

**HILGERS** [00:00:07] Good afternoon. Welcome to the public hearing of the Executive Board. My name is Mike Hilgers. I represent District 21 which is northwest Lincoln and Lancaster County. To my right is the legal counsel of this committee, Janice Satra. To my far right is the committee clerk, Paige Edwards. The page with us today is Kelsey Loseke from Blair. We'll start with member introductions, starting with Senator Lowe.

**LOWE** [00:00:26] John Lowe, District 37.

**BOLZ** [00:00:27] Senator Kate Bolz, District 29.

**VARGAS** [00:00:30] Senator Vargas, District 7, downtown and south Omaha.

**KOLTERMAN** [00:00:35] Senator Kolterman, District 24, Seward, York, and Polk Counties.

**McCOLLISTER** [00:00:39] John McCollister, District 20, central Omaha.

**HILGERS** [00:00:42] Senator Vargas is the Vice Chair of this committee. We will begin-- we will go in the order posted on the agenda outside of the-- outside of the room. We'll start with LB681, then LB713, then LB636. We'll start with openings, then proponents, opponents, and neutral testifiers. Who intends to testify today, by a show of hands? OK. Well, as I've mentioned before, we usually get-- we will get kicked out of this room at 1:25. Looks like we'll be OK so we'll-- we will have a five-minute-- we'll have a time-- five-minute clock today. It'll turn yellow after four minutes and then wrap-- please wrap it up with the-- when it goes red. So with that, I will-- we'll start the hearing, and it will be my bill, so I'll hand command to Senator Vargas.

**VARGAS** [00:01:27] Great. OK, Senator Hilgers. Welcome.

**HILGERS** [00:01:38] Thank you, Vice Chair Vargas and members of the Executive Board. My name is Mike Hilgers, M-i-k-e H-i-l-g-e-r-s. I represent District 21 which is northwest Lincoln and Lancaster County. I'm going to open on LB681 which is a proposed modification to a provision of our statutes in Chapter 50, Section 406, that deals with legislative subpoenas. As this com-- as this committee is aware, last year a subpoena-- a subpoena was issued by the Legislature. That subpoena and that process is currently under dec-- is in process-- is subject to a legal challenge or involved in a legal challenge that is currently making its way through the Nebraska court system. Currently that-- there is a lawsuit that is in front of the Nebraska Supreme Court at the moment. So LB-- the green copy of LB681 would modify Section 406 which lays out the procedure related to legislative subpoenas. And it has some proposed modification but at this point there will be-- I'd propose that the committee have some discussion over the next few weeks about exactly what the modifications would look like so-- and we may have a proposed amendment sometime down the road. But ultimately the idea will be to clean up some language on the procedure. I'm happy to answer any questions the committee might have.

**VARGAS** [00:02:58] Thank you, Chairman Hilgers. Members of the committee, any questions?  
Senator Bolz.

**BOLZ** [00:03:04] I-- I do have just one question, and we can maybe save it for committee discussion, but I'd be curious. The rest of the section that talks about what-- that subpoenas may be issued in connection with the specific inquiry or investigation in question, compel the attendance of witnesses, etcetera. I wonder if you had looked at that section at all and if any of that needs cleaning up or perhaps simplification, because I think what we've learned in past conversations are that there-- when there is a-- a gap or room to debate, there will be debate.

**HILGERS** [00:03:41] I think that's great. Thank you for the question, Senator Bolz. I would say the language that's modified in the green copy is the language that is sort of the floor of where my mind was when the bill was introduced. There were a certain number of other areas, including the ones that you recommended, that you identified, that I agree we-- I agree we should clean up. And at the time it was introduced, it didn't have quite the language to clean up. But I absolutely agree and I think this should-- nothing sort of by way-- what is proposed here, in my mind at least, should not be-- exclude discussion of any other piece. I-- I'm-- in fact, I-- I-- I think the board will have a very good conversation about other aspects of 406 that should be modified.

**BOLZ** [00:04:18] Fair enough. Thank you.

**VARGAS** [00:04:20] Thank you very much. Senator McCollister.

**McCOLLISTER** [00:04:23] Yeah, thank you, Senator Vargas. At issue in the court challenge is the language that you're striking, isn't that correct?

**HILGERS** [00:04:32] At issue in the court challenge is the 406 in general. It's not just the-- it is not just the language that's being-- that's proposed to be-- to-- that this-- that LB681 would strike.

**McCOLLISTER** [00:04:44] There-- there is additional elements to that challenge?

**HILGERS** [00:04:49] The-- the court challenge-- now I should be careful with what I say. Based on public filings, the-- the challenge reflects a challenge to the over-- or implicates the overall procedure, including other aspects of 506 that are not, at least in the green copy, touched by LB681.

**McCOLLISTER** [00:05:06] Should we perhaps embark upon an effort to fortify the statute to give us the authority that we think we need and should have?

**HILGERS** [00:05:14] I think that should be part of the conversation, Senator McCollister.

**McCOLLISTER** [00:05:18] Thank you, Senator.

**VARGAS** [00:05:19] Thank you. Any other questions? Seeing no other questions, thank you, Chairman Hilgers.

**HILGERS** [00:05:28] Thank you, Senator Vargas.

**VARGAS** [00:05:29] OK. Any other-- any proponents wishing to testify? Seeing none, any opponents wishing to testify? Seeing none, anybody in the neutral testimony? Seeing none, Chairman Hilgers waive-- Chairman Hilgers waives closing. That-- oh, and we have a couple letters: proponent Nathan Lee [SIC] from Kearney submitted a letter in testimony as a proponent.

**SCHEER** [00:06:03] Leach.

**VARGAS** [00:06:04] Oh, Leach, Nathan Leach. Thank you very much. That concludes the hearing on LB681. Chairman Hilgers.

**HILGERS** [00:06:12] Thank you, Vice Chair Vargas. And now you're in the hot seat. We will now begin the hearing on LB713, Senator-- Senator Vargas.

