

Government, Military and Veterans Affairs Committee October 25, 2019

BREWER: Good morning, ladies and gentlemen, and welcome to the Government, Military and Veterans Affairs Committee. My name is Tom Brewer. I represent the 43rd Legislative District, which is 13 counties in western Nebraska. I'm the Chair of this committee. I'll have the committee members introduce themselves here today starting instead of on my right, my left with Senator Blood.

BLOOD: Gosh darn it, I thought I was off the hook this time. Senator Carol Blood, District 3. I represent western Bellevue and southeastern Papillion, Nebraska.

LOWE: John Lowe, District 37. Southeast half of Buffalo County, Kearney, Gibbon, and Shelton.

La GRONE: Andrew La Grone, District 49, northwest Sarpy County in Gretna.

M. HANSEN: Matt Hansen, District 26, northeast Lincoln.

KOLOWSKI: Rick Kolowski, District 31, in the Millard area.

HUNT: I'm Megan Hunt, and I represent District 8 in midtown Omaha.

BREWER: All right, and on my left, everything is opposite today, is Dick Clark, the legal counsel. On my right is Julie Condon, the clerk; and Senator La Grone is the Vice Chair of the committee. And today our

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

page is Maddy. Today we're gonna look at two LRs. The first one to be LR187, Senator Lowe. And the second one will be LR92, also with Senator Lowe. For those of you who are joining us here today, this interim study resolution will be introduced by the Senator, the Legislature. The idea of this is that the purpose is to investigate certain topics and subjects for future legislation. The Government Committee is here today to receive information about these topics. To help facilitate these proceedings and maintain an accurate record, we're asking you to assist us in the following: First off, make sure all of your cell phones are muted-- and so I don't commit the crime myself. If you wish to record your attendance here at the hearings, you may fill out a white attendance sheet located on a table by the door, or I guess in this case behind Senator Lowe over here. There on front of the table. If you're gonna be a testifier, we ask that you fill out one of the green testifier sheets located on one of the two tables. If you're gonna be passing out materials or exhibits to the committee, please give them to the page for distribution and we'll need 12 copies of the materials. If you don't have that many, our page can assist you with that. Letters submitted to the committee must be by 5:00 p.m. the day prior to the public hearing and it will be provided to the committee members. Each letter must include your name, address, the LR number, and we do not include mass mailings in these. Please come forward, be seated in the, the chair when it's time to testify. We'd ask you to-- when you're testifying to state and spell

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

out your name for the record and to speak clearly into the microphone. Now the other room is a little hard to hear folks. I think here we'll probably be just fine. We will begin with the Senator's opening statement, followed by-- today for LR187, we're gonna have-- the first one is a call-in. There are materials that have been provided, which essentially is a slide show of slides that the caller is gonna go through. And at the end of that, we'll, we'll have a question and answer session. The only thing is that I'm gonna put him on a 15-minute limit. I know that's three times what we normally give, but we don't have a schedule of folks today that would keep us from being able to kind of hear through these topics. He'll be followed by Jason Jackson from DAS. Mr. Jackson has got another appointment, so we're gonna try and get him right around 10:00, which if everything goes well should be pretty close. And then we'll, we'll go from there with any other testifiers that are gonna be testifying. So with that said, Senator Lowe. Welcome to the Government, Military and Veterans Affairs Committee.

LOWE: Thank you for inviting me. Thank you, Chairman Brewer and fellow members of the Government, Military and Veterans Affairs Committee. My name is John Lowe, that's J-o-h-n L-o-w-e, and I represent the 37th District. I am here today to introduce LR187. LR187 is an interim study looking at the feasibility and fiscal impact of hiring an outside consultant to perform an efficiency review of state agencies.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

