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Government, Military and Veterans Affairs Committee  
January 31, 2018

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[LB850 LB943 LB1128]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Wednesday, January 31, 2018, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB943, LB850, and LB1128. Senators present: John Murante, Chairperson; Tom Brewer, Vice Chairperson; Carol Blood; Tom Briese; Mike Hilgers; John Lowe; Theresa Thibodeau; and Justin Wayne. Senators absent: None.

SENATOR MURANTE: (Recorder malfunction)...and Veterans Affairs Committee. My name is John Murante. I am the state senator for District 49 which includes Gretna and western Sarpy County and I am the Chairman of this committee. We are here today for the purposes of conducting three public hearings. We will be taking the bills up in the order in which they appear on the agenda outside of this room. If you are here and wish to testify on any of the matters before us we ask that you fill out one of these green sheets of paper which are located on either side of the room. And if you are here and wish to express support or opposition for any of the matters before us, we ask that you to fill in one of these sign-in sheets that are again located on either side of the room. If you do testify we ask that you begin by stating and spelling your name for the record which is very important for our Transcribers Office. The order of procedure is that the introducer will be given an opportunity to open, then will listen to proponent testimony, followed by opponent testimony, then neutral testimony and the introducer will be given an opportunity to close. We ask that you listen very carefully and to try not to be repetitive. We do use the light system in the Government Committee. Each testifier is allotted four minutes to testify. When the yellow light comes on you have one minute remaining and we ask that you begin concluding your remarks. When the red light comes on your time has expired and we will open the committee up to any questions they may have of you. At this time I'd like to encourage everyone to turn off or silence any cell phones or other electronic devices, anything that makes noise. If you have a prepared statement, an exhibit, or anything you would like distributed to the committee, we ask that you provide 12 copies to our page who will distribute them. If you don't have 12 copies just provide the page what you have and she will make copies for you. And our page for the day is Kylie Kotouc of Lincoln and is a student at the University of Nebraska. So with that, we'll give Senator Thibodeau a second to sit down and begin with introductions of members. Senator Lowe. [LB943]

SENATOR LOWE: John Lowe, District 37, south half of Buffalo County. [LB943]

SENATOR BRIESE: Tom Briese, District 41. [LB943]

SENATOR HILGERS: Mike Hilgers, District 21, northwest Lincoln and Lancaster County.  
[LB943]

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SENATOR BREWER: Tom Brewer, District 43, 13 counties of western Nebraska. [LB943]

SENATOR THIBODEAU: Theresa Thibodeau, District 6, northwest Omaha. [LB943]

SENATOR MURANTE: And to my immediate right is Andrew La Grone. Mr. La Grone is the Government Committee legal counsel. To my far left is Sherry Shaffer. She is the Government Committee clerk. And I would remind everyone that Senator Brewer is the Vice Chairman of this committee. So with that said, we welcome back Senator Wishart to your Committee on Government, Military and Veterans Affairs. [LB943]

SENATOR WISHART: Well, good afternoon, Chairman Murante and members of the Government, Military and Veterans Affairs Committee. My name is Anna Wishart, A-n-n-a W-i-s-h-a-r-t, and I represent the 27th District in west Lincoln. And I'm here today to introduce LB943, a bill that is vital to a growing Nebraska communities. And I did want to say...just briefly I wanted to thank you again for the work we did last year on the law enforcement bill that helped police officers' families and their privacy. I know the chief is here to speak and he's told me that quite a few officers have taken advantage of that, so thanks for working with me on that bill. So LB943 allows governmental unit budgets to account for growth due to new construction and improvements to real property and annexations. Current law limits budgetary growth to 2.5 percent. This can be exceeded by an additional 1 percent with a supermajority vote of the governing body or by the percentage above 2.5 percent that is attributed to increased valuation for new construction. LB943 is focused specifically on growth due to new construction. Communities such as Lincoln, Gretna, Papillion, Omaha and Kearney are growing. Lincoln, for example, has grown at approximately one square mile and added 3,400 residents per year. Lincoln has not been able to increase its base in line with this growth because the 2.5 percent for new construction threshold has not been met in recent years, yet the needs attributed to growth must still be addressed. When I knocked on doors, constituent after constituent related two priorities to me: roads and public safety. Not only are roads and other infrastructure needed to support new construction, but existing roads must be maintained. Public safety resources are also stretched thin, having to cover more ground as Lincoln grows in area. Regardless of the budget limitations, our constituents expect and deserve good roads and that our public safety agencies will timely respond to emergencies. Lincoln is currently in the process of addressing response times in the growing areas of east and south Lincoln by adding police and fire stations. Additional police officers and firefighters will be needed to meet the needs of these growing areas. Currently over half of Lincoln's budget supports public safety personnel at costs that are exceeding 2.5 percent limitation. To put it in context, we have been hearing that government must live within a budget just like the families, and I agree. When families grow by adding children or caring for loved ones, their budget needs to grow, spending more on food and other necessities in an effort to meet the needs of their families. Growing businesses as well expand by increasing space and adding needed equipment and personnel. This begs the question, why are

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we arbitrarily restricting budgetary growth where a community is growing. Growth in communities spurs increases in needed services just like the needs of a growing family or business. If not allowed to grow in line with new construction and inflation, priority services like public safety and roads will not keep pace with the growth. Roads will deteriorate--all of you have driven through Lincoln; I'm sure you can understand the situation we're in, in terms of our roads--and communities will stop growing. I do not want this to happen to Lincoln anymore or any other growing community. LB943 prevents this. I also want to make clear that passing LB943 does not equate to a property tax increase as these are already revenues we are collecting but are simply restricted due to state statute. Providing some relief to the restricted lid increases the base and does not automatically increase a levy. I urge the committee to support growth and advance LB943. We have testifiers today from across the state that will discuss how this bill positively impacts their communities and economic development. I do plan on closing and so if possible I'd like the committee to hold questions for me until my closing. [LB943]

SENATOR MURANTE: All right. Any members wish to ask any questions? Seeing none... [LB943]

SENATOR WISHART: Thank you. [LB943]

SENATOR MURANTE: ...no problem. Proponent testimony for LB943. Welcome. [LB943]

DENNIS MEYER: (Exhibit 1) All right, good afternoon. Senator Murante and members of the Government, Military and Veterans Affairs Committee, my name is Dennis Meyer, D-e-n-n-i-s M-e-y-e-r, and I am the budget and fiscal officer for Lancaster County. I've been with Lancaster County for about 11 years now and before that stint I was with the State Auditors Office for about 16 years. And for about half of those years I spent dealing with political subdivision budgets, lid calculations and stuff like that. So this lid has been around since 1998 and I've pretty much almost spent my whole adult life dealing with it. So today, Lancaster County is testifying in support of LB943. LB943 is addressing one of the types of allowable increases to the lid on restricted funds, which political subdivisions must deal with on an annual basis during the budget process. The lid discussion at times can be confusing because a lot of people tend to think it's maybe a spending lid when in all reality it's really based off of how much can you collect in property tax and different types of restricted funds. Those types of restricted funds are, you know, the property tax, the motor vehicle tax, the sales tax, in lieu of tax, those types of revenues. They then throw in exceptions to those lids and those exceptions then are based off of budgeted expenditure. So it's kind of a mixture between how much revenue can you bring in, but we're going to exclude some of it based off of certain types of expenditures. Those certain types of expenditures are capital improvements, interlocal agreements, and bonded debt. So really to me this really kind of means that you can collect so much in restricted funds really to cover

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operating type of expenditures. And like I've mentioned, this lid has been around since '98. The base limitation established in state statute Section 77-3446 is 2.5 percent and it allows that base amount to grow by that percentage on an annual basis. That 2.5 percent, in my mind, is kind of like a cost of living or, you know, a percentage based off of the Consumer Price Index, something like that. Allowable growth has always been included as a way to increase your base amount but only if it's greater than the 2.5 percent. LB943 would allow any type of growth and allowable growth no matter what type of percentage increase increases cost because additional services are required. Now Lancaster County does not have a lid problem at this time. So each year the county board determines their amount of property tax needed to operate the county budget really without a whole lot of thought to the lid at this point in time. That doesn't mean the county board doesn't care about property tax, because the levy that was adopted this year at 26.66 cents is really the lowest levy that the county has had in ten years. But as we discuss the lid, you know, how the base amount was set 20 years ago, what kind of growth has taken place, it just makes this kind of think that how much have we missed out over the years because it didn't hit the 2.5 percent. When I take a look back at the last five years, our growth has ranged from 1.58 percent to 2.48 percent; all those years below that, 2.5 percent so we've kind of missed out on being able to use those. And one of the examples is...that I talk about Lancaster County is the county jail. You know, as the population and growth takes place, the number of inmates increase that much more also. The infrastructure that we've built, that jail that's out there has already been built. Now it comes down to how do we open new pods for additional inmates coming in? That really requires additional staff, which that additional staff is really part of that lid. So without the ability to tap into that additional growth, that can kind of penalize us. So I'll kind of close with that. I thank you for your time and I'll try to answer any questions you might have. [LB943]

SENATOR MURANTE: All right. Thank you for your testimony. Are there any questions?  
Senator Hilgers. [LB943]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you for being here. I have a clarifying question because I think I've heard two things so far that seem to be inconsistent and I just am trying to understand how... [LB943]

DENNIS MEYER: Right. [LB943]

SENATOR HILGERS: ...make sure I understand how this works. So I thought I heard Senator Wishart say in her opening, and this is sort of my understanding, that the growth is a restriction on spending. And I think...what I wrote down, Senator Wishart said, which again was my understanding, is that the revenue...the dollars are being collected. But then in your testimony you said the lid discussion can be confusing because so many people believe it is the spending

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lid implying that it's only...it actually is not a restricting on spending but a restriction on collection. So can you clarify... [LB943]

DENNIS MEYER: Yeah, I mean because the debt...I mean it's really based off of what's been defined as restricted funds, which for the most part is property tax and certain types of state aid monies and sales tax. So it really drives how much can you collect in a given year. And so when that base amount is collected...you know, so for example, in Lancaster County, let's just say our base amount is \$50 million. That tells me how much I can levy to cover operating type of expenditures. Now Lancaster County, we might be only using \$40 million of that, so we banked the remaining \$10 million. So, you know, your base amount can grow. You're either using all of it, a portion of it, but it's really...to me it's based off of revenues. [LB943]