**VARGAS** [00:06:39] OK, little flip here. OK, tables have turned. OK, Senator-- Chairman Hilgers, members of the Executive Board, thank you for having me here today. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I have pleasure representing District 7 and the communities of downtown and south Omaha. Before we start, I'm going to pass out a one-pager that provides a little bit of detail on why I brought LB713 and then provide a point of reference, so-- oh, sorry. Thank you very much. LB713 is the legislative vehicle for the work of the Legislative Planning Committee, which I serve as the Chair of this year and served as Vice Chair for the previous two years. The committee has spent nearly a decade working with the University of Nebraska to project long-term population trends for our state over the next 50 years so we can better plan to meet the needs of people across the state and have a better understanding of what we can do to prepare for our workforce to meet those needs. Now that we have information and data, the next step for us is to implement some of that planning. That's where I believe LB713 comes in. As you know, Nebraska is constitutionally pro-- prohibited from acquiring debt, which has caused the Legislature to-- the Legislature to bleed Cash Reserves. Now we have not implemented a plan to restore and balance the budget in anticipation of future economic downfalls and recessions. In order to meet the needs of future Nebraskans, we have to start the planning now and part of that planning is better understanding how volatility in economic cycles affect our state budget. LB713 provides a framework to do that planning by adding a new step in the Legislature's budgeting process that requires the Legislative Fiscal analysts to create

additional revenue and budget reports throughout the biennium. These reports include the following: a revenue volatility report in even-numbered years; a budget stress test in odd-numbered years; and a long-term budget for major programs every four years. States that have done stress testing on their budget have developed plans for various economic conditions and are more prepared to reduce the risk of volatility to the state's reserves and revenues. One example of this is Utah. They've been conducting these stress tests since 2015 to manage the budget cycle, set sustainable budget and revenue expectations, and avoid crisis-driven policy decisions, which we have seen some times. Now through this process the state has been able to develop a plan to combat moderate and severe recessions without drastic spending decreases, raising taxes, or the use of bonding. Now research from Moody's Analytics projects fiscal shock for every state under some moderate or severe recession scenarios. Fiscal shocks are measured by combining the decreases in revenue to the General Fund and the increase in mandatory spending. Under a severe recession condition, similar to what we experienced in 2008, these models show that Nebraska is projected to experience a fiscal shock of negative 13-2 percent, which is equivalent to a funding gap of about \$595 million. As a member of the Appropriations Committee where we've had to make two rounds of what I would consider very painful cuts to programs and services outside of even a moderate recession, I'll tell you this. I don't know where that money would come from right now. Our Cash Reserves are 50 percent depleted and programs and services have been painfully cut. It's clear to me, and I hope clear to all of you, that we need to implement the policy in order to secure Nebraska's future and economic well-being. Now there will be some people testifying behind me that could speak a little bit more to long-term budget planning and fiscal stress-- stress testing both as a concept in both fiscal policy and in terms of actual outcomes in states that have implemented these practices. I look forward to the conversation today and continue to work with you on this bill. Let me just add a few different other things before I take some questions or we have a little bit of discussion. This really came out of a couple different scenarios not only from Planning but my time in Appropriations. But I am encouraged that when we look at the-- the senior experience in our Legislative Fiscal analysts, that we-- we have some really good expertise there. What I want to make sure is we're codifying some best practices for fiscal management into statute, which I don't think are overbearing or creating undue burdens on people. I think what it's doing is providing a framework. So what you see in the legislation written in is not how exactly the budget stress test will have to look, rather that we have to do one. I have faith in our Fiscal Office and I've had a conversation with Tom Bergquist that-- that I believe they have the expertise to do this. What I want to make sure is that we are considering that in an age of term limits, in an age of turnover that we're seeing as a result of some of our studies on committees, that we are setting up the right tools in place, in statute, that give us some of the information we need to make some informed decisions. So that's where a lot of this is coming out of. With that, I'm happy to answer any questions.

**HILGERS** [00:11:44] Thank you, Senator Vargas. Are there questions? Speaker Scheer.

**SCHEER** [00:11:48] Thank you, Senator Hilgers. Thanks for bringing this up. It's not a bad idea. I-- I'm just questioning though, and this-- I want to preface, this is not a reflection on the ability of our current agency. But, you know, sometimes it's not bad to have outside people take a look at things rather than always being continually internal and, as well, always be the same agency. And your thoughts on using an outside, independent source to do these tests rather than internal? I realize it may cost a few bucks but, I mean, it's just sometimes you-- you take the chance of a bias or people are assuming that, either good or bad, that there is a bias involved and by--

**VARGAS** [00:12:42] Yeah.

**SCHEER** [00:12:42] --by taking them out of that and letting an independent agency do that, then it sort of serves as a buffer between the internal agency not being caught in the-- the fire of-- of the report.

**VARGAS** [00:12:56] Yeah. Thank you very much, Chairman-- or Speaker Scheer. So it was something I thought about. I tend to lean towards-- if in good practice our-- you know, our fiscal analysts, the Fiscal Office are doing more of these, then we will be able to then utilize these tools and better project, and it creates more habit and practice. I don't think that means that we can't, you know, pursue other avenues for making sure that we're checking our biases or doing-- and that-- that is very typical of strategic planning or needs analysis of departments or state departments or different agencies. We do that. I think we do-- we have a tool for that in Performance Audit, but I think you're looking at like a larger state-- you know, having somebody come in and give us a sort of, you know, really high-level view on what we can and cannot do to be better fiscally, so.

**SCHEER** [00:13:52] Well, they could be using the same material.

**VARGAS** [00:13:54] Yeah, yeah.

**SCHEER** [00:13:55] I'm just saying that having someone outside the agency, it could be duplicate. You could have the-- the two it and look at them and they can both have their own descriptive of what they're trying to accomplish or what they're saying by that.

**VARGAS** [00:14:08] Um-hum.

**SCHEER** [00:14:08] I just sometimes think said-- people have outside audits in business all the time.

**VARGAS** [00:14:16] Yep.

**SCHEER** [00:14:16] And it's not that they don't trust their own accountants or somebody else or their internal plannings for people, but they still do that--

**VARGAS** [00:14:23] Yep.

**SCHEER** [00:14:23] --just as a double-check and I just wondered if that might not be beneficial from the state perspective.

**VARGAS** [00:14:30] I-- I think it's a good idea. Maybe the distinction I'd make is between forward planning and-- and trying to do some stress test as more pressure checking rather than auditing, which is a little bit on the back end. But I think that there's a great conversation to be had, especially if we're supportive of funding for it, for looking at, you know, what has happened in the past and actually auditing what we did. I think this is more forward forecasting, which doesn't mean we can't look at different outside entities to then help us with it. But I'd really want to make sure that we have both internal and potentially outside that are looking at forward planning.

