big number, 4 or 5 percent. [LB432]

SENATOR HILGERS: But the point you're making is, those tax certificates are sold every year and that the counties really...there might be some delinquency in theory but the counties are being made whole for the dollars that are owed to them. [LB432]

SENATOR ERDMAN: We have done...Senator Hilgers, we've done an analysis of several counties and I think that information we passed out another testifier will show you that information, but one county, I don't remember the name of it, but they collected like \$58 million on an annual basis in taxes and the unpaid taxes was \$38,000. So, you do the math. It's like .0012 percent. So it's...once it's started in a place and every March, first Monday in March, they sell that so the taxes are pretty well paid, like 100 percent of the time. That wasn't the case back in the '80s. Back in the '80s, and I don't know when this statute was put in place, but back in the '80s when the interest rate was 18 to 20 percent on operating loans and borrowing, CDs and the bank were paying 13, 14 percent and there weren't many people standing in line to buy tax certificates at 14 percent when they could make 14 percent somewhere else. But now with the interest rate being so high like at .8 and .9 and 1 percent, it's a pretty lucrative thing to come to the courthouse and buy tax certificates at 14 percent. So that's the reason that we don't have unpaid taxes. [LB432]

SENATOR MURANTE: Okay. Thank you, Senator Hilgers. Any additional questions? None. [LB432]

SENATOR ERDMAN: Thank you. [LB432]

SENATOR MURANTE: Thank you. And we will go to proponent testimony to LB432, proponents. Welcome back. [LB432]

TERRY KEEBLER: Thank you. Senator Murante and Government Committee, hello, again. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r, and farmer, former county commissioner here on behalf of Nebraska Farm Bureau testifying in support of LB432. As Senator Erdman said, this is intended to prohibit taxing entities from adding delinquent taxes. I helped with 13 budgets as county commissioner and since I love numbers, I pretty well went through every one of them. We never used this delinquent tax authority. The first year I was on there, I was actually appointed August 10, the first thing they said was, good, now we're doing the budget. Okay. So I dug in and we did our budget and when we got to the bottom line and it was like, what is this extra add-on here. When explained to me I had a hard time understanding why you would do that when you have already balanced your budget. The budget can't handle a half of 1 percent or whatever the percentage was that has been figured up, and if they need to figure out how they're

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doing their budget. So, and at a time when taxes levied in ag land have gone up 176 percent, residential is up 35 percent. Commercial property is up 49 percent. We should be asking our taxing entities to be as conservative as possible when setting their budgets and property tax asking. Thanks for your time. Be happy to answer questions. [LB432]

SENATOR MURANTE: And thank you for your testimony. Are there any questions? Seeing none, thank you for coming down today. Appreciate it. Welcome back. [LB432]

TERRY JESSEN: (Exhibit 3) Thank you. I won't go over the introductory information that I've already done on the other bill. [LB432]

SENATOR MURANTE: Please still state and spell your name for the record. [LB432]

TERRY JESSEN: Yes, sorry. Terry Jessen, T-e-r-r-y J-e-s-s-e-n. I'm from Scottsbluff. If you look at the community colleges, of the six, two of them are doing it correctly as far as a tax asking allowance, delinquent tax allowance. The other four are abusive. They are simply wrong, they don't match up with actual collection history in the counties. If you look at one of them that's doing it right, Metropolitan Community College, \$57 million in tax asking and a reserve of \$5,772. Pretty obvious, I think to any of us that even though they are doing it correctly, if that wasn't there, it wouldn't significantly change their budget. So it's a nonevent even to those two that are doing it correctly. This legislation is to remove the delinquent tax allowance that some entities built into their budgets. And the only reason they're putting it in there has nothing to do with their experience. I communicated with WNCC in Scottsbluff and I asked them what their actual experience was over a five year history. He communicated back to me and the worst was 99.9 percent collection and the best was 101 percent collection. So the adding on of this can't be supported by history of any of the counties. On page 2, I've attached...I had my office contact all 93 counties in Nebraska. Of those 93 counties, 25 responded, so those 25 counties are the ones on the list here for taxes in 2014. Shows an average at the bottom, but I don't think that's a weighted average of quarter of one percent uncollected. And I actually think that is wrong because Dawes County, I don't believe is correct. I did not call Dawes County. They show 2.5 percent uncollected. I think that one is way wrong because if you look, none of the rest of them are even close to that. I would have presented 93 counties, but the other counties didn't respond to us, certainly not timely. So this current law...provision in the law is out of date, it's out of zinc with reality. Reality is that the taxpayers in Nebraska try hard to pay their taxes. Those who fail that, those taxes are sold, the other tax sale process. So in the end, there are really no uncollected taxes in Nebraska. This, to me, is a real simple situation of seeing reality and seeing what the current law is and making a change as appropriate to that law. So I ask for your support on LB432. Any questions? [LB432]

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SENATOR MURANTE: All right. Thank you very much for your testimony. Senator Hilgers. [LB432]

SENATOR HILGERS: Mr. Jessen, thank you again for coming and testifying, coming all the way from Scottsbluff. I really appreciate that. Just so I'm clear on your table, the tax paid does that include the sale...the revenue received from the sale of tax receipts? [LB432]

TERRY JESSEN: Yes, it does. [LB432]

SENATOR HILGERS: Okay. [LB432]

TERRY JESSEN: Yes. So this would be as of recently, I don't know various counties, let's say within the last...let's say by December 31st. I'm sure this is reasonably accurate with that date. [LB432]

SENATOR HILGERS: Okay. Great. Thank you. [LB432]

SENATOR MURANTE: Seeing no additional questions, thank you very much for your testimony. Appreciate it. Additional proponent testimony to LB432. Any more proponents? Proceed to opposition testimony to LB432. Ms. Rex, welcome back to the Government Committee. [LB432]

LYNN REX: Yes, thank you very much. Senator Murante, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And I've been around long enough, some would say very old, some might say experienced, to know that there was a time when people weren't paying their taxes. And there's a reason why these provisions are in the law. And at the time when the interest rates exceed the 14 percent--I was even here when you put in the 14 percent--but at a time when those were exceeded and people don't buy those up, then you do have local governments in a position where this may be needed. I'm wondering if there's a different way to address this issue because I do understand what Senator Erdman I think is trying to do, which is you don't want local governments having a windfall, per se. By the same token, I think it's very important to understand that there is a historical perspective as to why this language is there. It wasn't just a fluke that the Legislature put it in years ago. And at a minimum, I mean, if you look at the language on page 2, line 16 through 20 in particular, which is being stricken, the governing body in certifying the amount required may make allowance for delinquent taxes not exceeding 5 percent of the total amount required plus the actual percentage of delinquent taxes for the preceding year or biennial period. It would seem to me one way that you might address this is to tie it into an historic average of maybe the last three to five years,

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something like that. My guess is that percentage is going to be very small now. Who knows what it's going to be five years, ten years, fifteen years down the road. So, I would just respectfully suggest that I think he's brought a legitimate issue forward. We respect that. I also think there's a very legitimate reason why these provisions are in current law. With that, I'd be happy to respond to any questions that you might have. [LB432]