SENATOR HILGERS: Okay. Thank you. [LB943]

SENATOR MURANTE: Senator Briese. [LB943]

SENATOR BRIESE: Thank you, Chairman Murante, and thank you for being here. I think I heard a statement earlier that we're not talking about a property tax increase here. But this, increasing this can certainly lead to a property tax increase, correct? [LB943]

DENNIS MEYER: I mean, correct. I mean I think it still comes down to, you know, for example, Lancaster County. My county board takes a look each year what do they need to operate the county budget on. And then from there then they set that number. I then go back, do the calculation of the lid and come back and say, okay, we've got no problem with that. Now our lid would say we could go up an additional, let's just say, \$10 million. Well, the county board is just banking that because I guess the way that I look at it is with this lid being around for 20 years, we've tried to tweak it at times and at times I'm not sure who all knows exactly what's going to happen to that lid when you walk out there on the street. So to me, I like to be able to justify why that base amount should grow, not worry about that we're going to use it but if we ever need to five, ten years down the road we've got the ability sitting there. [LB943]

SENATOR BRIESE: And you indicated that the allowable growth the last five years has ranged from 1.58 percent to 2.48 percent. This bill would essentially double those amounts...double the highest amount. [LB943]

DENNIS MEYER: It would have...we were not able to utilize any of that. This bill would have allowed us to use those percentages each year. So the year that we had 1.58 percent, because it was below the 2.5 what I call cost of living, it did not allow us to tap in any of that. This bill

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would say if you had 1.58 percent growth it would allow you to increase your base amount by that. [LB943]

SENATOR BRIESE: Okay. Thank you. [LB943]

SENATOR MURANTE: Thank you, Senator Briese. Any additional questions? Seeing none, thank you for your testimony. [LB943]

DENNIS MEYER: Okay. You bet. [LB943]

SENATOR MURANTE: Welcome. [LB943]

JEFF BLIEMEISTER: (Exhibits 2 and 3) Good afternoon. My name is Jeff Bliemeister, J-e-f-f B-l-i-e-m-e-i-s-t-e-r, and I serve as the chief of police for the city of Lincoln. And I appreciate the opportunity to be in front of you to support LB943. Lincoln, similar to many communities in our state, is growing. In Lincoln, we have witnessed more than a decade of continuous population and land growth that will be demonstrated in some of the handouts that are coming around. So the need for LB943 would not be here if we were not experiencing this growth. As a law enforcement agency in an urban area, the challenges and opportunities are numerous. In the handout that you'll be receiving, it highlights some of the hurdles that we are facing. These demands have the potential to decrease our effectiveness and inhibit our capacity to meet the needs of the citizens we serve. The services law enforcement and Lincoln provide are based upon input gained through Taking Charge surveys. Safety and security since the tools been put into place in 2008 has been the top priority again and again. The priorities are clearly stated in our strategic plan and in the mayor's strategic plan. We need more officers and civilian employees to provide the services our residents have come to expect. And so that's the simple version of demonstrating the need today. But what have we done internally? So we have pared down some of the services that we have provided because we have been unable to meet those staffing growth...staffing needs. As one example, we no longer have school resource officers in our middle schools. In 2010 and 2011, those positions were reallocated to meet the prioritization that we measure every year. And I want to put it into another perspective for all of you. In last ten years you heard we talked about adding 35,000 people to the city of Lincoln. So that is the combined population of Columbus and Beatrice. When I dive into the statistics through the Crime Commission, those two entities, those two policing entities in Beatrice and Columbus employed 84 people. During the period of growth that we're talking about in the last decade, we've added 17. Another way to look at it, there's 27 communities in Nebraska that have a population over 5,000 people. The Lincoln Police Department has...there's only one other community that has a lower ratio of officers per 1,000 and that's Madison. The other 25 are higher than ours. And I want to throw out my compliments to Omaha. In order for the Lincoln

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Police Department to have the same ratio, not the same number, but the same ratio of officers per 1,000 residents, we would have to hire 184 officers today at a cost of almost \$18.5 million annually. To put that in perspective, currently we have 335 commissioned officers. We'd have to add 184 just to have the same ratio as what Omaha does. Since 2007, we've added 8.3 square miles to our boundaries. That's the size of Fremont. And as a service industry, we feel it is important to be able to provide the same level of service on the outlying regions of Lincoln as what we do at its core. As shown in the analysis that's provided in the handouts, mental health investigations, missing persons investigations, and the processing of video evidence are just a few of the increasing call types demanding our attention. Unfortunately, this forum today does not provide the time to explore all aspects of the challenges that I've talk to you about: population growth, land annexation, and the escalating trend lines. The city of Lincoln is going to be in a position to provide our voters an opportunity to weigh in and decide on the expansion of the ranks of Lincoln Police Departments. I believe that their decision to what will be based upon objective analytics, prioritized planning, and comparative data and I'm asking for your support of LB943 to afford an opportunity that might otherwise go unmet. And with that, I'd be happy to answer any questions that I can. [LB943]

SENATOR MURANTE: All right. Thank you for your testimony. Are there any questions?  
Senator Brewer. [LB943]

SENATOR BREWER: Thank you, Mr. Chairman. Do you know offhand how many are in the Lancaster County Sheriff's Office? [LB943]

JEFF BLIEMEISTER: I do. There's...commissioned employees, there's approximately 85.  
[LB943]

SENATOR BREWER: Okay. And right now, total number of officers, this is what your current numbers are. [LB943]

JEFF BLIEMEISTER: Correct. Yes, that is correct, sir. [LB943]

SENATOR BREWER: Thank you. [LB943]

SENATOR MURANTE: All right. Any additional questions? Senator Thibodeau. [LB943]

SENATOR THIBODEAU: What is your average response time then currently? [LB943]

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JEFF BLIEMEISTER: We do measure response times. In fact, it's one of our benchmark indicators. What we have to classify though is we work approximately 120,000 calls for service every single year. We measure response time to priority one and priority two calls which are basically crimes in progress. And the benchmark is that 90 percent of the time, from the time we pick up the phone when you dial 9-1-1 until an officer arrives on the street, 90 percent of the time on those call types we want to be there. And we are right at that 90 percentile. [LB943]

SENATOR THIBODEAU: Thank you. [LB943]

SENATOR MURANTE: Thank you, Senator Thibodeau. Seeing no additional questions, thank you for your testimony. [LB943]

JEFF BLIEMEISTER: Thanks. [LB943]

SENATOR MURANTE: Much appreciated. Additional proponent testimony to LB943. Welcome back. [LB943]

CHRISTY ABRAHAM: Good afternoon, Senator Murante, members of the Government Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. And I first want to thank Senator Wishart for introducing this bill. This bill did come before the League executive committee and they unanimously voted to support this legislation. When the League discussed this bill in both the legislative committees that we have and in our board meeting, I don't want to say that Lynn Rex and I were surprised at the number of cities that do have some modest growth. We often hear how communities are losing growth. But there are many cities that are in that growth period sort of between 1 percent and 2 percent. So they're not growing rapidly like Gretna is or other communities, but they are experiencing some modest growth. And certainly this bill would let them take that modest growth into account when they do their budgets. So we would ask your favorable consideration of this bill. Thank you so much. [LB943]

SENATOR MURANTE: And thank you for a testimony. Are there any questions? Senator Hilgers. [LB943]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you for being here. Good to see you again. [LB943]

CHRISTY ABRAHAM: Good to see you. [LB943]

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SENATOR HILGERS: I don't...I was trying to look up when this original statute was put into place. I don't know if it was...I'm sure probably predating your time with the League and maybe predated your time as the counsel for this committee. [LB943]

CHRISTY ABRAHAM: I think it was in the '90s. [LB943]

SENATOR HILGERS: Okay, so in your...do you know, and maybe the answer is you don't know, this was put in for a reason. Do you know the arguments that were made at the time for and against this provision that LB943 would take out? [LB943]

CHRISTY ABRAHAM: Senator Hilgers, I'll try to talk about what I think I know and then I can follow up with you with more. [LB943]

SENATOR HILGERS: Okay. [LB943]

CHRISTY ABRAHAM: But as I understood it at the time, it was sort of a two-pronged issue. There was going to be a levy limit, so you can't generate property tax above a certain levy limit. And then on the backside there's a lid. So there's the levy and the spending lid, so you had both come into place. And I think it was for the reasons of, you know, making sure that local governments were spending within those limits the property tax dollars that they were spending in those occasions I will tell you, the League was opposed (laughter) to the levies and the lids. So I'm trying to give you the best argument I can. But those were put in place to control local spending. We didn't love them, but that's why they were put in place. So it's a twofold attack. I mean it's... [LB943]

SENATOR HILGERS: Yeah. [LB943]

CHRISTY ABRAHAM: Cities have a limit of the amount of property tax they can levy and then this is about how much really their lid is and how much they can spend. [LB943]

SENATOR HILGERS: I appreciate that. Thank you. And I'll do a little more research on it. I keep hearing spending and it's a lid on...it's a lid on spending and it's a lid on collection. I can't sort it out. Which is it? [LB943]

CHRISTY ABRAHAM: Yeah, and I need to get that clear in my head, too, because certainly these folks are the experts. I apologize. But I understood that the levy was sort of how much you could generate. You can't generate more than the 45 cents in property taxes while this bill, the lid, is about how much you could spend. So you might have a situation...and I shouldn't talk off

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the cuff, Senator Hilgers, someone is going to correct me. But you might have a city that's up against their levy limit but maybe they are experiencing modest growth so they can't increase their property tax asking but they're continuing to have modest growth, but under the lid they can't spend any more money. [LB943]

SENATOR HILGERS: Okay. Thank you very much. I appreciate that. [LB943]

CHRISTY ABRAHAM: You're welcome. Thank you for letting me muddle it through with you. (Laughter) [LB943]

SENATOR MURANTE: Any additional questions? Seeing none, thank you for your testimony. [LB943]

CHRISTY ABRAHAM: Thank you so much. [LB943]