**SCHEER** [00:15:04] Thank you.

**HILGERS** [00:15:05] Thank you, Speaker Scheer. Other questions? Seeing none, thank you, Senator Vargas.

**VARGAS** [00:15:10] Thank you.

**HILGERS** [00:15:10] First proponent for LB713, come-- come on down. Welcome.

**ADAM LEVIN** [00:15:33] Thank you. Ready?

**HILGERS** [00:15:35] Yeah, please proceed. Please state your name and spell it for the record.

**ADAM LEVIN** [00:15:38] My name is Adam Levin, A-d-a-m L-e-v-i-n. Thank you, Chairman Hilgers and members of the Executive Board Committee, for your consideration of LB713 an invitation to qual-- to testify. My name is Adam Levin and I am with the state fiscal health project at the Pew Charitable Trusts. Pew is a public charity that engages in research and technical assistance at the local, state, and federal levels. LB713 requires Legislative Fiscal analysts to alternate the state's existing revenue volatility study in even-numbered years with a budget stress test in odd-numbered years. The bill also requires a long-term budget every four years. We are currently in the middle of the country's longest-- second-longest economic expansion. If current conditions persist until June 2019, it will be the longest expansion in history. Although anticipating the exact timing, severity, or duration of any recession is difficult, the cycle of expansion and contraction is inevitable. The regular stress test and long-term budget acquired by LB713 represent a positive step toward ensuring Nebraska's long-term fiscal health and

crafting structurally balanced budgets over the long term. Stress testing budgets includes modeling the likely effects of varying economic scenarios on revenue and expenditures. This approach yields concrete estimates of both revenue shortfalls and spending pressures policymakers can expect depending on severity of an economic event. In recent years organizations, including Moody's Analytics and S&P Global, published stress tests of all 50 state budgets. A growing group of states are now conducting their own stress tests to identify potential budget shortfalls. Pew was working with one of those states, Utah, on developing budget stress testing best practices. A budget stress test helps policymakers better understand how state finances may react to economic shifts and plan for those events. A further best practice is connecting potential deficits that may be revealed in the stress test to the tools available to address them, such as reserve funds. This allows officials to both anticipate budget gaps and plan ahead to address shortfalls. Pew's research on long-term budgeting included a 50-state examination of long-term budgeting practices and legislation. We classified states as participating in long-term budgeting if they project both revenue and expenditures ahead three to five years and require the practice in statute. By examining both revenue and expenditure forecasts, states have a more complete picture of their finances. Three to five years allows states to see upcoming budget positions while keeping projections reasonably accurate. Including the practice in statute ensures these analyses are produced regularly and signals a commitment to examining the state's budget beyond the current budget cycle. By practicing long-term budgeting a state can more easily identify structural budget issues before they manifest. Most states conducting long-term budgets do so annually or every other year. This schedule can help identify unexpected challenges. In Maryland, where the long-term budget is produced every year, the document crystallized for state lawmakers that the growing cost of teacher pensions was becoming a major expense for the state, which covered the entire cost. This helped spur legislators to negotiate a cost-sharing arrangement with cities and counties, which were the governing bodies deciding teacher salaries and benefits. Although these were long-term costs, a more infrequent long-term budget may not have given policymakers enough preparation to address the issue-- preparation time. Nebraska may want to consider tradeoffs associated with producing a long-term budget on a more frequent schedule. Updating these analyses may-- more frequently would allow the state to examine their revenue and expenditures more often and identify any structural budget issues sooner. As with budget stress testing, identifying fund balances and deficits both in current and future fiscal years allows policymakers to see where potential shortfalls might exist. Finding potential deficits several years ahead gives officials the necessary information to make changes now that can impact long-term fiscal health. Nebraska currently identifies ending balances for the General Fund for the current and upcoming biennium in its normal budgeting practice-- process. Continuing to do so, and doing so for at least three years, are steps that can help support policymakers' efforts to plan for Nebraska's future. An economic and demographic analysis in a long term budget that assesses population trends, inflation, healthcare costs, and other developments, also lends insight into how expenditures such as Medicaid will grow in coming years and allows policymakers to evaluate out-year spending pressures against revenue forecasts. Performance scenario analyses and connecting findings to fiscal policy tools also equips state leaders with

critical information to stabilize state budgets. Overall, based on Pew's research, Nebraska's budget stress testing and long-term budgeting proposals include policies that will help strengthen Nebraska's long-term fiscal health. Thank you. And I'm happy to take questions.

**HILGERS** [00:20:04] Thank you for your testimony, Mr. Levin. Are there questions? Senator Bolz.

**BOLZ** [00:20:08] Thank you, Mr. Levin. I appreciate your insight. I'm-- I'm just curious, in other states that have done this work, how successful have they been at being able to stress test around tax incentive programs? I think one of our challenges as Appropriations Committee has been managing the waxing and waning of utilization of our tax incentives.

**ADAM LEVIN** [00:20:32] Um-hum. Thank you, Senator Bolz. Good question. I can't speak specifically to tax incentives. I-- that's something that I could certainly look into and get back to you. So far what we've seen most states doing are on the expenditure side evaluating really the-- the major expenditures, so those are Medicaid and-- and education spending. I am-- Pew has an entirely separate line of research on tax and tax incentive valuation-- you may be familiar with that-- and tax expenditures. So that's certainly something I can look into. But states like Utah and Minnesota have focused, so far at least, on-- on things like Medicaid and education spending.

**BOLZ** [00:21:14] Sure. OK. Thank you.

**HILGERS** [00:21:16] Thank you, Senator Bolz. Are there other questions? Just briefly, could you describe the-- any material differences, if they exist, between the Moody's and, what is it, S&P Global that you mentioned, their stress tests and-- and maybe what Utah has done?

**ADAM LEVIN** [00:21:29] Sure. So the S&P-- thank you, Senator Hilgers-- Hilgers. The S&P and Moody's stress tests are-- are pretty similar. They-- they both look at revenue and expenditures and come up with sort of a gap in between, if there is one. What Utah does, which is a little bit different and what Pew is-- is-- is helping Utah with, is they then connect any shortfalls that might exist to tools and contingencies available to address those shortfalls. So that would be things like reserve funds, program cuts, revenue increases, that sort of thing. And they will assess how much of a shortfall those contingencies are able to address and they take the additional step of also analyzing how easy those contingencies are to access. So they do-- so it's an analysis that takes into some political considerations and they-- they-- they rank actually how easy it is for policymakers to access those tools. So it's that second part which is what is unique about what Utah is doing.