SENATOR MURANTE: Thank you very much for your testimony. So, it would appear that you'll at least acknowledge that the problem Senator Erdman raises is a legitimate one in the status quo that there is the potential for a (inaudible) windfall. [LB432]

LYNN REX: Apparently. Apparently. I will tell you that with the cities with which we contacted, many of them back in the early '80s had huge problems that needed to be addressed. They don't now because again it's being bought up by these tax certificates. If the interest rates go double digit and higher than 14 percent, or even perhaps even a little bit lower than that, that's not going to be the case. And there was a time when that happened. [LB432]

SENATOR MURANTE: And it won't be the case because people won't buy the debt that you're... [LB432]

LYNN REX: That's correct. [LB432]

SENATOR MURANTE: So would you be amenable to an amendment to this bill that says we can't exceed 5 percent, but...I'm not going to use legalistic sense right now, but anything sold doesn't count towards that 5 percent? Does that make sense? [LB432]

LYNN REX: Sure. I mean anything like that that would be...I understand the need to limit that. I'm just suggesting to you that this verbiage, there's a reason why this was here and if there's... [LB432]

SENATOR MURANTE: The loss has to be realized, I think is what Senator Erdman was trying to get... [LB432]

LYNN REX: That's correct. And I think, I don't...I mean we talked with staff earlier this morning and again with our process because we're with the League of Nebraska Municipalities and representing 529 cities and villages across the state, we're monitoring and actively involved in well over 100 bills and monitoring over 300. So with that, we are doing these on a week by week basis with our members and which is why we were unable to get to him before today. But I just really do think that it's very important to put some limiting language in there. I think he's brought

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a legitimate issue, but the language that's there is there for a very important reason and the economy changes rather dramatically. And I've been involved in doing this kind of work since 1978 and I've seen it swing twice that way. So I think it's very important that the committee consider that. I'd be happy again to respond to any questions and appreciate your recommendation, Senator. [LB432]

SENATOR MURANTE: Senator Briese. [LB432]

SENATOR BRIESE: Thank you, Senator. Thank you for being here. To what extent are cities and villages utilizing this language now? [LB432]

LYNN REX: Well, at this point, very minimal from what we can see. But again, I remember a time when it was being used and so I think it's very important that the...that basically you have a...you don't just eliminate the language. You address the issue that he's brought forward in a limited way, so that if something happens down the road and we have another crash in the market or whatever else may happen, local governments don't just come to a halt because of that. [LB432]

SENATOR BRIESE: But I assume there are some cities out there that are going up a few percent on this account. [LB432]

LYNN REX: I would think so, but not...I mean, to our knowledge nothing of any great consequence. I mean, when we talked to our members and they knew that this bill was coming up, I mean, the real issue was on the delinquent tax. I think on the litigation issue that's a very...I mean, I can see where that is an open-ended type situation. So we understand that, but when it comes to the delinquent tax issues, specifically on lines 16 through 20, I would just respectfully suggest that perhaps that language could be more limited to address his interest but yet maintain the reason why it was put in the statute in the first place. [LB432]

SENATOR BRIESE: Thank you. [LB432]

SENATOR MURANTE: Senator Hilgers. [LB432]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you for your testimony today. I'm curious...I want to ask a couple of questions about the tax, these tax certificate signals. We talk about in the '80s where those sales maybe weren't able to bridge the gap on the... [LB432]

LYNN REX: Nobody wanted to buy them. [LB432]

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SENATOR HILGERS: Right. Well, right. So the question I've got and Senator Erdman touched on this, in the '80s their interest rates that were higher elsewhere, right. So that makes sense, capital flows to where there's a higher return. Today that's not the case on the interest rates. Are there other variables that might impact people wanting to buy them? For instance, before you answer, for instance, the supply of the certificates. So if we have, if our defaults start to go, creep up, maybe they're at 3 or 4 percent now but if they're 10, 11, 12 percent, have you seen in the past where the market...there's just more supply than demand and so some of these might not be sold on the market? So...or something else, similar to that. [LB432]

LYNN REX: Yes, I could see where that would be something that could occur and frankly, I'm going to check with a couple financial people that we work with to get...and get back to you. And folks that deal with investment bankers, we deal with Ameritas and several other folks that advise cities across the state of Nebraska and I can ask them that very question. [LB432]

SENATOR HILGERS: Any actual historical experience they have or any information you could provide because that seems to be that if that market is functioning and could close the gap, we've got one issue. If it's not functioning and not closing the gap, we've another issue, but anyway. [LB432]

LYNN REX: I think the real issue is if the gap isn't closed to make sure that there's language there to protect taxpayers and the services that they need. [LB432]

SENATOR MURANTE: Any additional questions? Seeing none, thank you. [LB432]

LYNN REX: Thank you very much. [LB432]

SENATOR MURANTE: Appreciate it. Thank you. Additional opposition testimony to LB432, additional opponents. Seeing none, any neutral testimony to LB432? Seeing none, Senator Erdman. [LB432]

SENATOR ERDMAN: We should have done those the other way around. (Laughter) So, what she had said, I alluded to. She is correct. There was a time when you couldn't sell them. So over 25, nearly 30 years, that hasn't happened, and so here we are. So we're down here now and we're going to talk about it. The Legislature has never passed anything whimsical and never done anything goofy, right? There are things that this Legislature has done in the past that don't make sense today. So let me share this little story. There was a little girl watch her mom make a ham for Easter and she cut the end of the ham off and put it in the oven. The little girl said, mom, why did you do that? She said, I learned from grandma, go ask her. So she went to grandma's house,

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she asked grandma, and grandma didn't have an answer, but the grandma said go to the rest home and ask great-grandma, she taught me how to do that. So she did and she asked great-grandma why do you cut the end of the ham off and the great-grandma said, the pan wasn't big enough. Okay. So here's the point. This is what we've always done. Okay. We've always had a 2 percent or 5 percent collection for delinquent taxes so we must always do that. So we go back and analyze why did we do that. Well, back in the '80s, they weren't salable because the interest rate was too high. That's not the case. Hasn't been that way for a long, long time. So let's not deviate from what we've always done. We always have to do that, we don't want to go back and analyze why we do things and change, we've just got to keep doing that. This is a change that needs to happen. I know how you revise this so that you can restrict those people from not doing that and collecting more taxes than they need to. Very simple, straightforward thing, remove the statute. That's what we need to do. That's what I'm asking you to do and I'd appreciate you to pass LB432 on to General File. Are there any questions? [LB432]

SENATOR MURANTE: Are there any questions? Senator Hilgers. [LB432]

SENATOR HILGERS: Thank you, Mr. Chairman. I just love asking questions of Senator Erdman. On the last bit of discussion with Ms. Rex on an amendment that would allow for...if we had the situation of the '80s again, say in ten years, where we couldn't sell them, would you be opposed to some language that might account for that, or...? [LB432]