SENATOR MURANTE: Mr. Mayor, welcome to the Government Committee. [LB943]

JOSH MOENNING: Chairman Murante, good afternoon. Members of the committee, my name is Josh Moenning, J-o-s-h M-o-e-n-n-i-n-g. I'm the mayor of Norfolk, also the director of 4 Lanes 4 Nebraska, a business and industry coalition advocating modernized infrastructure across Nebraska. I'm here to express support for LB943. From my perspective as a city official, allowing for growth and revenue is a matter of local control and self-determination. The city of Norfolk is growing. More new commercial, retail, and housing developments took root over the last year than we've seen in some time. At the same time, our city is deliberating a comprehensive annexation plan. It's been several years since we've adjusted boundaries to reflect growth patterns. Even a modest annexation effort at this point would likely trigger the cap limiting revenue growth that naturally corresponds with orderly community development and expansion of city limits. From an infrastructure advocate's perspective, LB943 is important to empower localities to adequately and comprehensively address the significant infrastructure needs that come with growth. We heard the president speak just last night of a federal infrastructure plan that would rely heavily on leveraging state and local buy-in on projects. Moving forward, it will be increasingly important that cities have the clear authority and flexibility necessary to fully invest in their infrastructure expansion and maintenance needs while utilizing creative partnerships to do so. Smartly planned modernized local and regional infrastructure systems will play a key role in our entire state's growth in years to come. Cities, especially those that serve as centers of trade and commerce within their regions, need to be fully empowered to facilitate, accommodate, and sustain growth. For these reasons, I believe the time is right for a bill like LB943. I encourage your support. Thank you. [LB943]

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SENATOR MURANTE: Thank you. Are there any questions? Seeing none, thanks for coming down. [LB943]

JOSH MOENNING: Thank you. [LB943]

SENATOR MURANTE: Appreciate it. Additional proponent testimony. Welcome. [LB943]

BRANDON KAUFFMAN: Thank you. Good afternoon, Chairman Murante. Members of the committee, my name is Brandon Kauffman, B-r-a-n-d-o-n K-a-u-f-f-m-a-n, and I'm the finance director for the city of Lincoln. I'm here to testify in support of LB943 which would allow local government units to account for new construction growth in revenues. Lincoln is a growing community with revenues that consistently outpace 2.5 percent. Restricted funds make up approximately 82 percent of our taxing funds budgets and those go to fund services like police and fire, street maintenance, parks and recreation, and libraries. Restricted funds law also allows for exemptions, but those exemptions account for only 19 percent of our tax funded budget. The remaining revenues primarily provide for personnel expenditures and things that support operations and the largest portion of taxes go to fund public safety. Lincoln has one of the lowest tax rates in first-class cities and above. And the city of Lincoln also represents approximately 15 percent of the total property tax bill for residents of the city of Lincoln. In 2017-2018, the city of Lincoln dropped that tax rate by 5 percent and then over the last ten years the city has cut police officers from middle schools, eliminated bus routes, reduced senior center hours, shut down pools, reduced park maintenance just to maintain a balanced budget and to be fiscally responsible. If the city maintain a flat property tax rate and this is doing some forecasting moving forward and this is for our operations, by '21-22 we would potentially have a shortfall within this calculation of around \$6 million. And we cannot...by law, we cannot have a negative number within this calculation which would allow for a couple options that the city would have to go through. One, we would have to decrease the tax rate and cut operations or, two, we would have to cut operating...we could maintain a flat tax rate, cut operations, and shift to exempted items that are primarily capital improvements, bonded interest payments, or work with others to do interlocal agreements. If revenues consistently outpace that 2.5 percent, we'll be able to build items but we're going to struggle to maintain them more than anything. LB943 is a bill that allows communities to capture growth. Current law only allows for growth if it's above 2.5 percent. So if you grow 3 percent, you get to take .5 percent and add that to the 2.5 percent base. Fifteen of the first-class cities in Nebraska over the last five years have reached above that 2.5 percent for that new construction only 12 times out of 75 instances. So having that 2.5 percent is a very high threshold. Over at the city of Lincoln over the last ten years we haven't met that threshold even though, you know, we have seen some major construction over the last ten years. I think what we're asking for here in LB943 is a reasonable allowance that other states allow for. If you look at TABOR which is one of, I'd say, the toughest restriction lids in the country, it allows for CPI plus new construction. Kansas just implemented expenditure lid as well. They

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allow for a five-year rolling average of CPI and then they also allow for new construction, annexations, and change of use. LB943 does not direct an automatic tax increase. More than anything, it's about local control, provides governing bodies with the flexibility to set tax limits at appropriate level to fund services like police and fire and public libraries, especially that's important in growing communities. So I believe it's a reasonable combination that other states with tax limits allow for and because growth is important to not only states but also to the cities. [LB943]

SENATOR MURANTE: All right. Thank you very much for your testimony. Are there any questions? Senator Hilgers. [LB943]

SENATOR HILGERS: Thank you, Mr. Chairman. Appreciate you being here today. Two questions for you, one is you said that in the last ten years Lincoln has not hit that 2.5 percent threshold. Do you know what the yearly average growth has been for new construction in Lincoln? [LB943]

BRANDON KAUFFMAN: I don't know the average. It's been anywhere from 1-2 percent. So for this last year I think we had a little above 2 percent. It was 2.2 percent. [LB943]

SENATOR HILGERS: Okay. And then sort of touching on Senator Briese's question, or to one of the earlier testifiers, you mentioned it doesn't...it wouldn't result in a tax increase. And I think that might partly depend on whether it increases collections or increases spending...it's a lid on collections or spending. So can you kind of walk me through the logic on that statement from your perspective. [LB943]

BRANDON KAUFFMAN: So it's a lid on revenues, on collections. [LB943]

SENATOR HILGERS: It is a lid on collections. [LB943]

BRANDON KAUFFMAN: So basically it's...in the end if you don't have a balance at the end you can't go to negative in this balance so it does in the end...it's meant to restrict expenditures as well. But basically your restricted funds are property tax, sales tax, motor vehicle. So if you...and those are restricted to that 2.5 percent growth. So if you look at, you know, the city of Lincoln's budget where our main revenue is sales tax--I think it was around 42 percent--that's growing at a higher percent. So right now we're trending somewhere around 4 percent on sales tax. You know, property tax revenues from valuation growth primarily is more somewhere in the line of 2-2.5 percent a year. But over time the sales tax continues to grow because of a strong community that

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pushes and restricts other revenues within that. Another restricted revenue well is motor vehicle tax that we get a portion of from the state. [LB943]

SENATOR HILGERS: If it's a lid on collections, what kind of mechanisms does the city have in place if collections are going to all exceed 2.5 percent. I mean you can't just change...stop collecting sales tax. I mean what does a city do? Does it change the...what does it do? [LB943]

BRANDON KAUFFMAN: Well, so I mean the calculation all is all based on budgeted estimates. So if we budgeted a 2 percent increase and it came in at 3 percent, you're going to continue to collect more. So it all depends on what you budget for. But if you're receiving a higher sales tax, you know, we're going to adjust our budgeted numbers to account for that which would put pressure on this lid calculation in the end which goes to your bottom line. [LB943]

SENATOR HILGERS: So if it's...so you do your budgeted numbers. Then if it comes in above you're still collecting. It's not as if you adjusted them midstream. Is that what sort of the banking concept that the earlier testifier was talking about? You take that extra funds and do what with them? [LB943]

BRANDON KAUFFMAN: I mean you do. You continue to collect, except the one revenue source that you typically don't receive 100 percent is your property tax revenue. So when you said that tax rate you're expecting a certain amount, but generally you receive less than that amount because there's delinquent taxes on an annual basis. So it's not like sales tax where we do our best to forecast but you can receive more. Typically that doesn't happen on property tax. [LB943]

SENATOR HILGERS: Okay. All right. Thank you very much. [LB943]

SENATOR MURANTE: Thank you. Any additional questions? Senator Briese. [LB943]

SENATOR BRIESE: Thank you, Chairman Murante, and thank you for being here. What is your average annual budgetary growth in your budget, general fund budget? [LB943]

BRANDON KAUFFMAN: That depends year to year. [LB943]

SENATOR BRIESE: Last five years or so. [LB943]

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BRANDON KAUFFMAN: Our forecast right now going out for the next four years is probably...I believe it's around 3.4 percent. [LB943]

SENATOR BRIESE: Three point four percent. [LB943]

BRANDON KAUFFMAN: A lot of that's driven by personnel expenditures which is roughly about 68 percent of our total expenditures and a lot of that's...all that's driven by contract and also we have CIR comparability obligations as well with our wages. [LB943]

SENATOR BRIESE: Previous five years similar to that? [LB943]

BRANDON KAUFFMAN: Yeah, it would be around there. [LB943]

SENATOR BRIESE: Okay. Thank you. [LB943]

SENATOR MURANTE: Thank you, Senator Briese. Seeing no additional questions, thank you for your testimony. [LB943]

BRANDON KAUFFMAN: Thank you. [LB943]

SENATOR MURANTE: Additional proponents for LB943, any additional proponents? Seeing none, opposition testimony to LB943. Mr. Mach, welcome back. [LB943]

COBY MACH: (Exhibit 4) Thank you. Good afternoon. Chairman Murante, members of the committee, my name is Coby Mach, C-o-b-y M-a-c-h. The Lincoln Independent Business Association, whom I'm here representing today, LIBA, opposes LB943. The bill today currently has clear support from Lincoln's mayor. Under Lincoln's current administration, you should be aware that we have seen multiple tax increases and now support for this bill to almost uncapped our spending. In Lincoln, our wheel tax has increased 37 percent under the administration. Property tax levies have gone up. The mayor sued the Lincoln City Council last year to force more spending. He's also pushed a new electricity tax disguised as a city dividend and has added nearly \$40 million to the city's debt without a vote of the people using COP bonding. Lincoln simply cannot afford LB943. There was a hearing in 1998 that addressed the dangers of a few boards' inclinations to spend excessively during periods of growth. The hearing concerning LB989, which was a local government spending initiative, had a testifier by the name of Governor Ben Nelson. Governor Ben Nelson said: The goal of the measure is to provide property tax relief by limiting the growth of local government spending. We know that the good life in Nebraska is something we treasure and every Nebraskan treasures as well, and it comes