**HILGERS** [00:22:32] And that would be so-- and I-- in this-- so it's almost as if there's a stress test and then there's sort of like a stress relief or stress mitigation component. Is that, for at least



the LB713 in front of us, is that sort of the additive component over what maybe Moody's and S&P has already done?

**ADAM LEVIN** [00:22:47] That would be certainly a positive step for Nebraska to take, yes, I think so.

**HILGERS** [00:22:52] OK. Thank you very much.

**ADAM LEVIN** [00:22:53] Thank you.

**HILGERS** [00:22:54] Seeing no questions, thanks for coming down.

**ADAM LEVIN** [00:22:55] Thank you.

**HILGERS** [00:22:56] Is that your green sheet? Have you already handed it in?

**ADAM LEVIN** [00:22:57] It is, yes.

**HILGERS** [00:22:58] Would you mind giving it to the clerk or page.

**ADAM LEVIN** [00:22:59] Yes, certainly.

**HILGERS** [00:22:59] Thanks so much, appreciate it. Next proponent for LB713. Welcome.

**RENEE FRY** [00:23:19] Thank you. Good afternoon, Chairman Hilgers, members of the Executive Board. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute and we are here in support of LB713. Stress testing is an important budgetary tool. With a possible recession in 2020, it's prudent to prepare and budget for all possible economic scenarios. Had a stress test been utilized prior to the past recessions, we may have been able to avoid some painful cuts. In FY '02, actual receipts were 10 percent lower than forecast. In FY '03, receipts were 9.8 percent lower than forecast. In order to close that \$759 million budget shortfall during the early 2000s, legislators increased sales and income tax rates, as well as other taxes, and made some painful cuts to K-12 education, higher education, and other services. The Cash Reserve balance at that time was \$110 million, which was less than 5 percent of annual General Fund appropriations. In short, the state was not prepared for an economic downturn-- turn. While we still had to make cuts in the Great Recession, we did have a Cash Reserve close to 18 percent of receipts and the assistance of federal stimulus funds. With a possible recession in 2020, we are concerned that we will again find ourselves in a difficult position, especially as we are coming off several years of budget reductions. Currently the Cash Reserve balance is \$333.5 million, which is equivalent to 7.5 percent of the General Fund or 6.9 percent of projected receipts. The preliminary budget assumes a deposit of \$69 million due to revenues exceeding forecasts this fiscal year and a transfer from the Cash

Reserve to the Capital Construction Fund of \$54.7 million next biennium. That would result in a balance of \$348 or 7-- \$307-- excuse me-- \$348 million dollars, or 7 percent of projected receipts by the end of the biennium. However, assuming no deposits are made in the Cash Reserve this fiscal year, as is now forecast from the Forecasting Board that just met a little bit ago, the balance would be \$278.8 million, or 5.6 percent of estimated receipts. This is well below LFO recommendations of 16 percent of General Fund receipts in a Cash Reserve. It's also why we believe that stress testing various economic scenarios would provide the Legislature with more information regarding our fiscal health. Recessions are difficult to predict and receipts can vary widely from projections. For instance, since 2001, sales tax receipts have been less than April NEFAB forecast 12 times; individual income taxes have been less than NEFAB forecast 10 times; corporate income taxes have been less than NEFAB forecast 11. Stress testing would enable the Legislature to better plan for a variety of economic scenarios. In addition to a lack of predictability, there is evidence that there are structural changes in our tax base. For example, consumer habits have shifted to an increased-- increased consumption of services rather than goods. Since all services are exempt from our sales tax base unless specifically added, this has resulted in an erosion of our sales tax base, and this is demonstrated in the chart that I've handed out. Considering such structural changes is an important aspect of financial planning. We appreciate LB713's requirements that structural changes in our tax base be accounted for. Further, we support the requirement that the Legislative Fiscal Office prepare a long-term budget. Policymakers often past budgetary changes in one year which do not take effect until later years, which can obscure the true impact of legislation and contribute to structural deficits. A long-term budgeting process, like the processes in place in-- around a [INAUDIBLE] of the states, can clarify the long-term impact of proposed legislation. Finally, I would respond, Senator Bolz, to your question about tax incentives. The Moody's report that looked at stress testing did note that incentives are contributing to the volatility of revenue for states. So with that, thank you. I'd be happy to answer questions.

**HILGERS** [00:27:13] Thank you, Ms. Fry. Are there questions? Seeing none, thank you for coming down.

**RENEE FRY** [00:27:19] Thank you. Thanks.

**HILGERS** [00:27:19] Next proponent for LB713. Seeing none, anyone wishing to testify in opposition? Seeing none, anyone wishing to testify in a neutral capacity? Seeing none, Senator Vargas, you're welcome to close. There are no letters for LB713.

**VARGAS** [00:27:42] Thank you very much, Chairman Hilgers, members of the committee. Just a couple of points I want to make sure to hit. One, I think we-- we've heard that this is less predictive, more informative and proactive in trying to then make sure we are assessing some level of the tools that we have. And being solutions oriented about different scenarios is really important because we-- history tends to repeat itself. I see this as a tool rather than something

that's very prescriptive. And we need more tools and especially, again, I think we look at different states. The differences we have is we have our biennium budget, we have term limits. There is a need for us to have some more tools in our toolbox. I would also encourage us to look at the fiscal note. There is none, so this is going to be absorbed within the existing funds that we have, resources from the Fiscal Office. I see this as comprehensive and so this-- I guess this gets a little bit to-- that our abilities for us to do stress tests from external individuals like Moody's, let's say, for example, but our-- but in addition, if we were going to go down that route, this bill is looking at a comprehensive set of volatility reports, which we do, do; stress tests, which we're not doing, at least in statute; and four-year planning, which is something that we do in-- in some level in practice but in statute it's something that I want to make sure that we continue to do. And this whole set is seen as a more comprehensive, proactive step. With that, I just want to thank everybody. I think this is a prudent way for us to then start to prepare and look back at what has happened, figure out ways that we can actually stress test to real conditions and continue to be a fiscal leader in our own management of funds and revenue for the state and the country.

**HILGERS** [00:29:31] Fine. Thank you, Senator Vargas. Are there questions? Seeing none, thank you very much.

**VARGAS** [00:29:36] Thank you very much.

**HILGERS** [00:29:36] That will get us a hearing on LB713 and we'll move to our next and last bill of the day, LB636, Senator Stinner. Welcome.