SENATOR ERDMAN: No, I wouldn't, I wouldn't. But I am concerned that whatever we put in there has to be such that they can't figure a way to get around it because they will. And as I alluded to on the other one, you know, I mean it's just, okay, how can we make this work to our advantage and so we need to make this as ironclad as we can and I thought just removing the statute was the best and easiest way to do it. Because we'll have another opportunity if it gets that way, they can come back and ask for more, right? They could do that. [LB432]

SENATOR MURANTE: Well, it appears, Senator Erdman, that between Ms. Rex and yourself and the comments that you've made there is ample common ground to come up with some sort of solution to satisfy everyone such to the extent that my office can help facilitate an amendment, we can hopefully get something moved on this sooner rather than later. [LB432]

SENATOR ERDMAN: Thank you. [LB432]

SENATOR MURANTE: (Exhibit 4) All right. And before we close the hearing on LB432, I have a letter of opposition from Virgil Harden of Grand Island Public Schools. And with that, I close the hearing on LB432 and ends your time here in the Government, Military and Veterans Affairs. [LB432]

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SENATOR ERDMAN: I've enjoyed it. Thank you. [LB432]

SENATOR MURANTE: And somewhere, out in the ether, exists Senator Groene, and he's on his way. All right. Senator Groene, welcome back to your committee on Government, Military and Veterans Affairs. The chair is still here as the time when you were on the Government Committee and left us to get promoted to the Revenue Committee. We won't hold it against you on your bill here.

SENATOR GROENE: (Exhibits 1-2) Thank you. Chairman Murante, I'll ignore that comment. (Laughter) Michael Groene, M-i-c-h-a-e-l G-r-o-e-n-e. I'm here to present LB479. The following constitutes the reasons for this bill, in order for citizens to be able to cast a watchful eye on local government spending, local governments have to be transparent in their budget process, cannot only ensure that citizens have all the information they need to be informed available at the meeting, but also give citizens time to express their opinion on local government spending. This reinforces that the citizens...citizen's right to review the information discussed as provided in Open Meeting Act, 84-14128 applies also to the Budget Act as well. This bill amends the Nebraska Budget Act to ensure greater transparency of the budget process by mandating at the budget hearing, schedules separately from a government body's regular hearing, the board must make a detailed presentation of the budget, ensure that copies of the budget are available to the citizens and so that every citizen wanting to address the board has an opportunity to do so. The hearing is not limited by time. I presented this because of personal experience and information that was given to me by others who tried to attend budget hearings. I went to a school board meeting at the request, as elected senator, at the request of some folks because of something that was in the budget. It was scheduled for a half hour prior to their general meeting, three minutes was given. There was no information at the table, very little information was given about the budget, just a sales pitch why they did something and how they cut something, but no numbers. Exactly a half hour they cut the meeting off and people wanted to testify. And then they adjourned and started a regular business meeting. I also had an experience where we have a large interlocal agreement that started a...has its own budget. Statutes don't cover interlocal agreements, but they have to have a budget hearing. The budget is, in a local agreement, is well over \$1 million. I just found out where the funds came from. The fund is interlocal agreement and it was not where we expected it to be from, but there was no hearing. They've existed for three years. So my...this legislation attempts to correct that errors. As I said earlier, the Open Meetings Act says you have to have documentation of everything you're going to present at the meeting, a copy or something so the public can, can--my staff will hand out that legislation--can examine it or make a copy of it. Budgets have their own section about open meetings. Not making accusations, but it isn't clear to a local entity that that budget hearing of open meetings rules applies to the budget hearing. What this legislation does, puts it...just basically transcribes it in there, clears it up, and defines what information has to be presented at that budget hearing. As we all know, government can do a lot of things but their number one thing they do is

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confiscate your property through taxation. It's necessary. A budget hearing is very, very important to the citizens. It should be very, very important to the government entities that that is made clear, that plenty of time is given to the taxpayer and the citizens to testify, that there's some time between that time that the people can react to the hearing and call and talk to their elected officials and try to exact change. Now, we were told that our bill wasn't clear and it had some problems so we are presenting, hopefully, a committee amendment that if you look at the bill where it says, as I said earlier, first on line 22...or 23 we add Interlocal Cooperative Act that receives tax funds generated under Section 23-2226.05 and that's an occupation tax. And I'm after one entity right there. It's call N-CORPE in my district. It's a large NRD co-op in a local agreement that pumps water into a creek. And it has a large budget and it's a big concern of our citizens. But I've added that and then also we have added on page 4 where it says such hearings shall be held on a separate day from all regularly scheduled meetings of the governing body and shall not be limited by time. We were attempting there to make sure it was a separate meeting and had plenty of time, but then of course you've got cemetery boards, and you've got a lot of small NRDs that really don't have time to come and have another meeting on a separate day. So the amendment changes it, shall be held on separately from any regularly scheduled meeting of the governing body and shall not be limited by time. Not limited by time is critical that every citizen has a right and time to address their elected officials. I would prefer it was earlier in the day, but we've also been told there's problems with some elected bodies will, and I've seen this happen personally. I've gone to budget hearings, quite a few in my life, where to avoid the press they'll have it after the main meeting and they will push it back to 9:00 because the press has to go back, write their stories, and make their TV news stories. So they purposely put the budget hearing past the press, but that could be addressed too. But the main thing, it needs to be a set time so the citizens can show up, know the budget hearing is going to be held, and they will not be limited by time. This is what we're trying to correct here. And then on the other side of it, to make sure that the information is shared of what's in the budget, and the budgets are available. Actually, I could have...when I went to that school board meeting, I could have made a complaint to, I believe, the Attorney General about no information was available on the budget, but I did not because I understood the public officials probably...generations come and go. Younger administrators show up. They're not as sure about what the laws are on open meetings and budget meetings, so we added to basically describe in a budget hearing what Open Meetings law says. At such hearings, the governing body shall make a detailed presentation of the proposed budget, statement, and shall make copies of proposed budget statement available to the public. Any member of the public desiring to speak on the proposed budget statement shall be allowed to address the governing body and shall be given a reasonable amount of time to do so. The original language says no earlier than 30 days after, but that does not work with certification of tax numbers and when the budget has to be to the county commissioners. So we struck, no earlier than 30 days after. Regular statutes now say it's got to be a five-day waiting period between the hearing and the approval of the budget. So the attempt here is to put more clarity into it. We had a lot of individuals opposing it when we first, because of the 30 days. We

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received after clarification, and telling NACO for one, that we would strike the 30 days. And they sent a letter and you have it, but their last paragraph says, however, if the amendment shared to me by Senator Groene is adopted, we would no longer oppose the legislation, and that's from Larry Dix. We also got called by Omaha Public Schools, as long we took the 30 days out, they were fine. City of Lincoln was also fine. Now I'm not here to disparage any entity because these individuals are saying it's fine, they're following the law. I've been to county commissioner hearing where you receive an awful lot of information on the budget. They answer your questions, but there are always those entities that due to lack of knowledge or due to the fact they just don't want to share the information with the public, that is why we need to address these situations and change the law. So with that, I will take any questions Senator Murante will allow me. [LB479]