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with a cost, but the cost shouldn't be more than families can afford. We know from our experience that the only way to provide that true property tax relief is to lower spending. Those were the comments of Governor Ben Nelson. Accounting for growth does not have to mean enabling more spending. In Lincoln, we don't have a problem with the lid; we have a problem with spending. I have given you a handout that will show you a review of some cities--by the way, this is a laborious activity that was done by an attorney that volunteers for us--to show that Omaha's property tax requests are up 13.7 percent; Alliance, up 20 percent; and Papillion, up 20.8 percent; while Lincoln is up over 42 percent from a period starting in 2011-12. Those are the earliest numbers that we have available on the Nebraska State Auditor's Web site. Furthermore, to hear that the mayor has sent the police chief here to talk to you about the need for more police officers has a bit of irony in it. Five years ago, our mayor's budget proposed cutting police officers. It was Lincoln City Councilman Roy Christensen and my organization, LIBA, that led the effort to hire more police officers. I can send you the Lincoln Journal Star articles on the effort by the mayor to cut police, not add them. The mayor and the director of public safety said that the ratio for police officers didn't matter, yet you heard today that the ratio does matter. We would ask that you simply vote against this bill and support the taxpayers of our communities across the state. Thank you. [LB943]

SENATOR MURANTE: And thank you for your testimony. Are there any questions? Senator Brewer. [LB943]

SENATOR BREWER: Thank you, Mr. Chairman. All right, let's go back because in order to digest what you just tossed out there, if we recap it you talked about wheel tax. That was 37 percent? [LB943]

COBY MACH: Correct. [LB943]

SENATOR BREWER: Then we kind of understand what the property tax increase is because we're, matter of fact, depending on what room you're in right now, you're probably going to hear a lot of property tax. You said there's an additional tax on electricity, electrical tax. [LB943]

COBY MACH: Correct, called a city dividend. And in fact, we pay sales tax on that tax when you pay your electric bill. [LB943]

SENATOR BREWER: Nice. Okay, the last one that you talked about was plus \$40 million, was it...? [LB943]

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COBY MACH: This city of Lincoln is using something called COP bonding. And, Senator, years ago we typically used that to buy street lights and light poles. Now we're buying buildings. We're buying roofs. During this administration we've gone from \$1 million to now almost \$40 million in debt using that instrument. [LB943]

SENATOR BREWER: Debt, okay. And then you mentioned other towns and I wasn't writing fast enough to keep up. I think Alliance was one of them. [LB943]

COBY MACH: We produced a handout that I think you have a copy of, Senator. [LB943]

SENATOR BREWER: They snuck it in behind me. I'm sorry. [LB943]

COBY MACH: That's okay. It talks about property tax requests and how much they have increased since 2011 and 2012. This is based on information available on the State Auditor's Web site. It only goes back as far as 2011-12. [LB943]

SENATOR BREWER: All right. And your point on law enforcement and police, I did, just to give a comparison, send a text real quick to get some like numbers in my district. Cherry County has 6,009 acres. We have 14 officers that goes to 432 square miles per officer. So good thing we have less crime in the west I guess. Thank you. [LB943]

SENATOR MURANTE: Thank you, Senator Brewer. Senator Hilgers. [LB943]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Mr. Mach, for being here and your testimony. One piece of your sheet that I want to...and if you mentioned it I apologize for missing it. But on each of the municipalities you talk...you have a number for unused spending authority. Can you kind of walk us through that, those numbers. [LB943]

COBY MACH: Correct. Unused spending authority, that is that additional number that you can use as a municipality that you have decided either to use or not to use. In the city of Lincoln we do still have unused spending authority, although under the current administration they have been whittling away at that for fairly quickly. [LB943]

SENATOR HILGERS: So that...okay. Thank you very much. [LB943]

COBY MACH: Yes. [LB943]

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SENATOR MURANTE: Thank you. Seeing no additional questions, thank you for your testimony. [LB943]

COBY MACH: Thank you. [LB943]

SENATOR MURANTE: Much appreciated. Additional opposition testimony to LB943. Is there any neutral testimony? Seeing none, Senator Wishart, you're recognized to close. [LB943]

SENATOR WISHART: Well, thank you so much. I did want to make sure that you knew that Lincoln Police Union also is in support of this. The chief was not able to announce that. And then also the Chamber of Commerce, Lincoln Chamber of Commerce has come in support of this as well. I just want to clarify a few things. First of all, Lincoln has one of the lowest property tax levies in the state as a city. So I wanted to clarify that. You know, when I was running for office I was the only senator, I believe, that's ever been endorsed by the Lincoln Police. And I stood in front of them and promised them that I would prioritize their needs and this is one of them. I'm really concerned that as we continue to grow as a city we are not going to keep pace in terms of public safety. You've already been given an example in terms of school resource officers. In this day and age we need to have school resource officers in every single school building that we have in our city. The other thing I just want to emphasize again is that this gives local control to cities and this is a pro-growth bill. What it means is that as you're annexing neighborhoods into your city or your county, as you are adding value to real property, as you're growing in terms of neighborhoods, there are increased responsibilities. There is an increased need for infrastructure improvements. There's increased need for public safety. To me, this logically aligns the ability for us to grow in terms of our city services with growth. That makes sense to me we did not point out a lot in this hearing that currently cities and counties are allowed to go above the 2.5 percent spending lid by an additional 1 percent with a supermajority vote. And I think you've heard a piece of legislation from Senator Murante that addresses that. To me, that's a little more willy nilly. I mean what does that attach to? What my bill does is it says in order to be able to go above that spending lid you have to show growth. That makes sense to me. That makes a lot of sense to me. So I'm happy to take any additional questions from you. And we can follow up. I'll make sure to get Coby's handout and we can look through that and follow up with you on that as well. [LB943]

SENATOR MURANTE: All right. Are there any questions for Senator Wishart? Senator Hilgers. [LB943]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Senator. I appreciate you bringing this and the conversation today. I just have I think just one question. So we've gotten from the testifiers that we had...so the chief came and had some handouts. You may not have seen it but

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essentially it's sort of a concerning trend line of the decline in officers per thousand residents and basically over the last six, seven years how our police force has not maybe caught up. And I appreciate all the good work that he has done in our police force. And I do support more officers in the city. At the same time, the other piece of information that we've received was from Mr. Mach where, and it's in roughly the same time period, the unused spending authority has gone from \$18 million down to \$4 million so that that is being tapped into. But it doesn't appear to be at least to be spent on one of the one of the primary at least justifications for the testifiers today that why we need these funds. We need these funds for law enforcement, among other things, but it's the primary. But it doesn't appear the funds we've been using have necessarily gone there. So I guess from the committee's perspective that's one of the primary justifications for this. What sort of comfort do we have, or for lack of a better word I suppose, that these funds will go towards some of the needs have been addressed today? [LB943]

SENATOR WISHART: Well, I'm really happy to work with you to see if there's a creative way where we can be very specific about this going to public safety and transportation infrastructure. I've looked at least my city officials in the eye and said this better go to that and I'm going to get it on the record. You know, what concerns me...and again a lot of this is up to local control and up to the mayor and the city council in terms of how they decide to spend their money. As a Lincoln community member, we have to start addressing road issues and we have start addressing some of our public safety needs. And what concerns me is we continue to grow in terms of the percentage of our budget that goes to public safety, fire, and police. It's about 56 percent I believe now. So if we're not able to grow with that, we are going to have to continue to start cutting public safety. There's just nowhere else it's going to come out of. [LB943]

SENATOR HILGERS: Okay. Thank you, Senator. [LB943]

SENATOR MURANTE: Thank you. Any final questions for Senator Wishart? Seeing none,... [LB943]

SENATOR WISHART: Thank you. [LB943]

SENATOR MURANTE: ...thank you very much for bringing your legislation. (Exhibits 5-9) Before we close the hearing I do have letters of support from Larry Dix of NACO; Wendy Birdsall of the Lincoln Chamber; Mayor Jim Timmerman, City of Gretna representing the United Cities of Sarpy County; and Jim Maguire, the president of the Nebraska Fraternal Order of Police. And I do have a letter of opposition from Brad Stevens of Americans for Prosperity. So with that, we'll close the hearing on LB943, Senator Wishart. And welcome back, Senator Linehan, to your Committee on Government, Military and Veterans Affairs. [LB943]

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SENATOR LINEHAN: Thank you. [LB943]

SENATOR MURANTE: Welcome. [LB943]

SENATOR LINEHAN: Good afternoon, Senator Murante, committee. I'm here today to introduce for your consideration LB850. I'm sorry, my name is Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. It is a simple piece of legislation that simply states if a subdivision...political subdivision is going to hold an election for a bond, that they are fully transparent in how much the bond costs, not just the face value of the bond. And part of my thought process is this, as you all know, any time we borrow money, whether it be a credit card or Nebraska Furniture Mart or your home mortgage, they are...by law, they have to give you the breakdown of what you're actually spending. So I have my credit card bill here that says in six years...if it takes six years to pay it off it will cost me--I don't know how much personal information I want to give, but it's my credit card bill--I will just tell you what it says. I owed \$1,400. If I took six years to pay it off, it would be \$1,700; if I paid it off in three years, it would be \$1,600; and as we all know, if I just pay the bill it wouldn't cost me any interest, which is what I did in this particular case. I also have my bill from Younkers, my Christmas spending, \$600. If I take 16 months to pay it off it will cost me \$655. So you pay it off. My interest-free Nebraska Furniture Mart bill, which is my new washer and dryer because one does need a washer and dryer. And they tell me every month, okay, you've been a good citizen, you paid on time so we're not going to charge you any interest, like we promised. However, if you miss one payment, we're going to charge you 18 percent interest and that means right now you would owe us...if I don't pay this month, I'd owe them \$56.90 in addition. So I think...and then, of course, I have my mortgage, which is too depressing to even talk about. If I wait...if I live so long and I wait 30 years to pay it off, it costs me about double what it would cost me if I paid it off today. So since every transaction that we do in our personal lives when it comes to borrowing money, everybody has to be fully disclosed at how much it's going to cost, it seems to me that subdivisions if they want to do a bond for \$50 million or \$100 million over a 20-year period, it's only fair that the constituents that are making that decision or voting for that bond are fully aware of how much it's actually going to cost to pay off, which we all know goes to property taxes. And unless you're living in some different place than I am, the concerns about property taxes are tremendous. So I do think maybe I've got an amendment that lays it out more clearly. I think maybe I didn't do as much research as I might have. It says the subdivision...my intent would be not only any advertising the subdivision does, but any advertising that's done on the behalf of the subdivision to get the bond passed. Therefore, if it's a foundation that's running the campaign, which is their full right--I'm all for democracy and free elections and information--but if somebody is running a campaign on behalf of the bond issue, I think they should also...any campaign literature should include the cost...the full cost of the bonding. So with that, I'm happy to take any questions. [LB850]