**STINNER** [00:29:54] Welcome. Thank you, Chairman Hilgers. If I may, I'd like to just report to the-- about Forecasting Board. The Forecasting Board adjusted our current '18-19 revenues down by \$80 million. Now they were \$69 million over, if you remember. That's the amount that-- over the certified that would have gone into the Cash Reserve or the rainy-day fund. Obviously that's not going to happen. But the other forecasts were adjusted, '19-20 by \$20 million and \$10 million the next year of the biennium, so \$30 million is what our adjustment will be to the biennium budget. Just wanted to report that. And with that, good afternoon, Senator Hilgers and members of the Executive Board of the Legislative Council. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. I represent District 48, all of Scotts Bluff County. LB636 would create the Financial Conditions of Counties and Municipalities Task Force. The task force would be charged with considering the advisability of creating a system and rating criteria to detect, monitor, and prevent financial distress in cities and counties. They would also provide recommendations on the state's role in alleviating such distress and present its findings in a report to the Executive Board. To construct a diversified representation of Nebraska's interests, the task force would be structured as follows with the legislative members existing as nonvoting, ex officio capacity: Chairman of Appropriations; an additional member of the Legislature appointed by the Executive Board; the Auditor of Public Accounts or his designee; the executive director of Nebraska Association of County Officials or designee; the executive director of the

League of Municipalities or designee; four representatives from municipalities appointed by the Governor; four-- from villages and second-class cities; four representatives from counties-- appointed by the Governor from counties without metropolitan or primary class cities; one representative from the School of Public Administration at the University of Nebraska-Omaha, appointed by the Governor; and one attorney with expertise in the field of public finance, appointed by the Governor. Just to give you a little background on this legislation, LB636 stems from my efforts over the past couple of years to study and implement fiscal monitoring system to alert the state and local political subdivisions relative to fiscal distress at the local level and at the regional level. In 2017, I introduced LR210 which studied how the Legislature could establish an early warning system to identify and respond to these situations that could place our local political subdivisions in poor financial condition. Then last year I introduced LB1111 which would have established an early warning system under LB-- LB210. Quite simply, LB1111 would require that the State Auditor apply a number of key financial indicators to determine if the local political subdivisions under the bill were in poor financial conditions due to circumstances and set up a reporting mechanism to the Legislature. Finally, during the interim of last year, I introduced LR455 which utilized the expertise of Dr. Craig Maher from the School of Public Administration at UNO to produce an-- an evalu-- an evaluation of evidence-based practices for establishing an early warning system to monitor the fiscal health of our local political subdivisions. It-- it's important to-- for me to clarify that there is a distinction between the condition itself and the causes of fiscal distress. This is not always the fault of the county or the municipality. Economic downturns, losing state aid, unfunded state and federal mandates, and unforeseen events are at no fault of local governments, but the effect is the same. The condition of fiscal distress can have far-reaching impacts on services provided by local government-- government-- governments. As we have seen in rural Nebraska, for an example, outmigration trends over the last several decades have threatened the stability of county and municipality government tax revenues, thus putting tremendous stress on local fiscal in-- local infrastructures. That is why I've reworked the model from a bill I introduced last year to provide ample assistance to cities and counties, involving them in a task force, and getting a ground-level look at what our cities and counties face on a daily basis. I want to thank the League and the Association of County Officials for working with me on the legislation, Dr. Maher for his contribution, the State Auditor for bringing everything together on LB636. I will say this. I think everybody understands and they-- they've listened to what happened in-- in Sidney with Cabela's. It happened actually to the entire state and it has a significant impact on the Panhandle. Gage County, of course, has got their problems right now; Ralston has had some problems. I'm trying to focus in on what's happening in the small towns and what I see in the small towns right now is basic services, public safety issues, you know, a policeman just retired in Mitchell. Their alternative was to go to-- to the sheriff's department and incorporate them and double the cost of what they had. They did find somebody to fill that job. But as fire and safety-- also mandates by the federal government as to water they've been having out west. We have arsenic as a-- arsenic and uranium in our water so from time to time it tests over the level. Well, if it tests over the level, they have to figure out-- "they" meaning the municipality has to figure out where they're going to-- where they're going to get fresh water. The city-- the little city of

Minatare had to go to Scotts Bluff and put in line, at their cost, obviously, to pump water into the city, fresh water. Those are some of the things, and wastewater is another issue and aging sewer systems. And I can tell you that as-- as a banker, and I've had these little tiny communities, we buy their bonds all the time and this concern started a long time ago. And when you buy their municipal bonds, you get an opportunity to look at the strength and stability of that town. And in some cases I've actually gone back to the underwriter and said this-- this needs to be straightened out. So the underwriter and myself went to the city council, explained the situation that they needed more revenue, less debt or something along those lines, and were able to modify the request. So this started for me a long time ago, but I continue to see deterioration in some of these small towns. I'd like to have some way of analyzing this because they are instrumentalities or extensions of what we do in the Legislature. That's what this is all about, to try to gather it from not only individual town basis but maybe a regional basis. You know, we cut funding in 2010, cut funding aid to municipalities. Is there something there? I see other states incorporating this and actually putting together people that can go out and help these small towns and counties with their financing. You know, the financial sophistication that you need to have today to stay on top of some of this stuff just isn't-- isn't there. So if we can lend some-- some support to that, analyze what the problems are, and maybe come up with some solutions. So on that, thank you.

**HILGERS** [00:37:30] Thank you, Senator Stinner. Are there questions?

**STINNER** [00:37:31] Sorry for the long-winded dissertation.

**HILGERS** [00:37:33] Mr. Speaker.

**SCHEER** [00:37:38] Thank you, Senator Hilgers. Senator Stinner, just a couple of thoughts. Realizing you're Chair of Appropriations, so that would be my first thought if I were you, is, well, to be the-- one of the two people. But any thought as far as-- for example, I'm looking at the-- the Government Chair. Most of municipalities, county government, is within their jurisdiction. I'm wondering, either yourself-- you know, the Appropriations and that one simply because that's their jurisdiction.