SENATOR MURANTE: I will allow you to take questions, Senator Groene. Senator Blood has some questions for you. [LB479]

SENATOR BLOOD: First of all, I'm really happy to hear that you're willing to strike the 30 days. I think for most municipalities the way they do their budget, that would put a constraint on them that would really be hard for them to do their budget. [LB479]

SENATOR GROENE: We knew that and we did strike it. [LB479]

SENATOR BLOOD: So I agree with that. But I have some questions. I hear you saying that the reason you think some of them are not doing it what's already put in the law is either lack of experience or trying to hide something, which frankly if they're trying to hide something from the news, the bigger municipality they would just be on the morning's news anyway, so I don't know what the difference would be. Why would that law change those categories? I mean, if they're still purposely trying to avoid what they're being told, why would changing the rules encourage them to start doing it right? Do you hear what I'm saying? [LB479]

SENATOR GROENE: I'm not writing this for them, I'm writing it for the general public. The general public will now be able to look at the statutes and say, this is pretty clear. This wasn't written by a lawyer, this was written by Groene, (laughter) and they had better have that information at the meeting. [LB479]

SENATOR MURANTE: They can always tell, Senator Groene. (Laughter) [LB479]

SENATOR GROENE: And they can take it down and show their elected official, you did not do this. And they can call the Attorney General and there's no gray area. You should have had the

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budget material there and available for your citizens. That government belongs to those citizens, not those elected officials, not those administrators running that. That budget hearing meeting is the citizens' meeting. [LB479]

SENATOR BLOOD: Absolutely, but doesn't the Open Meetings Act already say that that information is going to be available and as a citizen and a taxpayer you have the right to go to your city hall, to go to your county, the building, to go to whatever other entity and ask for copies of this information because that's you right as a citizen in Nebraska? [LB479]

SENATOR GROENE: You read in the paper of a hearing. You just got off work. You run down to the budget hearing to comment and you look at the back table to catch some information, there's nothing there. Five days later the city adopts the budget. The statute says that information should be there for those citizens to be able to peruse and to check it over. We are just taking the statute in Open Meetings and duplicating it in the Budget Act on the budget meeting to make sure it is there. [LB479]

SENATOR BLOOD: Again, the Open Meetings Act, you just said that, says it's supposed to be there. I guess I've never been to an entity where there wasn't at least one copy outside of a meeting and if you're telling me that people are being purposely deceitful, I don't know...and I'm thinking out loud, I'm not saying anything is wrong with your bill. I just don't know if that's going to stop that behavior. You know, people that aren't going to do their jobs are going to continue not doing their jobs. It sounds like new people need to get hired or get reelected...or get elected because I think the Opens Meeting Act does, and you said it yourself, cover this. So how can just changing it and putting in the Budget Act really change this behavior. And I know that your saying that it helps the citizens, but as the citizens have the Open Meetings Act and it says the same thing, how does that change? [LB479]

SENATOR GROENE: I guess my question to you is, what's wrong with a little redundancy if it helps? [LB479]

SENATOR BLOOD: I personally think it could be more confusing. [LB479]

SENATOR GROENE: When you go to the Open Meetings Act and you... or not Open Meetings Act but the budget, I who have done this a lot went to look at the Budget Hearing Act and I read it and I said, well, apparently they don't have to put information out because this is a different act. And then I did some more research and realized the budget meeting was also an open meetings and it's in a different section of law. This is clarification and not only does it clarify it, it details what type of information must be available. The Open Meetings Act does not. Just says

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whatever is being discussed at the meeting has to be there. This is a budget hearing and we are directing them that this material on the budget must be available. See no harm in that. [LB479]

SENATOR BLOOD: So do you think that you should take it further and create statute that holds these entities that aren't doing their jobs more accountable as opposed to... [LB479]

SENATOR GROENE: I would like some more clarification as to who at the state level is responsible for enforcing it. [LB479]

SENATOR BLOOD: And who is that? [LB479]

SENATOR GROENE: The Attorney General. That's it. You take your complaints to the Attorney General. The Accountability and Disclosure Commission has nothing to do with it. It is the Attorney General. I don't believe you can even take it to your county attorney. You go to the Attorney General. And maybe we ought to make a mention in that as folks who can't afford to hire a lawyer and want to read their state statutes, know where to take it because I had to research that also. Anyway, thank you. [LB479]

SENATOR BLOOD: Thank you. [LB479]

SENATOR MURANTE: All right. Senator Wayne. [LB479]

SENATOR WAYNE: With the proposed changes that you've already said that you're willing to...I actually like the concept, a part of the reason is my time on the OPS School Board, we did some things making it a little more transparent but how the hearing works for even the city of Omaha and other ones, there's a budget in the back that's super thick that somebody can pick up on that day and you open the hearing and you wait five minutes to see if anybody comes to talk, then there's a couple of people who usually show up and talk and then we shut down the hearing and we go vote on the budget usually the same day in about a half hour afterwards. And the part that I like the most in this bill is the detailed presentation that should be given at the budget hearing. Typically, the entity does a detailed presentation weeks before, sometimes a month before, and so you kind of hear about it for that one budget, and then it disappears and then the next thing you know, the entity adopts a budget. And they say, well, we talked about it a month ago, but even a month ago that's a preliminary budget. We're talking, at least for OPS, about where we're going to move some stuff as board members and then we just go ahead and adopt it. So I think it will require some entities to do a little bit more. I think we have to work a little bit on some of the language, but the overall concept of making sure that at least at your budget hearing, it's not the routine of open and then close and move on. There is a dialogue to the taxpayer out there of,

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here's what's actually in the budget. I think that can go a long way. Just got to clean up some areas, I think, but I appreciate your.... [LB479]

SENATOR GROENE: Yes, we need to...committee amendment and it's just not, as Senator Blood said, just the public there. The news media is there too and those individuals have a time line. They might write three or four different stories. They don't have time to go through that budget either. They need, as they're sitting in that room, to have a detailed budget presented some...you know, just the balance sheet, just the income statement, just debits and the credits and the increases. You know, most budgets on the one sheet shows you last year's and this year's. That's very important. I've gone to budget hearings at the same school district, same business manager. Power point presentation. Very good. New superintendent comes and all of a sudden all he's doing is saying, well, we're lowering our tax rate, not even talking about the revenues created by that tax rate. Not talking about what the state aid to education would be, not telling the folks, payroll, suspensions, it just completely disappeared with a new administrator. [LB479]

SENATOR WAYNE: Again, thank you for bringing it. [LB479]

SENATOR GROENE: Yes. [LB479]

SENATOR MURANTE: Senator Brewer. [LB479]