When I say I want to do an efficiency review, what I mean is I want to look at ways to improve operations, eliminate practices that are no longer considered best practice, and increase efficiencies of effective-- effectiveness, and to ensure our state agencies are as accountable as possible to the people of Nebraska. Let me start this hearing with some background. Performing such a review is not a new idea. Some examples of similar reviews were performed internally by state employees. Other states used outside consultants to speed up the process and to get a new set of eyes on challenges facing the state. The first major attempt of a review of this nature happened in Texas. This was soon followed by an effort by President Bill Clinton in 1993 with his National Performance Review. This review offered potential savings of up to \$108 billion. Since that time, there have been major-- there have been a number of reviews of this type. There was a major effort at the efficiency and performance reviews following the Great Recession of 2008. Some of these reviews were accomplished internally and others were done using outside consultants. States that have done reviews include North Carolina, Louisiana, California, Illinois, Iowa, Kansas, Colorado, Wyoming, and Minnesota. Iowa performed their review in 2009. The five year estimated savings was \$1.6 billion. This review was led by Democratic Governor Chet Culver. North Carolina performed a review in 2014 and '15 that cost \$4 million and identified roughly \$51 million a year in potential savings. Louisiana, under Republican Governor Bobby Jindal, performed a review

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

that estimated a \$2.7 billion in savings at a cost of \$4.2 million. Kansas performed a similar type of review in 2016. This review had five year estimated savings of \$2.4 billion. It cost the state \$2.6 million to perform this project. Wyoming just completed a project of this nature in 2018. The estimated savings from the report was \$170 million and it cost the Wyoming taxpayers \$2.1 million. So what would a, a review effort cost the state of Nebraska to perform and how much could we potentially save? I asked that question myself. The most relevant examples would be to-- appear to be Kansas and Wyoming. They are similar states then Nebraska, and have recently performed an outside review. Just based on those numbers, I think it would be fair to conclude that we would be looking at somewhere between \$2 and \$3 million to perform such a project. But I do not want to take these reports as a guarantee of what a report would cost. So my office reached out and spoke with a company, Public Works LLC, which performs these type of projects. They are the company that performed the review in Iowa. Eric Schnurer runs that organization, and he will be calling in to explain how his company did that project as well as others. At the end of the day, I brought this LR to look into the possibility of Nebraska, of Nebraska performing a review similar to the ones that have been accomplished in several other states, including many of our neighbors. I have some invited testifiers who will speak on this issue following me. One, who will talk about why Nebraska could do this internally and, thus, not require an outside firm. Another, is an

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

individual who can speak to what an outside review would look like and why other states have decided to go that direction. Lastly, Jason Jackson from DAS is here to, to discuss what is currently being done in Nebraska already to ensure effective and efficient government. The Governor has done a lot of good things already in this effort through the Center of Operational Excellence. I have handed out a recent report about some of the work the organization has done already internally. Since introducing this interim study, I have learned more about what the Center has been able to accomplish in this goal and hearing good stewards of taxpayers' money. And that is why I wanted to ensure that they were also part of this discussion as we look into the feasibility of doing more to ensure that the state spending is both efficient and effective. Thank you very much.

BREWER: Thank you, Senator Lowe. All right. We'll start with questions? Senator Blood.

BLOOD: Thank you, Chairman Brewer.

BREWER: I looked left, I'm sorry. It just happened.

BLOOD: We all look alike. I'm going to-- do you have a pen handy? I'm going to go ahead and ask the questions all at once. That way, since we're on a limited amount of time, hopefully that'll make it more efficient. So the main concern that I have is that the Salisbury duplicative-- we're duplicating-- didn't get that word out right, our

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

existing performance-based budgeting and the Lean Sigma Six practices that Nebraska's already doing. So the article that you e-mailed all of us, I found very interesting in the fact that it listens to frontline staff for ideas, that I like. But why does it take an outside agency is the real question that I have. And it sounds like you're bringing someone in to talk about that. But we all know that Governor Ricketts is already having our state agencies do Lean process improvements. And so doesn't that mean that we're already finding ways to save? That's one of the questions. So if-- so, so what is happening to the revenues from those savings or are we just-- is it just growth that's slowing down? So you gave us information about other states, but you're not telling me in Nebraska, do we have anybody who's gonna come and talk from process improvements today about the current Lean process efforts and what savings or efficiency-- efficiencies those have created as part of the process for considering future improvements? So the concern that I have is that Governor Ricketts and our staff, some of who are sitting here, have already been working very hard. Are you saying that Sigma Six is not a good practice and that they were wrong to initiate that? Or are you saying that we need to expand it? And if we need to expand it, where is the data that shows that it's been unsuccessful? So those are the questions that I have.