SENATOR MURANTE: All right. Are there any questions? Senator Brewer. [LB850]

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SENATOR BREWER: Thank you, Mr. Chairman. All right, Senator. I assume the reason that you generated this legislation is that you know of a circumstance that happened that has caused you to be concerned enough to want to go through this. Is there an example that you've got off hand? [LB850]

SENATOR LINEHAN: Here's what my concern is and I think probably most of us in the Legislature share this concern: We're spending money faster than we can pay for it. Just like when we're young sometimes, at some point we have to cut up all our credit cards and dad says, no more, you're done. It's not that people aren't spending money on very good things, they are. I live in a school district that's going to have a bond issue and I'm going to support it and it's tough. It's \$150 million, but we are growing so fast that we need a new high school, we need a new junior high, and we need two new elementary schools. And I know that to be true because every night I drive home there's new houses, like they pop up like mushrooms where I live. So I know this is an issue for my district and they're going to have to...they are building a new school very close to my house about a mile away. It's not even finished and it's full. So I realize they need to do this, but I just think we all need to understand more about what we're doing holistically and what we can really afford. In my district that's true. In some districts I'm not familiar, but I just think people need to be more aware. Does that elementary school really need to be replaced or could we do some new plumbing and some new heating and air conditioning like we're doing in this building and make that building last longer? There's no studies that show shiny new buildings in the case of education produce better results than older buildings. If you go to some of the best universities are perceived...some of the best universities in the country, they use buildings that are 200 years old and they're proud of them. And young kids...my daughter went to William and Mary. The freshman year you have to live in a dorm that has no air conditioning, it's miserable, but they live there and they're proud of it because it's part of the tradition. So I just think it's a matter of making sure...with limited resources and the tax burden on Nebraskans we're making sure that Nebraskans are aware when they vote what they're actually committing to and everything is in balance. If we do this, then we can't do this. [LB850]

SENATOR BREWER: All right. Thank you. [LB850]

SENATOR MURANTE: Thank you. Senator Briese. [LB850]

SENATOR BRIESE: Thank you, Chairman Murante. And thank you for bringing this, Senator Linehan. On the amendment, the disclosure shall be made in all advertising, is your thought regardless of the source of that advertising? [LB850]

SENATOR LINEHAN: That is my intent. I'm not sure the way...that's why I mentioned it. I'm not sure the way the bill is written that it captures that, because in one particular circumstance

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when foundations get involved...and this is...I believe in free speech so I'm not saying this is wrong. When foundations get involved, they don't have to disclose their donors at all. So if you have a \$200,000 campaign...let me back up. If you have a \$200,000 campaign and the foundation is the one contributing to that campaign, it just says from the foundation. But you can't go find out who gave the money to the foundation. And I'm not saying that's wrong, but it's just not very transparent. So my idea here would be for anybody who's running ads that it's just full disclosure, just like our credit card bills and our mortgages and everything, every other time we make a decision about money we are, by law, given full disclosure of what it's going to cost. [LB850]

SENATOR BRIESE: Including, for example, the local PTA or... [LB850]

SENATOR LINEHAN: Right. I mean, I just think we need to move away from saying something is going to be \$50 million when it's really \$75 million. [LB850]

SENATOR BRIESE: I agree. I agree with what you're trying to do, just curious on a couple of the details. Thank you. [LB850]

SENATOR LINEHAN: Right, no, but I think maybe the language isn't as clear as it needs to be. [LB850]

SENATOR MURANTE: Senator Blood. [LB850]

SENATOR BLOOD: Thank you, Senator Murante. Senator Linehan, I agree things need to be more transparent, but I'm having trouble with the logistics and maybe you can walk me through this. So often when there's a bond...you know, the rates fluctuate depending on what's going on, and so you'll see...and again, I always use what I know best, which would be municipalities. So with bond rates changing, lots of times there's opportunity of municipalities to save money and so they might pay a bond off early to save money because the rates have changed. So knowing that the rates always fluctuate, knowing that that's a really common practice, especially for municipalities--and I can't speak outside of that because that's where my knowledge is--how could you accurately forecast how much it would cost? [LB850]

SENATOR LINEHAN: Well, I'm not as knowledgeable as you on that, so I would work with whichever groups that help figure out those details, but I assume if you put out a bond issue it's at some rate. Now if the rates drop--just like we did with all our mortgages--you can go remortgage, but when you're committing to that bond you certainly have some idea of what you're going to pay in interest, whether it be 4 percent or 6 percent or 10 percent. I mean, in my

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lifetime I've seen interest rates at 3 percent and 18 percent, so there's a huge variance. So I get that. But within a year's time when you're issuing a bond, the rates are somewhere between this and that. There's not a 10 percent swing or a 2 percent swing, so I think you'd have to have some idea. Surely, if you're going to go borrow \$50 million, you have some idea of what the interest you're planning on paying is. You'd have to, for budgeting purposes. [LB850]

SENATOR BLOOD: I partially agree with that. I can't think of a single bond that at least in Bellevue that we...because we were always trying to save pennies...millions and I can't think of a single bond that we didn't at some time pay off early or amend or to try and save taxpayer dollars. And so I'd be curious to talk with you more about this outside of the hearing to figure out the logistics of how something like this could possibly work. [LB850]

SENATOR LINEHAN: Right. And I guess I'd just go back to what we do in every other kind of credit transaction. In every other credit transaction it doesn't...it tells me clearly, if you pay it off right now, you have...it doesn't cost you. But it says if it's this interest for so long, it's going to cost you that much. So I would base the information on the bond just as all the other laws are written that make sure that we know what we're doing when we borrow money. [LB850]

SENATOR BLOOD: And I understand that. I still think there's a gray area, though. But I do support anything that brings better transparency. [LB850]

SENATOR LINEHAN: Thank you. [LB850]

SENATOR MURANTE: All right. Any additional questions? Seeing none, thank you for your opening, much appreciated. [LB850]

SENATOR LINEHAN: Thank you. [LB850]

SENATOR MURANTE: Is there additional proponent testimony? Mr. Mach, welcome. [LB850]

COBY MACH: Thank you. Good afternoon, Chairman Murante, members of the Government, Military and Veterans Affairs Committee. Coby Mach, C-o-b-y M-a-c-h, appearing on behalf of the Lincoln Independent Business Association, LIBA. We're supporting LB850 and the amendment, AM1564. We believe that they're about transparency. Recently, LIBA has both supported and opposed local education bond issues. One that we opposed was for Southeast Community College. The bond that was promoted by Southeast Community College was \$369 million. However, there was no mention of the estimated \$154 million in interest. This bill provides the transparency that should already exist but does not. LIBA supports the amendment

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with this bill, which carries clear disclosures and advertisement for the bond. These additions to the bill lend a greater understanding on the part of the taxpayer. We think they ensure that every time a bond issue is floated the cost of it will be disclosed, as well as the benefits of those bonds. We all know you can't get a car loan without transparent disclosures of the interest. Disclosing an anticipated cost or estimated cost of the bond and interest will help us, as taxpayers, decide how much we can afford. It also helps us determine, for example, the value of a new library or a new addition to an event center or a new school. We would ask that you support the transparency and help the taxpayers be more informed by supporting LB850. And one more quick note regarding the advertising. We already have to disclose if you're supporting a bond issue, if you're running for Nebraska Legislature, your commercial says, paid for by so and so for Legislature. We think it's appropriate to take a couple of extra seconds to see how much the estimated cost of interest would be. So thank you. [LB850]

SENATOR MURANTE: And thank you. Are there any questions? Senator Brewer. [LB850]

SENATOR BREWER: Thank you, Mr. Chairman. All right, Coby, I hate to go back and have you rehash some of what you went through here, but I was one of them that got the advertisement in the mail for the \$360-some million for Southeast Community College. So you're telling me that the cost for that is not included in that figure, that the \$154 (million) is what it would have cost for the life of that bond? [LB850]

COBY MACH: It was a \$369 million bond issue and that's what was promoted. We worked with the Nebraska Farm Bureau and their accounting staff there that came up with a calculation of an estimated \$154 million in additional costs for the interest. [LB850]

SENATOR BREWER: So for those that were crying at \$369 (million), \$520 (million) would be an even bigger ouch. [LB850]

COBY MACH: Yes. [LB850]

SENATOR BREWER: All right. Thank you. [LB850]

COBY MACH: Thank you. [LB850]

SENATOR MURANTE: Thank you. Senator Lowe. [LB850]

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SENATOR LOWE: Thank you, Chairman. And thank you, Mr. Mach, for coming today. So there is a way to figure out what the interest would be on these bonds. It may take a while, but you could guesstimate kind of what they would be. [LB850]

COBY MACH: And certainly, if it needs to be addressed in the bill to add the words "good faith estimate" on behalf of those, I think that might be appropriate as well. But, yes, there is a way to calculate what the estimated interest would be over the life of the bonds. However, I will also say that there's nothing wrong with not spending it all. In other words, sometimes there are bond issues...if it's \$369 million, in this case, maybe they don't even issue all \$369 million. So if the interest calculation comes in less or the amount that's bonded comes in less, I think that's fine. And I think if it's added that it is an estimate, a good faith estimate, I think that that would be appropriate. [LB850]

SENATOR LOWE: Thank you. [LB850]

SENATOR MURANTE: Thank you. Any additional questions? Seeing none, thank you for your testimony. [LB850]

COBY MACH: Thank you. [LB850]

SENATOR MURANTE: Additional proponent testimony to LB850. Is there opposition testimony to LB850? Is there any neutral testimony to LB850? Senator Linehan, you are recognized to close. [LB850]

SENATOR LINEHAN: Thank you very much. And I am more than willing to work with Senator Blood in trying to figure out the details of this and anybody else on the committee. And clearly, things do change, so if "good faith estimate" needs to be added to the bill we can do that. Thank you very much. [LB850]

SENATOR MURANTE: (Exhibits 1, 2) Thank you very much. And before we close the hearing I do have a letter of support from Larry Dix of NACO and a letter in neutral from Pam Roth of Elkhorn Public Schools. And with that, we will close the public hearing on LB850 and wait for Senator Wayne to emerge from the Judiciary Committee. That was a heck of a sprint, Senator Wayne. Well done! Senator Wayne, welcome to your Committee on Government, Military and Veterans Affairs. [LB850]

SENATOR WAYNE: (Exhibit 1) Thank you. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha and northeast Douglas County.