**STINNER** [00:38:14] I think that would be a good combination. That's up to the Exec Board and that would be--

**SCHEER** [00:38:15] And--

**STINNER** [00:38:17] --that would be my hope.

**SCHEER** [00:38:18] And then secondly, any concern-- looking at those, they all are representative associations of those entities, counties, cities, and so forth. Looking at perhaps

someone from the bonding industry, because they are the ones that look most frequently and spot the things [INAUDIBLE] have some--

**STINNER** [00:38:45] Actually I-- that was what the attorney was for. That's what we stuck in that-- yeah.

**SCHEER** [00:38:51] Well, I understand that but, you know, it's-- my concern is with expertise, what's with expertise he's-- you know, he's been a city attorney for two years and then went into private practice, so does he have, you know, city expertise? If you're a representative of bonding industry, I would guess they probably would have some high-quality expertise and-- just-- just a thought from that vantage point.

**STINNER** [00:39:17] I appreciate that and I certainly can modify the request [INAUDIBLE]

**HILGERS** [00:39:21] Thank you, Speaker Scheer. Any other questions? Seeing none, thank you, Senator Stinner. First proponent for LB636, come on down. Welcome.

**CRAIG MAHER** [00:39:46] Good afternoon. Chairman Hilgers and members of the Legislative Executive Board, My name is Dr. Craig Maher, C-r-a-i-g M-a-h-e-r, and I'm a professor of government finance at the School of Public Administration at the University of Nebraska-Omaha. I also direct the Nebraska State and Local Finance Lab where we've produced a number of-- of reports and analyses over the last few years. I'm here to testify in favor and support of LB636, Senator Stinner's proposal to create the Financial Condition of Counties and Municipalities Task Force. I'm here today as a private citizen and do not represent the University of Nebraska, nor does my testimony represent the official position of the University of Nebraska. As an academic researcher, a former elected official. and prior task force member in Wisconsin where we studied with Wisconsin's-- Milwaukee County's finances, I've been immersed in local government finance for the last two decades and with government financial health specifically for about the last decade in Wisconsin, Illinois, and-- and-- and now here in Nebraska. Local governments, whether they're school districts, counties, municipalities, or natural resource districts, are creatures of the state. It is also true that these entities provide the services most important to citizens: education, water and sewer, police and fire, road repair and maintenance, and many other vital day-to-day services. As such, concern about local government fiscal health has been at the heart of a good deal of policy and research. We can-- I could easily recall some pretty extreme examples-- Stockton, California; Detroit; Flint, Michigan; and Jefferson County, Alabama-- yet there are many more local governments struggling financially. And the question is, what can or should be done? Is there a way of identifying the problem before it reaches crisis mode? Today nearly half of the states in the United States have some form of local government financial fiscal monitoring system, including our neighbors in Iowa, South Dakota, and Colorado. Pew's work is probably some of the most extensive in identifying what those models look like. Based on my research looking at the determinants of fiscal distress on a national scale, I've recently produced a report, as you've heard, funded by

Pew, that tries to offer a tool for identifying fiscally distressed. I looked at school districts, counties, and cities in Nebraska. My focus was on the combination of fiscal reserves and debt. So similar to the process used in the banking industry, by credit rating-- credit rating agencies, and my own published work, local governments carrying little to no cash reserves that have been declining and high levels of debt that are increasing are typically fiscally distressed. The good news is that there are very few local governments in Nebraska that are-- that are fiscally distressed. I didn't find any school districts or counties that I would deem fiscally distressed. The city that surfaced in recent years is Ralston, which is recovering from the weight of debt obligations associated with the decision to-- to build an arena. We also know from this example that the state has stepped in and tried to help Ralston officials by allowing for such things as the expansion of certain sales taxes. So the state has a bit of a history of helping struggling local governments but in-- somewhat of an ad hoc fashion. A more systematic and comprehensive approach I think is warranted. I will say I have two concerns that I'm hoping can be addressed through this proposed task force. The first is what some of us have been struggling with, an agreement by the state and local officials on a tool for assessing local government fiscal health, and whether it's mine or some other. The second is an explicit understanding of what is to be done with this information. My concern is that this information not be used as a tool for accusing local governments of some kind of malfeasance but rather a tool that leads to a conversation with local government officials about steps and actions needed to address the stress. Like to leave you with a couple of-- of final thoughts. Local government fiscal distress, when we think about bankruptcies and the most extreme-- extreme examples, are typically the result of one of three possible outcomes: long-term changes in economic and demographic shifts which local governments are unable to respond-- Detroit is a good example-- one-time shocks to the system from which it is difficult to recover. If you think of major lawsuits, there have been a couple of cities around the U.S. that have gone into bankruptcy because they lost a multimillion-dollar lawsuit. You could think of natural disasters, think about Pilger and the tornado damage and the problems that caused in trying to recover. The third is this, you know, fiscal malfeasance or poor decision making which tends to garner the most high-- high-- highlights but is less-- is much-- much less frequent. We can identify communities in Nebraska that maybe fit each of these. However, a monitoring system at best will only be able to help predict the first. I hope the task force offers a system able to provide a blueprint for dealing with the other two. Then, lastly, the migration patterns and changing demographics in Nebraska are-- truly warrant further study in this context. As I feel-- as I fear that while we see few fiscally distressed communities, this will become an issue facing more local governments in Nebraska. If two-thirds of the state's population will reside in three of Nebraska's counties by 2050 and the population is getting older, I don't see how local government finances won't be affected. I would prefer that we think as proactively as possible and formulate an approach for dealing with these issues before confronting such crises. Thank you.

**HILGERS** [00:45:58] Thank for your testimony, Doctor. Are there questions? Senator Bolz.

**BOLZ** [00:46:02] Thank you for the helpful testimony. I-- I think there are lots of interesting ideas in this proposal. A couple of questions for you. The first is, how do you see this kind of work intersecting with the existing work of the State Auditor, because I would argue that the State Auditor has some of these responsibilities currently. So is it that we need to better fund the State Auditor in the short term? Does this add additional value? Could you just pull that apart for me a little bit?

**CRAIG MAHER** [00:46:32] Yeah. So we-- we know-- I mean all of the data that I've analyzed has come from the Auditor's Office. So I-- I mean they have-- they have a nice bank of data. I've not yet seen any reports produced from those data. I think I may be one of the few that-- that has actually tried to, you know, tried to do some analysis of those data. I know that in LB1111 there was the-- there was language in there that spoke to the Auditors Office doing some of this work. And why that didn't happen, I-- I don't know. But clearly there is an opportunity here. The question is, what direction does the Legislature want to give the Auditor's Office and the resource-- what resources does the Auditor's Office have for-- for doing it?

**BOLZ** [00:47:29] Um-hum. OK. My other question for you relates to your second concern that this information not be used as a tool for accusing local governments of malfeasance. I-- I do hesitate just a little bit to have a state entity doing this analysis because I'm-- I'm afraid of just that.