BREWER: All right. Senator Lowe, so that I can connect and I don't cut off Senator Blood here in this. If you can make notes on that, let's,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

let's look at the questions that aren't answered from either of the two testifiers that are gonna hit. You are gonna have the closing so the monkey is on your back to, to get answers, but so we don't run of our opportunity here to, to get the testimony out. So you've got your homework.

LOWE: All right.

BREWER: All right. Thank you. All right. So let's see if we can make a connection here with our first testifier. And what I'll do is have him introduce himself and then also give some background on who he is with, that way everybody's on the same sheet of music. All right, I'm gonna need you to turn down the sound on that so that I don't have to hear myself.

ERIC SCHNURER: Yeah, I've done that.

BREWER: All right. Well done. All right. Eric, what I'm gonna need you to do is you're gonna be treated the same as the other testifier. You're gonna be given more time than a normal testifier would have, but I'm gonna have to ask you to expedite through the slides as best you can. We'll have the slides as reference material and that will give us some time at the end to ask some questions. Does that sound acceptable?

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

ERIC SCHNURER: Sure, in fact, I'm not really gonna talk off the slide presentation, which would take about a half hour,--

BREWER: All right.

ERIC SCHNURER: --since you're able to have some of the things there to refer to.

BREWER: Sure.

ERIC SCHNURER: But I, I understand you're, you're short on time, and I'd really rather do Q&A as much as possible anyway rather than just talking over the phone.

BREWER: You're a man after my heart. All right. We're gonna need you to go ahead and state your, your name and spell it and then go ahead and give us a little background on the company that you work with.

ERIC SCHNURER: Sure. And, and I'd also like to lead off by answering some of the questions that Senator Blood just asked, which really go directly to what we do, and, and, I think, the concerns that you have. But anyway for starters, my name is Eric, E-r-i-c, Schnurer, S-c-h-n-u-r-e-r. I'm the president of Public Works LLC, which is a consulting firm based in Philadelphia.

BREWER: Very good. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

ERIC SCHNURER: Sure. Thank you. Let me just say by, by way of starting, I'd like to address the Senator's questions. As Senator Lowe mentioned, we carry out a large number of these reviews. We've done several dozens of these. Everything from school district and municipal level onto big governments, and we've done beginnings of seven entire state governments, including two of the ones that the Senator mentioned in his opening remarks [INAUDIBLE] couple of years. With another firm we did the Louisiana review and then the Iowa review is mentioned, [INAUDIBLE]. We, we deducted the time and event. In terms of the Senator's-- Senator Blood's questions-- but those, those are fairly common questions. Those are obviously the things that you need to think about in deciding if you want to conduct such a review and how to do it. Let me address a couple of those. [INAUDIBLE] doing things like performance-based budgeting and Six Sigma, and I don't anything against them, but they are somewhat different. And in general, I think it's worth doing additional efforts to identify efficiencies and save money because they, they have been productive. Senator Lowe noted in his remarks, all these reviews have been pretty effective at saving many multiples of what they cost in order to, to find savings. One more particular point about the fact the state is already finding ways to save money, which is good, but-- you know, probably not surprising to anybody in this room there's always additional ways to, to find-- to save money. The original Texas performance review was started in 1991 when the state was facing a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

severe budget deficit. It's now 28 years later, and the Texas performance review is still an ongoing entity that issues a report every year. For about 15 years or so after the initial review, it did basically a rerun of the review year after year and still found additional savings. It switched in recent years to more, more narrow, highly specific areas of state functioning to look and save money. But the basic point is that you can, you can keep saving money year after year. And there's really no end to the searches for ways to improve government operations that you can undertake. So it's good that the state of Nebraska is already doing what it's doing, but that doesn't necessarily mean that there is anything more to do. The basic question of why hire an outside agency, and I'm interested in seeing what the individual next who will talk about the advantages of not hiring a consultant has to say. I, I obviously have a point of view on this. But I would say basically this, we get asked that a lot. And a similar question is, too, can't I get in great shape without a coach? And the answer is, yes, of course you can. But it generally helps to have one. Michael Jordan and Venus Williams, who are two of the greatest athletes of our time have coaches, even though they are probably better at basketball and tennis than their coaches. But having someone who has a knowledge of the process and can guide you through it, is a, a useful exercise. And as Senator Lowe mentioned, the, the states that have brought in outside consultants have gotten pretty high return on, on their investment. I just want to say a couple things about how you