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What I am passing out is a white copy amendment, which I plan to work with legal counsel on. And the genesis of this bill was a recent Lincoln Journal Star article that talked about the Supreme Court and the courts getting grants. And I wrote it broadly enough because I wanted to give notice to everybody prior to this hearing that I was looking at all political subdivisions and all agencies and everywhere that didn't fall underneath the Administrative (Procedure) Act, which is pretty much everybody. So after looking at that I started having conversations about what government agencies or what government bodies should not be influenced by grants, by outside money. And what my amendment does is look at the Supreme Court, the Secretary of State, and the Attorney General. Those are what I narrowed it down to. And the Supreme Court is very simple. One, as a judge you cannot go out and fund raise, you cannot go out and write letters on behalf of donors to get money. So why should the Supreme Court be able to do the same? If there's any body of government, any particular body of government that should be apolitical to outside money, it should be our Supreme Court. And we have a duty as a body to fund whatever their needs are to make sure their court runs efficiently and effectively. So that's why the Supreme Court is included, because a district court judge can't go out and fund raise, I don't think our Supreme Court should be able to go out and fund raise. And I say, just imagine whether it's a foundation or a private foundation, imagine the other side, whether you're conservative or a liberal or a progressive or a libertarian, think of the ability of the other person you kind of are against being able to influence a court. Again, anybody in our government body that should not be influenced is our court. Second to the court is the Secretary of State. When it comes to our voting, there just shouldn't be grants and outside money given to the Secretary of State. I have not seen that done, but we should not allow that to happen. There's just some fundamental things that our body should not be able to...that our government body should not be able to do. And the same goes for the Attorneys General. I look at them, not as an extension of the court, but I do look at our Attorney General as an officer in the sense that he is there to...should not be political, although it is elected, but they should also be not an influence for outside money. At a bare minimum, I would entertain the notion that if the court receives dollars, they should at least have to publicly report it like we do, all elected officials do if they receive dollars, even if it is in the form of a grant. Now, I understand that by moving Probation underneath the court's jurisdictions, particularly Juvenile Justice, that a lot of those are grant funded, but we should not be dependent on them grants. That should come from our body, that we should fund the courts and our probation officers, not outside money. When outside money gets into our court system it begins to influence, maybe directly or indirectly, decisions that happen. And I don't think that's where our court system should be. It's a simple concept. And with that, I'll entertain any questions. [LB1128]

SENATOR MURANTE: All right. Thank you for your testimony. I'm curious, Senator Wayne. It's an intriguing proposal that you have and I think the rationale has some merit. The first thing that popped into my mind when you gave me your rationale was the Accountability and Disclosure Commission, as well. And it would seem to me that that would be another agency of

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government that certainly if they were receiving outside funds and they're adjudicating issues on political matters, that that would at least raise a question of the propriety of their decisions or whether they're making biased decisions or not. I don't believe they do, for the record, but I'm curious if you gave any consideration in including them in the legislation as well or if you just had some thoughts on that. [LB1128]

SENATOR WAYNE: Yes. I think that's a good point. That was probably overlooked when I was thinking of looking through budgets and looking at all the different governmental agencies and entities. I just think that there are some things that should be off limits to outside influence and outside dollars. And I would agree that Accountability and Disclosure, I would agree that our courts are some that should not be influenced by outside dollars. [LB1128]

SENATOR MURANTE: Okay. Any questions? Senator Blood. [LB1128]

SENATOR BLOOD: Thank you, Senator Murante. You've brought forward a lot of interesting bills this session. I do have a question about this one, however. So the donations and gifts I understand, but grant funding, I need you to help me on this one because I cannot think...and I know you've narrowed it down to three entities. But I look at what our budget is and how it's...the constraints that are involved. And so the Governor and supervisors challenge their staff to find ways to pay for things, be it cutting back, be it utilizing something old and making it new again, and then, of course, looking for grants. And it sounds...when I hear you present this--and maybe I'm wrong--that there's specific types of grants that you have concerns with, but in general grant funds come from nonprofits. And I know any entity can become a nonprofit, but usually they're neutral in the makeup. And how can we when we're constantly trying to cut budgets, cut grant funds because that's a good resource? [LB1128]

SENATOR WAYNE: So the grant funds we're talking about are nonprofits or private, not federal government grants or those kind of grants. They are resources, but let's take this body and let's just be direct about it. I'm a straight shooter and most people know that, I'm pretty blunt about it. This body continues to be called the "Governor's legislative body." I think Ernie calls it the "Ricketts crickets" all the time. And we talk about the influence of money in this particular body. Now imagine if the Governor's private foundation started funding our courts' operations. Could that same argument be made? What if they were funding Accountability and Disclosure and then one of the Governor's supported persons came under scrutiny? The cloud of judgment on certain entities should not happen. In no way am I saying the Governor is doing that, but we could look on the other side. If Warren Buffett or Susie Buffett decided to fund courts and fund the Accountability and Disclosure, conservatives would say, wait a minute, what's going on? So it's both sides of the aisle. And what I'm saying is, if it's important to the courts, if it's important to

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Accountability and Disclosure, then we have to figure out how to fund it appropriately and that outside influences should not happen. [LB1128]

SENATOR BLOOD: And so would you say that you're kind of throwing the baby out with the bathwater though to say...to punish all entities that could potentially be lifting up these entities and helping them through grant funds? And then there's some bad apples and maybe not bad apples but perhaps people that you feel could sway who you're really targeting. Why do we want to eliminate everybody that can help? [LB1128]

SENATOR WAYNE: It's not about eliminating everybody that can help, it's about preserving the integrity of certain institutions. For example, we all have family members. And let's say one shows up in front of a judge in let's just say drug court, because typically sometimes those are funded with outside help and you take a vote on a particular bill that one of those funders don't agree with. Let's just say they get a harsher sentence. Is that fair? Maybe, maybe not. Did that judge rule unbiasedly? I hope so, but the cloud of bias should not enter into at least our judicial system. But for sure I would add the Accountability and Disclosure and for sure I would say voting. [LB1128]

SENATOR BLOOD: So why not put parameters in statute that explain the concerns instead of just eliminating the opportunity to take advantage of grants? [LB1128]

SENATOR WAYNE: Because once a dollar is accepted by an entity that's supposed to be impartial, the appearance of impartiality is gone. We can list all the concerns we want, but once you have a dollar that's been accepted, there's an argument that you're no longer impartial. [LB1128]

SENATOR BLOOD: But the same token, do we not put--especially these three that you've selected--and I speak specifically of the Supreme Court where you look at the Supreme Court justices as honest as the day is long and that these people are exceptional people at a level where they're already critiqued on a daily basis and have great transparency, aren't we basically saying we don't trust them? [LB1128]

SENATOR WAYNE: That's not it at all. What we're saying is, we've elected as a state not to have our judges run for office. We've elected as a state to have rules and regs in a judiciary body that says you cannot fund raise and it's not just the Supreme Court, it's the entire judiciary body. You cannot fund raise. My wife, who works for the Court of Appeals, cannot attend fundraisers with me. We've made that determination as a judicial body that that's not acceptable because we don't want the appearance of outside influence. I say that same appearance applies to the entire body, too. We don't want the appearance of an outside influence. [LB1128]

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SENATOR BLOOD: But what you just told me, though, is that parameters have been set. [LB1128]

SENATOR WAYNE: I thought. I thought parameters have been set that you can't fund raise, that you can't do those things, but clearly the body of the judiciary can and I think that's inappropriate. [LB1128]

SENATOR BLOOD: I can say I appreciate you changing the language because I can tell you that local governments are heavily dependent--especially law enforcement--on grants. And I hope to speak with you more about this, because I still have concerns about how it's phrased. I don't see how we continue to make cuts and continue to do things to make our budget better without being dependent on grants, regardless of what level government it is. [LB1128]

SENATOR WAYNE: So to comment on that, I'm against privatization of prisons. I don't know where you stand on that, but I'm assuming you're against it because of the inherent lack of accountability for the ability...the lack of accountability and the profit-driven...instead of what's best for necessarily inmates. So if we're against prison systems being privatized, why is it okay for our judges to be privatized? That's essentially what we're doing. [LB1128]

SENATOR BLOOD: But I would not turn down a grant for the prison. [LB1128]

SENATOR WAYNE: Depends on if that person is sentencing you or not, I think you want clearly unbiased opinion. [LB1128]

SENATOR BLOOD: I think we're going to disagree on this one. [LB1128]

SENATOR WAYNE: Thank you. [LB1128]

SENATOR MURANTE: Additional questions? Senator Lowe. [LB1128]

SENATOR LOWE: Thank you, Chairman. And thank you, Senator Wayne, for bringing this bill that kind of scares the bejabbers out of me, that we could influence a judge that way. But is there a problem now with the judges are receiving grants and things like that or other bills have been brought this year that are solutions looking for a problem? [LB1128]

SENATOR WAYNE: No. So in this sense I could think of a couple of courts that are drug courts. I know the Supreme Court is looking at a family court, which I support. What I'm saying is those