SENATOR BREWER: Thank you, Mr. Chairman. All right, Senator Groene, let's kind of shift to western Nebraska language here. I'm going to rattle off something and you just tell me if I've got this right or whether in my exhausted stupor, I've got it wrong. This forces budget hearing to be separate from regular business meeting, forces the government body to print and make budget statements available to the public. Is that kind of tracking in what you're thinking, going with what Senator Wayne had brought up, because I agree? I've went to a couple of different hearings where that was supposed to be available, it wasn't. And when I read these in stupors I usually give it a rating and you got a smiley face there, all right. (Laughter) [LB479]

SENATOR GROENE: Thank you, pal. [LB432]

SENATOR MURANTE: I'd remind the members, this is supposed to be a question and answer period. (Laughter) [LB479]

SENATOR GROENE: But anyway in the Open Meetings Act it's supposed to be available to be copied too. And most, if you have the information there and 100 people show up and you expected ten, it's not that hard to run copies, especially in a school. [LB479]

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SENATOR MURANTE: Senator Hilgers. [LB479]

SENATOR HILGERS: A brief question, Senator Groene, dovetailing off the discussion with Senator Blood about what was in the Open Meetings Act. There's supervision in here that I don't think are, but I could be...you might have more familiarity than I do. One is that the meeting should not be limited by time and the other is giving each individual the right...given a reasonable...any member of the public shall have reasonable time to address the governing body. I know there's a general right to the public to attend a hearing and ask questions, but those seem to be slightly more specific than what is generally available. Could you speak to that, is that just...or is that language just found in the Open Meetings Act? [LB479]

SENATOR GROENE: Well, the reasonable time is there and if you talk to the AG's Office, that's in the mind of the beholder what reasonable time is. Is it two minutes, five minutes. But how do you say five minutes in law and then a representative of a large group comes in with very documented material. In their representation, they're representing 150 people, 200. How do you then limit them to five minutes. That's what...you've got to rely on the decency and the moral character and the public servant added to that, you do not limit them to three minutes and don't answer their questions, which I went through. By the way after I testified and the press got on them, they changed their policies. But anyway...but it's that exception to the rule why we make most laws. As I said, the county NACO thinks it's a good idea; OPS thinks it's a good idea. We had...and we've had other entities,--Charles could tell you who they were--who have called and had a concern about the 30 days. After we told them what the amendment would be, and what we were fixing, they agreed. They're good public servants. They like to be transparent. It's the exception to the rule why we create any law. That's a thank you. [LB479]

SENATOR MURANTE: Thank you. Any final questions? Seeing none, thank you very much for your opening, Senator Groene. [LB479]

SENATOR GROENE: Thank you. [LB432]

SENATOR MURANTE: And we will proceed to proponent testimony. Mr. Mach, welcome back. [LB432]

COBY MACH: (Exhibit 3) Thank you and good afternoon. My name is Coby Mach, C-o-b-y M-a-c-h. I am the president of the Lincoln Independent Business Association. I have a very, very brief statement in support of this bill. We do work with the local government bodies and work with them on their budgets as we are interested in how they fund local government. First of all, I will say that Lincoln Public Schools really does a very good job of making sure that when they start the meeting that it is about the budget, so if you want to go and you want to testify on the

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Lincoln Public Schools budget, you have time. There's no cut-off and I think they're doing a good job. At the Lincoln City Council hearing, and I've passed out a copy of their agenda, they're doing it differently. It usually works, but they will start off--you'll see at the top of their agenda--they will start off with a regular city council meeting at 2:30 in the afternoon and then it says the budget hearing immediately follows the regular council meeting. So if you show up at 2:30 to talk about the budget or testify on the budget, you may wait a half an hour for them to go through liquor licenses and ordinance changes, or you may wait an hour and a half or two hours. And if you're taking time off from your work, you really don't know how to gauge that because you don't know how long the regular council meeting will go. So we think this just adds some clarity and we think that it is a good bill. I would be happy to try to answer any questions. [LB479]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Senator Briese and then Senator Hilgers. [LB479]

SENATOR BRIESE: Thank you, Senator, and thank you, Mr. Mach, for being here. So you think having a budget meeting on a different day would be better than what this amendment does here? [LB479]

COBY MACH: Well, I talked with Senator Groene this morning about this and he talked about amending the bill that would allow them to do it on the same day. He said that there are some areas where you have to travel, you know, in order to get to your meetings. And so we would be okay with doing it on the same day. We would be okay with amending this bill a little bit that would allow...still allow a government body to have a regular meeting as well as a budget meeting. But I think we need to pinpoint when that budget meeting starts. [LB479]

SENATOR BRIESE: A time certain would be better for the budget meeting, you're saying. [LB479]

COBY MACH: Yes. [LB432]

SENATOR BRIESE: Thank you. [LB432]

SENATOR MURANTE: Senator Hilgers. [LB479]

SENATOR HILGERS: Thank you, Mr. Chairman. Because on that point as I read this amendment, you could have it on the same day but two meetings would be separate. But that doesn't address your concern because you would have the regular meeting, that meeting would

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end, and then separately the next meeting would start, but it doesn't address the concern of the public that you've raised which is, you want to know when that budget meeting is. [LB479]

COBY MACH: You know, I think for the average person that has to take time off from work, when this...these are meetings here in Lincoln anyway that start at 2:30 in the afternoon. I think it would be helpful if they...if it was uniform and we said, okay, we're going to start with that budget. [LB479]

SENATOR HILGERS: Yeah, that makes sense. Thanks, Mr. Mach. [LB479]

SENATOR MURANTE: Okay. Any additional questions? Seeing none, thank you. Additional proponent testimony to LB479. Are there any additional proponents? Opposition testimony to LB479? How many opponents do we have? Okay. Thank you. Welcome back. [LB479]

LYNN REX: (Exhibit 4) Thank you. Senator Murante and members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I do have a letter from the city of Lincoln, but you can get that later, maybe, if that's okay. First of all, we really do appreciate Senator Groene introducing this measure. I think he's raised some legitimate issues to be addressed. I've got a couple of things that we think might be better wording perhaps to address it. We really appreciate the amendments that he suggested to you which is to basically put in that they could be held separately. And I have some language I'd like to suggest to you and I think a way in which we can accommodate Mr. Mach's concern too. If you look on page 4, line 7, right now the language is being underscored here, looking on...so page 4, line 7, each governing body shall each year or biennial period conduct a public hearing on its proposed budget statement. One of the things that I would suggest to you to make it really clear that it can be on two separate days, because separately does not necessarily mean two separate days. We want to make sure that that's clear to say something like, such hearing may be held on the same day as any regularly scheduled meeting, but shall be held separately from any regularly scheduled meeting of the governing body and shall not be limited by time. I think that way you accommodate both of those issues. And to address Mr. Mach's concern, you could indicate that if it's held on the same day, that the budget hearing shall be held first because that way nobody is sitting there through an hour or two of whatever else may be going on, or a half hour, whatever it may be. So it is a time certain. But I do think it needs to have express language that it can be on the same day. And so again, and we can talk to committee counsel if that's appropriate, Senator Murante. So I think that that is very important. In addition, looking at the language on line 17, at such hearing the governing body shall make a detailed presentation of the proposed budget statement. I really understand his intent. I mean, I've been to more budget meetings than I can begin to imagine or explain, but I would suggest that I've been to some where I think they should have had more detail. I've been to some where the detail was so line by line that literally you're