**CRAIG MAHER** [00:47:48] Right.

**BOLZ** [00:47:48] I'm afraid of it becoming political or people using this to find a talking point in an-- in an election regardless of other extenuating circumstances. And so I'm just curious if you can speak to how-- in what manner you think this could be put together that could prevent that kind of circumstance.

**CRAIG MAHER** [00:48:07] Yeah. I wish I-- I-- I-- so I know that-- I'll see if I get your answer. But I know that one of the-- one of the concerns of local governments-- we've talked about Sidney earlier, right? One of the concerns is if something like this pops up, there's the anxiety that that's going to negatively impact their ability to develop economically. If somebody-- if some report comes out and says these are-- and I don't remember what the language in LB1111 was. But, you know, these are those entities that are-- that are sort of high risk. Well, that, by-- in and of itself is-- is problematic. Now I would say you could completely flip that by saying we-- we've identified these entities as-- as distressed and these are the steps that we collectively are going to take to address those. We see that across-- across the U.S. I mean California, for instance, a city files for bankruptcy and there's very little the state-- that the state does. Compare that to Michigan or-- or New York where if you file for-- if the-- the state identifies you as distressed, there are a series of actions that the state then does take to help that entity alleviate or deal, cope with that distress. So I think I would like to see and I would encourage that the-- the



language that comes out of this task force really articulate what it is that the state is going to do in-- in response.

**BOLZ** [00:49:46] Thank you.

**HILGERS** [00:49:48] Thank you, Senator Bolz. Other questions? Seeing none, thank you for your testimony, Doctor. Next proponent for LB636. Welcome, Ms. Abraham.

**CHRISTY ABRAHAM** [00:50:03] Thank you, Senator Hilgers and members of the Exec Board. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities, and we first want to start with thanking Senator Stinner for introducing this bill. And we appreciate that he's willing to take a bit of a step back and sort of do a deep dive on do we need to have a system that identifies fiscal distress and, if we do, what are the appropriate criteria that need to be used to determine that. As Senator-- Senator mentioned in his opening, he had a bill last year, LB1111, which outlined some factors that if municipalities met these factors, they may be put on a list by the State Auditor of being under fiscal distress. The league's concern about those factors was that we had over 200 municipalities that would have met those factors and we don't think there are 200 municipalities out there that are under fiscal distress. I'll give you just a couple of examples. One of them was the issue of maximum levy authority. And if Lynn Rex was here, she would give you this eloquent presentation about levy limits. But my shortened version is about 20 years ago cities of the second class and villages had their levy limit reduced from \$1.05 to 45 cents and they had to meet that in two years. So many, many, many of our smaller communities are at that maximum levy amount because they had their levy cut in half. So that's why we have so many that are at that maximum levy amount. Another factor that was identified is, do you have any restricted fund authority leftover? And we learned from the State Auditor in a meeting with them that the Highway Allocation Funds have been increasing so rapidly because of the increased cost of gas and the quarter-cent sales tax hat some municipalities are being flooded with these Highway Allocation Funds and it takes up all of their pot of their restricted funds. And so they really have no unused authority left. Well, again, that's not really a situation where a municipality is under fiscal distress. They're being affected by the restricted funds and the amount of Highway Allocation Funds that they're getting, which is not really their-- their issue or something that they can control. So we-- we want to end by saying we really appreciate Senator Stinner's, I believe, truly sincere, wanting to help local governments in fiscal distress. And we really appreciate that this bill is a great step to sort of, again, as I said, step back and do a deep dive on what are those factors that cause musicality to be in fiscal distress. Let's really have a great conversation about that. And I certainly appreciate, Senator Bolz, your question and-- and the doctor's response that we don't necessarily want this information posted on a bank sign somewhere but that somehow this information needs to be protected so that the state and the municipality can work together to fix it, not that it's just a report that comes out that said, look, there's 200 cities that are under fiscal distress, because I'm not sure that that-- that helps anyone. So thank you so much for your time this afternoon.

**HILGERS** [00:53:33] Thank you for your testimony. Are there questions? Speaker Scheer.

**SCHEER** [00:53:39] Welcome.

**CHRISTY ABRAHAM** [00:53:39] Good to see you.

**SCHEER** [00:53:43] Just for clarification, the league doesn't have a problem with coming up with something that would determine, that would be a stress-type indicator? I mean, I-- all the caveats, it may be confidential and so forth, but I'm assuming they, as well as all the institutions they represent, would want to know from a third party if their financial condition is suspect enough that they need some help. I can't imagine that either your organization or individually your members would be against having that ability, having that information available to them.

**CHRISTY ABRAHAM** [00:54:27] And let me just take one step back, Senator Scheer. Our municipalities that are struggling, they know it. They don't need an outside party to tell them that they're struggling. Sidney knows that they lost a major part of their economic community. They know. So I think-- I don't disagree with what you're saying. I think the league just wants to be very deliberate and thoughtful about what the factors are that determine whether you're in fiscal distress.

**SCHEER** [00:55:00] Well, I-- I think-- I don't disagree that there-- discussion around what those items might be. And certainly I would say Sidney might be an outlier, not the norm. But if there are communities that over a five- or six-year period through this process their financial ability or their strength continually is eroded, either from lack of population or lack of-- of revenue sources or whatever it might be, certainly there would be a-- a need for someone bring that to their attention. I mean sometimes you have a continual rollover of not administration but elected officials. And as that happens, and I've been involved in-- in some of those, you have a large turnover, you lose a lot of that historical data that went with it. And so you may already be under stress. You just don't know it and-- because you just took the office. And you may have a majority of your city council or county commissioners, or whatever it might be, and they think that's the norm. So they don't even realize that they're under stress and just a-- a third party, confidential as-- as Senator Bolz has stated, but just to have the forewarning look, there are-- there are troubled waters ahead, and sometimes they don't know that because that's-- they just went to the beach for the first time.

**CHRISTY ABRAHAM** [00:56:41] Yes, and-- and you were kind enough to come to our conference this week where we were training newly elected officials and-- and-- and I agree. When you're newly elected, your learning curve is steep and you-- you may not know everything, and I certainly understand that. We just-- again, we want to be thoughtful about this process. And even if something is identified as being troubled waters, as you describe it, what is the solution to that? Is the state going to step in and help that? Are they going to, you know, let

us get out of our restricted funds? I mean, what is the solution to that for a municipality that is struggling, because sometimes it's factors beyond their control.