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kind of things should be paid for by us. And what I saw--in this body in particular--the cloud over the politics versus moving the ball forward, whether that's right or wrong. What I don't want to see happen...and there was a front page article and I can send it to the committee on the Supreme Court receiving grants for their different courts. I don't want that same negativity to occur. So I'm not a bill in search of a problem, I'm trying to make sure the problem doesn't occur. [LB1128]

SENATOR MURANTE: Okay. Senator Thibodeau. [LB1128]

SENATOR THIBODEAU: So currently, for the different courts...so the drug court and I know drug court that's going on, what grants...do you know what grants currently are funding those courts? [LB1128]

SENATOR WAYNE: No. According to the fiscal note there's about \$1.9 million from nongovernmental grants. I think it's a little higher than that, particularly I think the Lincoln Journal Star said it was around \$10 million, but I'm sure the Supreme Court will be here to answer that question. I did not blindside them. I told them this was one of the issues and so I believe Corey Steel will be here to testify. But that's just it, like those programs, those pilot programs that we think are good for our community we should fund. That's our job as a body. It shouldn't be outside people. And I told the Supreme Court through Mr. Steel that that's what I believe and that's where I'm supporting this bill, obviously, that if we can't figure out how to pay for it, then this bill shouldn't go nowhere. But we have to take a hard look at are we going to pay for things that they need or not? [LB1128]

SENATOR MURANTE: Any additional questions? Seeing none, thank you for your testimony. And we will proceed to proponent testimony on LB1128. Any proponents? Is there opposition testimony to LB1128? I thought there might be. Mr. Steel, welcome to the Government, Military and Veterans Affairs Committee. [LB1128]

COREY STEEL: (Exhibit 2) Thank you, Senator Murante. Thank you for your time today. And Senator Wayne is correct, we have had a couple of discussions regarding this piece of legislation. [LB1128]

SENATOR MURANTE: Would you please state and spell your name? [LB1128]

COREY STEEL: Oh, I'm sorry. Corey Steel, C-o-r-e-y S-t-e-e-l, and I am the State Court Administrator for the Supreme Court. What's being handed out to you is kind of a snapshot of the current grants that we do have under the Court Administrator's Office, Administrative Office

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of Courts and Probation and there's a few that are on the horizon that we've applied for and that have been accepted. Again, this isn't holistically...if we went back ten years we could get a listing of a lot of different foundations. This is just current with us at this point in time. So as you take a look, we have committed for this year and the upcoming year we have over \$2 million, almost \$3 million for these programs. What we do in the Administrative Office of Courts and Probation is we apply for a lot of grants. We don't receive all of the grants that we apply for, but these are grants that we do to either evaluate existing programs that we have, that is not funded for by the Legislature, by General Funds. We look at start-up or new programs that we want to see if they're effective and if they work. One of the projects that we have a grant for and that Senator Wayne talked about is, there's been a lot of talk nationally about a family court and a family court structure, which is no matter what the offense, whether it's a divorce, whether it's dad or mom is in the district court for drugs, abuse, whatever, the juvenile is in for an abuse/neglect or a law violation or (inaudible), that one judge would hear all of those cases and all those parties would revolve around all of those cases in one court. There's some promising practice in that in some larger metro areas. And so we are taking a look, effectively, to see if that could potentially work here in Nebraska so we're getting an evaluation. Those things are paid for by grant funds. If we came to the Legislature each and every year and said, we want to apply for these funds, I need X amount of dollars, we're looking at the tune of anywhere from \$3 million on probably a normal year like this to some high years when we've had some problem-solving grants, some implementation grants, to close to \$10 million. So we effectively rely on these grants to evaluate the effectiveness of our current programs, to also expand and look at new types of programs and services for either probation or the courts or the functioning of the courts. Some of you haven't been around as long as myself, and I'll say Senator Murante as well, but we had a senator, Senator Brad Ashford, years ago that really hammered on public-private partnerships and the fact of government can't do it all, that you need to expand the scope and really work with all of the entities that can help move our system forward. And that's what we've really done here is, we've looked for public and private partnerships. The bottom half of this is also federal grants. And I know I've had several conversations with Senator Wayne about this doesn't affect federal grants and what have you, but I also wanted to highlight we effectively go after a lot of federal grant money as well. And, again, this is a snapshot current, but if we did a list over the last five or ten years you would see multitudes of different type of organizations that we apply for, different types of funding for different types of programs. So I'm happy to answer any questions that you may have regarding what we do in the Administrative Office of the Courts and Probation and how we apply for grants and so forth. [LB1128]

SENATOR MURANTE: Okay. Thank you very much for your testimony. I do have just a question or two on your process, but I'll start with sort of getting to the principled argument that Senator Wayne proposes, which is to say if you're looking at a judge who is supposed to be completely impartial and that judge works for a system that is collecting dollars from the outside, even if the judge isn't biased because of those dollars, it could create the appearance of

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bias. And I'd just like to give you an opportunity to respond to that sort of basic premise and if you completely reject it wholesale or if you think there is any...even a modicum of truth to it. [LB1128]

COREY STEEL: Here's what I'll say is, our judges don't apply for the grants. Even though they're within our branch, they aren't the ones that are applying for the grants. It is the Administrative Office that is applying for the grants. Obviously, there is permission granted by the Supreme Court to apply for those grants. So we know that, I just want to lay that out so everybody is very clear on how that process kind of works. We are the ones with the Administrative Office of the Courts and Probation that are the grant applicants or our local probation districts are doing that. If we took a look holistically, again, there's legislative stuff that comes in front of the Supreme Court or the Court of Appeals unchallenged, correct? The Legislature funds the courts, correct? So I think that that...if you're going to take that concept that if it's funded it's going to show impropriety or favoritism upon that branch....you can even go down to that microcosm to say the Legislature funds all of the Administrative Office of the Courts and Probation and Supreme Court, our agency. So if any activity or any challenge comes in front of the courts, is there going to be a bias that the courts are going to act in favor of the Legislature that funds them? No. The court is set up to be that neutral entity that's going to take on the evidence and weigh the evidence and forth, so I wholeheartedly sit here today and believe that these grants do not show bias or our judges do not show bias because they're under a grant...there's grant money coming into our Administrative Office. [LB1128]

SENATOR MURANTE: And so how many organizations are out there that provide any sort of grant that the judiciary... [LB1128]

COREY STEEL: Hundreds, hundreds. If you want me to go back and we can pull something the last ten years, you know, you have The Woods Charitable Foundation; you have...I mean, you name it. If there's money there and we need it and it pertains to a particular issue that we're addressing, we would then apply for those grants. We would apply for grants from almost anything you can think of, any of those charitable organizations or foundations. [LB1128]

SENATOR MURANTE: And is there any consideration given to the nature of the entity which is providing the grants? [LB1128]

COREY STEEL: Absolutely there is. Absolutely there is. We typically don't look towards something that's pushing an agenda that would put the court in a bad light or something like that. So, absolutely those are some things. But at the end of the day when we apply for those grants, it's that type of relationship, grantee and grantor. It isn't influencing saying, you can have this grant if...it is this is the grant we're applying for, this is what we're going to do, and this is how

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we're going to engage. Typically, grantors, they don't get involved once they've approved the grant. You typically do your reporting, you do your financials, and there isn't that involvement that they'll pick up the phone and call you and say, hey, we kind of want you to move this way because of our agenda. That's not how it works in the world that we are in, in the grant world that we are in. [LB1128]

SENATOR MURANTE: Okay. Senator Hilgers. [LB1128]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Mr. Steel, for being here. I do want to touch on maybe a little bit of what Senator Murante asked on the first question, which is this is idea of whether or not there could be a conflict. I don't necessarily agree that the Legislature is the best example, given our separation of power in our constitution. [LB1128]

COREY STEEL: True, but it is an example. [LB1128]

SENATOR HILGERS: It is. And I will say, it's probably a rare example. But let me bring it from sort of a conceptual maybe down to something that's a little bit more concrete. So I'm not going to pick on any of the foundations here, but let's say you have a foundation that's local and it has a number...and they'd be giving \$1 million--I'll just take some of the numbers--\$1.9 million. It's a local organization. The board members are very well known and they happen to get into some sort of dispute...a contractual dispute with some private individual. So the private individual sues that person, they're maybe the organization is named after them, maybe they're just a board member. It goes to the district court. How does that...at each level up, district and appellate, but especially at the Supreme Court because I think I heard you say that the Supreme Court ultimately...from a conflict perspective, which is inherent as an attorney and in the judiciary, it seems like that...what can the judiciary say to ensure that that private litigant could feel confident that there wasn't a conflict and that they...in other words, that the scales of justice truly are blind? Not that I would in any way...and I want to be very clear I think the Nebraska judges are outstanding, but...and I don't think this would happen, but at the same time from an appearance perspective. Can you...using that as a hypothetical you build off that? [LB1128]

COREY STEEL: So a lot of these programs are specific to a certain entity and a lot of these that we have, particular, on the top end as you see that we're currently getting our juvenile justice, because that's where the focus has been over the last year, is to continue to build and improve our juvenile justice system. So the county courts, the district courts, acting in their capacity--particularly in district court--they're not going to be dealing with juvenile matters if there's a lawsuit pending on those types of things. They're kind of isolated from that, because even though the branch is getting it for a particular interest, it's not affecting any of the programs or services that they're engaged in or they're recommending or what have you. So if there was a conflict, as

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you know, the judges can conflict out of any case if they feel that it is too close and that's part of the process. [LB1128]

SENATOR HILGERS: So that actually was my second question on that. So let's say, using my hypothetical, it goes to the Supreme Court. Is there a recusal...is it the whole Supreme Court that approves these or is it just some members? In other words, is there a real recusal mechanism, because if it's the whole Supreme Court, what do you do? The whole court recuses itself and you have some other appellate body that might have to determine it? [LB1128]

COREY STEEL: Then another appellate body would come in and...such as a the Court of Appeals could then (inaudible). [LB1128]

SENATOR HILGERS: So in this case you would say, if I'm hearing correctly, the district court, county court, appellate court don't have visibility into who these donors are (inaudible), it's really at the Supreme Court level? [LB1128]