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there until midnight as someone is going through it line by line. I would suggest instead of using the word "presentation" I respectfully suggest on line 18 the governing body shall make a detailed "overview" of the proposed budget statement. In other words, this is more than just it's going to raise the levy, it's going to do this, it's going to do that. It's something more than just one piece of paper. It's going to be really a presentation and an overview so that has occurred. And then reading on, in line 19, and it says, shall make copies of the proposed budget statement available to the public. That really is of concern in two ways. First of all, making copies implies that you have 20 people show up and you're going to make 20 copies of the budget. That may work in Bellevue where you have a lot of folks, but that budget in Bellevue is about an inch or two thick. It is in Omaha, but that doesn't work when you're dealing with Genoa. It doesn't work when you're dealing with Greenwood. It doesn't work. The one city clerk that's there that is their person that would be responsible for doing that. That being said, as Senator Groene has noted in 84-1412(8) the Open Meetings Act already requires that you have one reproducible copy of materials to be discussed. I'm suggesting that because of, number one, we would love to have 20 people or ten people show up at the budget meetings. Most elected officials will tell you nobody shows up, so. But you also have to be prepared for when you do have a number of people that show up. And I would just respectfully suggest that maybe you put in either three copies, at least three copies of the budget available. And...but Senator Groene is exactly right. They're required in the Open Meetings Act and make no mistake, they are under the Open Meetings Act whenever they're in a public meeting, period, end of story, whether its the budget, no matter what it is. They're in a public meeting and they're subject to Chapter 84, Article XIV where they're required to have one copy of reproducible material there. So I would respectfully suggest at least three copies of the budget. So when you have Genoa or Belvidere, when in fact I know several years ago when the Open Meetings Act was being amended, the attorney representing Belvidere said they did not even have a copier in Belvidere anywhere. So that means going to a bank someplace to another little village. So respectfully, we're dealing with so many different entities here, just respectfully to say something like at least three copies of the budget available at the meeting so they're not "making copies". You have three copies there which is a higher standard than the one reproducible copy required in 84-1412(8). Then in addition to that, I know my time is up here, so I'll go very fast. The other thing that I guess I would just insert is that there's been a question or a concern about who has the ability to enforce this. This is enforceable by the Attorney General or the county attorney in the county in which the public body operates. So those are the two enforcing mechanisms. I'd be happy to respond to any questions you might have, but I think I understand the reasons for his bill. I think he's got some good ideas here. I do also want to emphasize that under the Open Meetings Act that municipalities as all political subdivisions in the state, we're all state agencies that are governed by it. State commissions and so forth that there is a requirement and a provision that they can have and adopt reasonable rules and regulations for how folks present themselves. So if you end up with somebody who comes here and makes a 30-minute presentation, the next person is not limited to five minutes. And I know that's ironic since I'm exceeding my time but I appreciate your courtesy. But I'm just suggesting

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that most of our cities have those rules and procedures and villages do too which say that, you know, basically you will have...everyone will be limited to five minutes unless there's a waiver by the presiding officer for more time, something like that. But I do think that what Senator Groene indicated is true. If you have one person that shows up, you know, 20 minutes may be very reasonable. If you have 20 that show up, that's probably not reasonable for everybody to have 20 minutes. So again, we appreciate what he's trying to do here. We think that there's some language changes that could tighten it up and I'd be happy to work with committee counsel and Christy Abraham would be willing to do that too. [LB479]

SENATOR MURANTE: Sounds great. Senator Blood. [LB479]

SENATOR BLOOD: Lynn, the more I listen and we talk about transparency making information available, have you heard anything from the League in reference to going even a step further? I know...again, I always refer back to Bellevue just because that's what's freshest in my mind. You know, we elect...most municipalities work daily to try and be more transparent and so the budget immediately goes on-line for view before we ever have a budget meeting. So the public can access it regardless of what hours they work because unfortunately, you know, Bellevue is definitely a middle-class city and a lot of people are working until 5:30, 6:00 at night and the last thing they want to do is come to a meeting at night. Do you think that there would be a benefit to amending this in some way to also ask that if the municipality has the ability to post that information on-line they should do so? [LB479]

LYNN REX: I think that that would be...yes, as long as it's not a mandate that they have to. And here's why. [LB479]

SENATOR BLOOD: As an option. [LB479]

LYNN REX: We have some cities and some villages...we still have to mail out anywhere from 35 to 40 hand copies, you know, hard copies of our legislative bulletin because they don't have any computer access, and so that's an issue. The other thing too, I want to underscore for those that may not be aware of it may be new to the committee, in Chapter 84, Article VII, which is the Public Records Act, anybody can come, and I hope they do. There's no problem if somebody comes before, you know, the day or two before and says, I'd like to have a copy of the budget. That's really not a problem, somebody can get that to you under Chapter 84, Article VII. Frankly, most of our cities when you come and ask for a copy of the minutes, you ask for a copy of the budget, they give it to you. They don't say, you know, fill out the form, wait four days, which is what you could do. They don't do that. But at the same token, it's very difficult especially for the smaller entities to have an expectation that they're going to have multiple copies of something there or that they can make them on the spot when they really can't. [LB479]

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SENATOR BLOOD: Do you have any concerns...I know you had...when the sessions, you had to, perhaps the budget didn't get to you before the regular meeting. Again, I go to Bellevue. They meet at six o'clock at night. If you had the budget meeting before then, that would really probably preclude a lot of citizens from being able to attend. They'd still be working. [LB479]

LYNN REX: Well, for example, an ordinance could be amended. I mean, right now most...almost all...you're required to put in your minutes how you give notice, under Chapter 84, Article XIV, of how you give notice. So that one week in Gretna, Nebraska, you don't give notice of the city council meeting this way. The next month you do it a different way, so nobody knows when they're meeting. So there are standard provisions and that's what you're referring to. You could also amend that to say that the budget meeting, which is a one-time thing, that at the annual meeting that that shall be held first. That the hearings...if it is held the same day, but separately, that that shall be held first. And you could amend the ordinance accordingly, so I appreciate your concern. [LB479]

SENATOR BLOOD: So not necessarily an hour earlier but at same... [LB479]

LYNN REX: Same day, yes. [LB479]

SENATOR BLOOD: ...but prior to the agenda for the council meeting itself...or whatever the meeting is. [LB479]

LYNN REX: For the regular meeting itself. But again, those would be separate meetings, two separate sets of minutes. [LB479]

SENATOR BLOOD: Thank you. [LB479]

SENATOR MURANTE: Thank you. Any additional questions? Seeing none, thank you. [LB479]

LYNN REX: Thanks so much for your consideration. [LB479]

SENATOR MURANTE: Welcome. [LB479]