**SCHEER** [00:57:24] Fair enough. And I-- I'm assuming this group will also look at those type of avenues, but I just-- I can't fathom that your organization or those individual entities would be opposed to having another set of eyes and some type of structure that would allow them the-- the knowledge and the expertise that there may be some problems, that they're moving in the wrong direction.

**CHRISTY ABRAHAM** [00:57:49] Well, we're very supportive of this bill, Speaker Scheer, and we look forward to it moving forward.

**SCHEER** [00:57:53] OK. Thank you.

**HILGERS** [00:57:55] Thank you, Speaker Scheer. Other questions? Seeing none, thank you for your testimony.

**CHRISTY ABRAHAM** [00:57:58] Thank you so much.

**HILGERS** [00:57:58] Next proponent for LB636.

**LARRY DIX** [00:58:07] Good afternoon, Senator Hilgers and members of the committee.

**HILGERS** [00:58:11] Welcome.

**LARRY DIX** [00:58:11] My name is Larry Dix, L-a-r-r-y D-i-x. I'm executive director of the Nebraska Association of County Officials, appearing today in support of LB636. Over the past many, many years, as I've been looking at county government, there have been those peaks and valleys where I believe we've had some counties that have hit this fiscal distress level a number of years ago, many, many years ago. When Senator Vrtiska was here, I think there was a situation in Richardson County that came about where the-- the state did step in and-- and offered some help. And so we're-- we're supportive of this concept and-- and we like the idea of trying to identify ahead of time what's happening in these counties, what may be coming down-- down the line. As I sit here with a number of years of experience and look out, we do have a couple of counties that I-- I don't know if they're in fiscal distress, but they're-- they're moving in that direction. An example, I-- I think we've got a couple of counties-- used to be a number of years ago when I'd testify in front of the Revenue Committee they would always say, well, how many counties are at their levy limit? We always had eight to ten that were within striking distance of the levy limits. Then about that time we saw ag values increase. Counties lowered their levies. We have fewer that are within striking distance of-- of their levy limits. But we have two-- a couple of counties that are very, very close, and those counties set on-- actually on either side of Cheyenne County. And so you start to wonder the-- the impact of what happened

with the Cabela's. That at-- that flow actually reaches out to neighboring counties. And I think a group like this would be able to start to look at that and start to examine that. We've-- we've got a few other counties that are nudging up to that. And, Senator Scheer, you brought up the idea of turnover within board members. This last year we had the highest number-- this last election we had the highest number of board members turnover that we've ever had in the past 17 years that I've been executive director. We had one county that turned over the complete board, three members, three out of three. So there is this learning curve. We believe this committee is there-- will be designed to start to look at this, identify, and to possibly provide tools and education for those members to be able to say here are some ideas, here are some things that you need to look at. We're not saying that your ship is going down. We are just saying that it's something that you need to look at in the future and-- and gain on past experiences. So we believe the makeup of the committee is good. We think it's sound. Senator Scheer, you brought up additional resources, which are-- are very valuable, but I think this committee and the work it would do would start to go down that path and would be something that we would want to continue down the road. And we may have times when there-- there's nobody in financial distress. So be it. That's fine. Three or four years down the road we may have to look at it again. So with that, I'm happy to answer any questions anybody may have.

**HILGERS** [01:01:31] Thank you for your testimony, Mr. Dix. Are there questions? Seeing none, thank you.

**LARRY DIX** [01:01:33] Thank you.

**HILGERS** [01:01:36] Next proponent for LB636. Welcome.

**RUSS KARPISEK** [01:01:44] Senator Hilgers, members of the committee, thank you. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for State Auditor Charlie Janssen. We are in favor of this bill. Normally the Auditor would like to stay out of policymaking bills because that is up to the Legislature. But we are being a proponent on this one because we're for financial stability, financial transparency, all those sort of things. Quickly, we were probably not as in favor of the LB1111 last year because it went right into this. And as I call it, once you were on that list, I would call it the "so then what." What would happen then? OK, we're on this list, but I don't think that we knew then what would happen. With this task force we can go through this, figure out what would happen next. The Legislature, is the Legislature going to-- or will the task force ask the Legislature to have a committee or a subcommittee to help these-- these people who do find themselves on that list? Will it be the league, NACO? Which, again, I'm glad to see that they're in support and going to be on this. Dr. Maher, I'm not sure. It seems to be written kind of for him to be on the-- on the task force. I'm not sure. We were waiting over the interim to hear. There was the-- the LB or the legis-- legislative resolution. We were waiting for someone to contact our office and-- and that didn't happen. So I would like to invite Dr. Maher after this hearing to stop up to our office and maybe talk about that a little bit. Again, as the league brought up, some of these things aren't-- people

know the-- the SCHEELS-- or not the SCHEELS-- I'm sorry-- the Cabela's. Well, you know if that's going to happen, it's going to be bad. But how do you plan for it? In my district, DeWitt, the Petersen vise grips plant left. Of course that was horrible and you knew it would be horrible, but what do you-- what do you do to even get ahead of that? And in that situation they were kind of, in my opinion, holding them hostage: Well, we need a new water tower unless-- and if you don't, we're going to move. So they did all this and moved anyway. So again, we do think it's a good idea. We appreciate working with Senator Stinner and kind of coming back and making a task force so we can answer the questions when we get to that place. And, Senator Bolz, absolutely, as I've been around to all of the Appropriations Committee, except I couldn't quite corner Senator Vargas this morning, we don't have a fiscal note in here because we will-- we'll get it done. But as things go on, as everyone knows, and just got the bad news from Senator Stinner, we do feel that the more people we have, the more money we have, the more we can do and save money in the long run. So I appreciate your time and I'd be glad to take any questions.

**HILGERS** [01:05:27] Thank you for your testimony. Are there questions? Seeing none, thank you very much.

**RUSS KARPISEK** [01:05:31] Thank you.

**HILGERS** [01:05:32] Next proponent for LB636. Seeing none, anyone wishing to testify in opposition? Seeing none, anyone wishing to testify in a neutral capacity? I see none. Senator Stinner, you're welcome to close.

**STINNER** [01:05:45] [INAUDIBLE]

**HILGERS** [01:05:46] Senator Stinner waives closing. We do have one letter in support from the United Cities of Sarpy County. That closes our hearing for LB636 and our hearings for the day. Thank you, everyone.