COREY STEEL: Those were the examples of these current ones, because they're juvenile justice. That was just an example that I'm using. I'm not saying we don't have grants out there, too, that would affect the district court population. We have...it's a federal grant, but let's say it wasn't a federal grant on housing for post-release supervision. The Legislature did not fund post-release supervision housing that was in part of our budget that was cut. So now we had to go out and get a private entity to fund that. Luckily, it was a federal grant that allowed for that, but we also had to put out some grants to some public foundations to say, we need housing for individuals coming out of prison. We need that halfway house just for living. And so we applied for grant funds for that. So there's grants throughout our system that affect all levels of our court structure. But I believe we have sound mechanisms put in place for the recusal process if they feel that they need to recuse themselves. [LB1128]

SENATOR HILGERS: Okay. Thank you, Mr. Steel. [LB1128]

SENATOR MURANTE: Thank you, Senator Hilgers. Any additional questions? Senator Blood. [LB1128]

SENATOR BLOOD: Thank you, Senator Murante. Thank you for your testimony, Mr. Steel. I'm looking at the juvenile justice grants and I'm going to read two descriptions and I'm going to ask you your personal opinion on something, so I apologize in advance. So I quickly looked up The Sherwood Foundation and The Annie E. Casey Foundation and the descriptions are as follows: Sherwood promotes equity through social justice initiatives enhancing quality of life. That was

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The Sherwood Foundation. And The Annie E. Casey developed brighter futures for millions of kids as at-risk of poor educational, economic, social, and health outcomes. So speaking for the court, how might those in some way influence the court? I'm a little confused on how foundations with those descriptions could be negative. Am I missing something in your opinion? In your opinion can you think of any instance where that could influence somebody? [LB1128]

COREY STEEL: Not from my perspective, no. Not from my perspective. [LB1128]

SENATOR BLOOD: And these grants have specifically been used for Juvenile Justice, which has been the priority set before you by the Legislature. And you're doing very well on that, by the way. Can you think of one instance where these two descriptions might come into play that it could be something bad? [LB1128]

COREY STEEL: No. [LB1128]

SENATOR BLOOD: All right. Thank you. [LB1128]

SENATOR MURANTE: All right. Senator Thibodeau. [LB1128]

SENATOR THIBODEAU: Thank you, Mr. Chairman. Mr. Steel, you may or may not know the answer to this question, but these obviously foundations currently that you have listed here are very large foundations. I have worked also for nonprofits that have also...I have volunteered for nonprofits that have also received grants from them. If a foundation...obviously, usually they're tax exempt, they're a nonprofit and we know nonprofits cannot sway one way or the other. So if it were found that one of these foundations tried to sway the court, wouldn't that put their whole entire foundation in jeopardy? [LB1128]

COREY STEEL: Yes, it would. [LB1128]

SENATOR THIBODEAU: Thank you. [LB1128]

SENATOR MURANTE: Thank you, Senator Thidodeau. Any final questions? Seeing none, thank you for your testimony. [LB1128]

COREY STEEL: Thank you, Senator Murante. [LB1128]

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SENATOR MURANTE: Additional opposition testimony to LB1128. Seeing none, any neutral testimony? Seeing none, Senator Wayne. [LB1128]

SENATOR WAYNE: (Exhibit 3) What I'm handing out is an editorial that was done here in the Lincoln Journal Star, a local view and the caption is, "Have billionaires captured the Nebraska judicial branch?" I believe that answer is no today, but I don't think we should introduce a bill after the fact. I don't think we should solve a problem after the fact. If that one person is sentenced incorrectly, influenced incorrectly, the appeal process is very long and very...especially if you have to go to a different court, which would be U.S. district court and you'd have to go through that process, it could take years. Again, this isn't an immediate, we need to stop today. What I'm saying is the appearance of it I don't think looks appropriate. But more importantly than that, I think it's up to this body to fund it. If we have judicial issues or we have judicial needs, this body should fund it. But what we shouldn't have is outside influences in the area that I think must be impartial in the appearance of bias. So one reason--Senator Hilgers would know this--a judge may recuse themselves based off of the appearance of bias. That's currently in the rules for a judge; the appearance. I think that should apply to everybody, right? You should have to step aside if there's an appearance. And what I'm saying is, as a body we need to make sure there's no appearance of undue influence. Simple bill, simple conversation, but it could have huge effects on people in the future. And I'd answer any questions. [LB1128]

SENATOR MURANTE: Thank you, Senator Wayne. Any final questions? Senator Brewer. [LB1128]

SENATOR BREWER: Thank you, Mr. Chairman. Senator Wayne, how long have you been an attorney? [LB1128]

SENATOR WAYNE: Fourteen years I think, roughly. I don't know, they're all starting to blend together. [LB1128]

SENATOR BREWER: All right. I had to ask you a question to kick this off. So here's the point I'd like to make on this. I haven't decided one way or the other, but you've made us think about it and that's the thing that I'd like to stress to you because you get beat up on some bills. And Senator Blood is right, you have introduced an interesting variety of bills. But every one of them, it would take a thinking person to come up with the idea and the reason that you've submitted it is to try and better the system. So no matter how bad they beat you up, keep the faith, keep struggling along, because you're making us think through issues that otherwise we wouldn't. [LB1128]

SENATOR WAYNE: Thank you. I appreciate that. [LB1128]

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SENATOR MURANTE: Senator Blood. [LB1128]

SENATOR BLOOD: Thank you, Senator Murante. Senator Wayne, this isn't an editorial written by a newspaper, it's written by a private citizen, right? [LB1128]

SENATOR WAYNE: Yes, sent by a local (inaudible). [LB1128]

SENATOR BLOOD: All right, thank you. [LB1128]

SENATOR WAYNE: And may I respond to that? [LB1128]

SENATOR MURANTE: Absolutely. [LB1128]

SENATOR WAYNE: So the issue that I didn't raise, which should be raised, and the only reason because I glanced back at this editorial is, when we deal with public dollars as any political subdivision, you acquire the power of open meetings. When you spend dollars, you're required to file open meetings. The Supreme Court isn't under that. We don't require them to spend dollars in public ways like that. Furthermore, if there's grants and there's one particular grant in Douglas County, Omaha Youth...Operation Youth Success, that there is a huge debate among that committee and my community on whether those are private dollars or public dollars, because they're not complying with Open Meetings Act and it is around Juvenile Justice. Because it involves private dollars, we don't have to know where it's spent. Because it involves private dollars, the Supreme Court doesn't have to report to the Legislature where they spend that money and what that grant actually went to. The only person they have to report to is the grantee...the grantor, I'm sorry, the grantor. That is a huge concern. And I'm seeing that play out right now, although that's not technically all the way underneath the division of the Supreme Court and it's more underneath Douglas County. That's what happens when private dollars start betting involved with public-private partnerships, because is it considered public dollars that requires open meetings and requires reporting or is it private dollars? That's a secondary debate that we haven't even touched in this committee yet or in my argument that would apply to the Supreme Court. There is no reporting mechanism currently in the Supreme Court to say what grant dollars--because probably most of this body didn't even know they had grant dollars--what they're spending it on and how is it actually being done and is it being done effectively? More importantly, does a judge who is being funded by that grant dollar know that he's actually being funded by grant dollars? And if he is, does that change that appearance of conflict or that inherent conflict? I know some judges know they're being funded by grant dollars or part of their programs are. That matters. If we're going to be open about public dollars, we need to be open about public dollars. If we start allowing private dollars to come into the public space, then they should meet the same requirements as we do for public dollars. [LB1128]

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SENATOR MURANTE: Senator Thibodeau. [LB1128]

SENATOR THIBODEAU: So if I just heard you correctly and I apologize because I'm new here, one, I actually agree with Senator Brewer. You have brought some...and Senator Blood, that you've brought some interesting bills, but they are all bills that are causing some great discussions and so I appreciate that. So what I just heard from you--so please correct me if I'm wrong--is that if we have public dollars, you know, just public dollars funding something then they have to follow, obviously, the open meeting rules and state where their money is. Once private dollars...so if we do a public-private partnership, does that mean they no longer have to follow that because there are some private dollars in there? [LB1128]

SENATOR WAYNE: Well, it depends on who you talk to. So the entire Baxter Stadium was built with public dollars and private dollars and there was not one public meeting and there's a World-Herald article about how that was done. There's many...that's the problem with commingling funds and we have to figure that out as a body, but I don't want our Supreme Court and the judiciary to even have to answer those questions. We should be able to fund them. [LB1128]

SENATOR THIBODEAU: Thank you. Thank you, Mr. Chairman. [LB1128]

SENATOR MURANTE: Thank you. Senator Hilgers. [LB1128]

SENATOR HILGERS: Thank you, Mr. Chairman. Thank you, Senator Wayne. I was touching with Mr. Steel the possible conflict of having a board member in front of the court, which is one type of conflict that you could recuse yourself. The conflicts that are raised, at least in this particular newspaper opinion piece don't really go to that, they go to a different kind of potential conflict, one that might...where for lack of a better word, "policy" of the courts. The courts don't necessarily set policy in the same way that we do, but certainly, for instance, through judicial training and maybe a commission and the like. Is that another concern that you're sort of articulating here and, if so, could you expand on that? [LB1128]

SENATOR WAYNE: Well, I think, yes. So, social justice was said by the mission of Sherwood. I'm okay with that, but for some people that means a political...that's a political word for a different thing. And so if they're doing training and it's being grant funded, we're getting back into the appearance of what kind of training it is. I think it's appropriate for this body to fund them and work with the judiciary to come up with an implementation fund, because I'm on the Commission for Access to Courts, and there's going to be some things we're going to need money for, but that's where this body should come in. We shouldn't go to outside (inaudible) because of that, because there's trainings, there's CLEs, there's...well, they call it...the judges call their CLEs different, I don't know the names, I'm not a judge. But those things should be funded

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by the court or user fees like we do in the bar, but it shouldn't be funded by outside people.  
[LB1128]

SENATOR HILGERS: Thank you. [LB1128]

SENATOR MURANTE: (Exhibit 4) Thank you. And with that, I do have one letter of opposition from Larry Dix from NACO. And that closes the public hearing on LB1128 and ends our public hearings for the day. Thank you, everyone. [LB1128]