KYLE McGOWAN: Good afternoon. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n, and I'm representing the Nebraska Council of School Administrators. I used to be a longtime superintendent and administrator in Crete, which might have been your old stomping grounds,

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Senator Brewer. Actually, the only opposition that the NCSA had with this bill was the 30-day waiting period. It just didn't work because of when assessed values are given, so I think Senator Groene's amendment to five or seven days is very reasonable. It certainly appears like this should be best practice already. I do think the Open Meetings law apply, but as we know, most laws are made for the exceptions rather than the rules. So I'll keep my statements brief and just answer any questions. [LB479]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Seeing none. [LB479]

KYLE McGOWAN: Anything about Doane, Senator, or...(laughter) [LB479]

SENATOR BREWER: It was a great place. [LB479]

KYLE McGOWAN: Okay. [LB479]

SENATOR MURANTE: Thank you very much for your testimony. Much appreciated. Welcome. [LB479]

NATE JENKINS: (Exhibit 5) Senator Murante and members of the committee, my name is Nate Jenkins. That's N-a-t-e J-e-n-k-i-n-s. I'm assistant manager of the Upper Republican NRD in Imperial, Nebraska, and here to testify in opposition to the bill on behalf of the Nebraska Association of Resources Districts. First of all, I'm not offended that I'm limited to five minutes. I think that's totally reasonable. (Laughter) I should be able to tell you about everything I know within five minutes. Like Lynn and the gentleman who spoke, we're pleased that Senator Groene has agreed to remove the 30-day requirement. That was our main concern. We want to make the bill workable. I think there's a couple of things that need to be done to assure that happens. One point, we need to be cognizant, I think, of the costs associated with the separate budget hearing. For instance, is that going to require another public notice that's published in newspapers. There's a cost associated with that. There's also possibly the scheduling issue. I live in the southwest part of the state, not much population, and weekly newspapers, that could pose a scheduling issue if we have to run...publish another notice separately for the budget hearing. As far as the change that Senator Groene has proposed specifically about the time of the hearing, the duration of it, if amended the bill would say that the budget hearings could not be limited by time. One could interpret this to mean that a budget hearing could last indefinitely with no defined ending allowing a constituent who didn't attend the hearing to formerly complain that he wasn't able to exercise his or her right to testify to a hearing "not limited by time." That sounds a little bit unusual, but as we all know, unusual things can happen and I would wonder whether or not such an argument could be made by a constituent. I mean, for example, showed up at a

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budget hearing shortly after it ended or the next day or a week later. The bill, of course, also addresses N-CORPE of which the Upper Republican NRD is a member along with three other NRDs. It's an interlocal agency. As an entity we would be subject to the proposal from Senator Groene because an interlocal agency such as N-CORPE comprise of a member of government entities that are annually audited and have financial transactions with their interlocal agency approved by their respective boards. Interlocal agencies arguably are subject to more financial scrutiny than their individual members. For example, N-CORPE's member NRDs, such as ourself, are audited and the audits review N-CORPE transactions. N-CORPE itself is also audited. And the member NRD budgets contain the N-CORPE budgets. So we would argue that the type of review that Senator Groene is proposing of interlocal agencies, as a practical matter, already occurs through the budget process of the interlocal agencies members. And that concludes my testimony unless you guys have any questions for me. [LB479]

SENATOR MURANTE: Thank you very much for your testimony. Are there any questions? Senator Wayne. [LB479]

SENATOR WAYNE: You said that it would have an additional cost, but currently under law, I guess, my question is, currently under law, you have to send a budget notice...a hearing notice anyway. I think it's five days. So how would there be... [LB479]

NATE JENKINS: Yeah, I hear what you're saying, Senator Wayne. The way that we conduct our budget hearings, I don't know if this is common or not, but it is contained within our regular meeting. So we run a public hearing notice for that regular meeting and there may be a separate budget notice that's also published. I may have misspoke on that, Senator Wayne. [LB479]

SENATOR WAYNE: I just wanted to clarify that for the record. [LB479]

NATE JENKINS: Yeah, because when we run a notice, when we publish a notice, it contains a synopsis of the budget so, yeah. Thanks for making that point. [LB479]

SENATOR WAYNE: No problem. [LB479]

SENATOR MURANTE: Thank you. Any additional questions? Seeing none, thank you very much for your testimony. [LB479]

NATE JENKINS: Thank you. [LB479]

SENATOR MURANTE: Much appreciated. Speaker Adams. [LB479]

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GREG ADAMS: Chairman Murante and members of the committee, Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Nebraska Community College Association. I'm here in the opposition. My board was opposed to this, but frankly it would sound to me like the amendments, if they are brought to the bill, will end our opposition. I can't say that for sure. I've got to go back to my board. Their concern was cost of a separate meeting and publication. They had an issue with distance with many of our community colleges. That's big territory to travel, but if we can link the meetings at the same time, they may be designated at separate times, but having them at the same time goes a long way and the 30-day notice that being taken out helps a lot. We're certainly fine with the spirit of the law and the proposal that Senator Groene has put forward. It was just really a matter of the logistics of it. The amendments, I think, will take care of that. That's all I have. [LB479]

SENATOR MURANTE: All right. Thank you very much for your testimony. Are there any questions? Seeing none, thank you very much. [LB479]

GREG ADAMS: I just knew it, didn't I? [LB479]

SENATOR MURANTE: Additional opposition testimony of LB479. Any additional opponents? Is there any neutral testimony? [LB479]

ANDREW BROTT: My name is Andrew Brott with the city of Omaha. I'm the budget manager. I like the philosophy of the bill. I just had one suggestion. I don't know if it's appropriate to say that, but if there could be some reference to Internet access which you referenced, I think that's something that I would like to see in there because it really makes it much more easy for community members to be able to get access to a particular bill or a particular budget, rather, without having to actually come and then they take contact there, their governing office. Thank you. [LB479]

SENATOR MURANTE: Hold on one second. Let's see if there's any questions. Are there any questions? Seeing none, thank you very much. Welcome back. [LB479]

JON HABBEN: Hello again. Again, my name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools. I wanted to clearly demonstrate after we found the changes, that we had ended our opposition to the bill. That's why I'm in neutral, I guess. It's not that we don't care, but I would suggest the logistics of the materials provided in the meeting itself, I have to tell you, keep in mind, sometimes it's all about the enthusiasm of the people putting on the meeting as to how hard you work to do something well for the people who come to the meeting. I think that's the human piece of this whole thing. But we do agree with the idea that we want to do right by the people who choose to come to the meetings, and by the media that come to the meetings, and

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Government, Military and Veterans Affairs Committee
January 26, 2017

we want to make sure that we've done it appropriately so the more this bill develops into something that we can say, these are the requirements, the easier it will be for nobody to be on the wrong side of this. And that's all I have. [LB479]

SENATOR MURANTE: All right. Thank you very much. Any final questions? Senator Blood. [LB479]

SENATOR BLOOD: Do you think in your personal opinion... [LB479]

JON HABBEN: I'm sorry. [LB479]

SENATOR BLOOD: Do you think in your personal opinion that there would be a benefit to having media packets available? [LB479]

JON HABBEN: Media packets? That's hard to say. In the schools that belong that would be considered rural community schools, enrollments of 2,000 or below, you've got a wide variety of media and a wide variety of capacities to produce things, X amount of times a week, or might be a radio station where the station is located 80 miles away. A media packet is a nice idea. It could certainly be a part of suggested protocol, but I would hate to have a required media packet. I think that goes a bit too far. [LB479]

SENATOR BLOOD: I agree. A required one would not be acceptable especially for small communities, but much like having the option of going on-line, for those that have the ability to put the budget on-line and make it more transparent, if we were indeed to be able to make that optional, perhaps could there be a benefit to also, since we're already going on-line, to make it available to the public, to also have a media packet available on-line if indeed that municipality has the ability to do so? [LB479]

JON HABBEN: I think for optional materials or optional procedures, I think that's fine. There needs to be...I'm kind of a prescriptive person, part of some years of being an activities director. When you go to set up an event, you got one, two, three, four, five, and you've got you're check list and who is responsible and all those things. I don't think this needs to go that far. But I think that list of the things that are required and suggested items, I don't see any problem with that. I think those kinds of things are helpful to anybody who is running the meeting and is responsible for the reality of the meeting. [LB479]

SENATOR BLOOD: Thank you. [LB479]

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SENATOR MURANTE: Additional questions? Seeing none, thank you very much for your testimony. [LB479]

JON HABBEN: Thank you. [LB479]

SENATOR MURANTE: Any additional neutral testimony to LB479? Seeing none, Senator Groene. [LB479]

SENATOR GROENE: Thank you. I would like to say I may have written the worst bill I ever wrote on purpose so that we'd get all this comment, but there's a lot of changes here that need to be done. You can tell there are concerns even by the public entities. The Internet, Common Cause, caught me this morning in the lobby about the Internet. I had the budget because I'm experienced when I decided to testify. I contacted the business manager at the school and he e-mailed it to me. I couldn't find it on the Internet so it was available. Here's another idea. The same time that you put the notice on in the paper, it could easily be put on your Web site along with the budget. It could be dictated if you have electronic correspondence with your constituents, you should put the hearing on there also. I would like to see that. I'm confused about the concern about how many copies are at the meeting because if you read the Open Meetings Act, number 8, Section 8, public bodies shall make available at the meeting or the in-state location for the telephone conference call or video conference, so make it simple, public body shall make available at the meeting for examination and copying by members of the public at least one copy of the reproducible written material. It's already there. I'm assuming they don't expect you to take that one copy and run down to the library and get a copy and then come back and testify at the hearing. The copies are supposed to be there or the ability to copy. By statute they're supposed to be there in Open Meetings law. So what we have put into the new...the budget hearing doesn't distract from that or add to it. Also back to the one of the reasons I...Charles was talking to me today and I was busy and I said throw 30 days in there without thinking about the...when we were preparing the bill, about the deadlines of when tax...property taxes are certified and when the budget is supposed to be given to the county commissioner. But Senator Wayne made a good point. I don't believe they ever thought when they wrote the Open Meetings, the budget law that after such hearing the proposed budget statement shall be adopted or amended and adopted as amended and a written record shall be kept of such hearing. That should be done a half hour later. I mean, the press is there to cover it. The people have come, they've got concerns, there should be at least two or three or five days in there where between the hearing and the people can call their elected officials because they read about it in the paper, watched it on TV, and can call their elected officials and express their concern about that budget. I would like to see a short period of time in there which could easily be done within that August 20th date of the certification, I believe, September 20th or something of the budget has to be to the county commissioner. So I would like to work with the committee that come up with a...it needs to be corrected. It needs to be...number one concern is state property taxes, folks. And

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there's a reason, colleagues, not folks, that property taxes are collected and every one of them that is collected is spent. The folks need to have that connection and a good connection and an open connection and a transparent connection between that collection of your taxes and the spending of your taxes. So, I happen to like Ms. Rex's overview because that's what you'll usually see in the front of a budget, 2016-2017 numbers. And they're basically an income statement. If it was business or expenses, a couple, three pages. At least go over that and tell the folks where the money is being spent. You know, how many tax dollars are being collected in a presentation. And even the smallest village that has a ledger sheet and a lead pencil can do that. So, is there any questions? [LB479]

SENATOR MURANTE: Senator Blood. [LB479]

SENATOR BLOOD: Thank you, Senator Murante. I do agree with you that we definitely have to always work to be as transparent as we possibly can. One of the areas of confusion that I just heard as you were closing this, so I agree that the Open Meetings Act says you have to have a copy in the vestibule or wherever when people come in that they can review what's on the agenda and what's being spoken about. But if you look at the bill it says, and shall make copies, plural. So I think that that's maybe where the confusion is where she's talking about three copies. Her concern is that, you know, are you asking a municipality that may not have a copier...that they're already being compliant by having the one copy in the Open Meetings Act. Is this going to confuse them into thinking they have to have more copies? [LB479]

SENATOR GROENE: It's worded...it's just basically worded different than the Open Meetings Act. The fact, if that municipality actually didn't have a copying machine, they probably were breaking the Open Meetings law because it says, for examination and copying by the members of the public shall be made available at the meeting--not prior to the meeting, not after the meeting--at the meeting. So you can argue words and the arrangement of them. Do they make the copies for them when they show up? Do they have the copies available? Is a copy there that they can go get a copy while they're at the meeting? But the statute says, at the meeting for examination and copying by members of the public. How do you interpret that? [LB479]

SENATOR BLOOD: I think it's clear in the Open Meetings Act. I think it's fuzzier in the new amendment. [LB479]

SENATOR GROENE: But we heard testimony that there's districts that don't have a copying machine. They apparently better go buy one. Put it in the budget. [LB479]

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SENATOR BLOOD: They are again, it's Open Meetings Act, I agree with you. That I don't disagree with, but I'm saying I think there's a little confusion just in how it's worded. That's all I'm saying. I'm not disagreeing with you anyway. [LB479]

SENATOR GROENE: I think we're quibbling over...we want to get to the same end, I agree with you, Senator Blood, and I'm sure legal counsel here can. [LB479]

SENATOR MURANTE: (Exhibits 6-9) We'll get to the bottom of it, I assure you. Any final questions? Seeing none, before we close the hearing on LB479, I do have letters of opposition from Nancy Bryan, the city clerk and treasurer from the city of Stromsburg; from Patrick O'Brien of the Upper Niobrara White NRD; from Larry Dix of NACO; and of Virgil Harden of Grand Island Public Schools. [LB479]

SENATOR GROENE: Can I make one more clarification. Senator Wayne was exactly right. Open Meetings law, you have to have a public notice five days ahead; a budget hearing you have to have a separate notice five days in advance. So even if you had it the same day, you have to pay for two notices. Thank you. [LB479]

SENATOR MURANTE: Thank you and that closes the hearing on LB479 and ends the public hearings for the day. [LB479]