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

make sure that you're getting a high return on your investment. For one thing, I haven't [INAUDIBLE] out what it would be to, to do a review with Nebraska. But I can tell you that the, the charges that Senator Lowe cited for what other states have paid for reviews, those, those are, in fact, what they paid. I think those are high. We try to do it for less than that for a variety of reasons. But I don't think those are outlandishly beyond what you would normally pay, but it's probably what you normally wind up paying. But I will say that we generally think that reducing these [INAUDIBLE] for somewhat less than that. The-- there's, there's two things, I think, that are important in doing a review like this properly and I'll just stop for questions. The, the, the first thing is that when, when you hire a consultant, you need to make sure that you're getting an adequate level of detail out of them. Too many consultant reports that I've seen will charge a lot of money to give you a ten-point list at the level of things like change your [INAUDIBLE] process and you'll save money. And as probably everybody in the room already knows, you can include your [INAUDIBLE] process and it will save you tens of millions of dollars a year. The, the devil's in the details, and you want an adequately researched report for the money that you spent. The second thing is that I, I don't think that this would be properly due to [INAUDIBLE], you can hire consultants who write a report for you or you do it internally. A well done review consists of both of those elements. We consider stakeholder participation to be an essential part of the process that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

we undertake for two reasons. One is the line staff, not just the people at the top of the department, but the people who work throughout the state government are the people who know best how the state government operations can be improved. Most of them come to work every day thinking-- you know, if somebody just asked me, I could tell you how to run this place better. And we ask them and lots of good ideas come out of that. The second reason it's important to ask them is that-- you know, someday the consultants leave. Most of the elected officials leave office someday, but the state work force is there forever. They're the people who have to implement any of the recommendations. They're the ones who make sure that anything comes out of the report doesn't just sit on a shelf. And then it's not just one-time savings, but these are savings to become an integral part of the government process and how you actually save the money. And the only way you're really gonna get implementation is if you have participation upfront. So we make it a, a vital part of what we do to engage the state work force top to bottom in a number of ways from electronic surveys we send out to the entire state work force and we usually get a roughly 50 percent participation rate on the focus groups to individual interviews. I'll just give you one example of, of why I get that report and how it works. The, the money you're gonna save through improved efficiencies in government come in two basic forms. There's a big one and a little one. The big one comes from four main functions in state government: healthcare, human services,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Corrections, and transportation. Not surprising, those are the places where most of the money is, and that's where most inefficiency in government is. And most of your savings and efficiencies will come from those areas. But a good review will also produce hundreds of little sorts of savings. I could give you one example, the, the PowerPoint that you have in front of you, I'm guessing it's been printed out one-sided. If that were printed two-sided, you would use half the paper, obviously. Paper expenditures aren't usually part of the state budget, but you're spending lots of money on paper and electricity and phones and other sorts of things that aren't in the state budget. But in a proper review, you'll find ways to save money doing them. Now the, the switch to two-sided paper copying will only save about \$100,000 dollars a year. But if you come up with 100 things like that, pretty soon you're saving some real money. The best example of this was one of the first reviews we did in the state of West Virginia. We were doing a focus group with employees of the State Highway Department talking about other aspects of, of how highway services were organized at the state and through that conversation it emerged that the, the state had never properly calibrated the salt spreaders on their snowplows, so that more salt was being dumped on the road whenever it snowed. And what we followed up on that and were able to kind of measure what they came out to, it came out to about \$3 million a year, and too much road salt being put on the road. At the time, West Virginia's entire state budget was \$2 billion so saving \$3

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

million on [INAUDIBLE] amount of road salt on the road is not an insignificant savings. And there are literally dozens and hundreds of things like that in every state government that you're, you're, you're not gonna find without talking to state employees. But generally you're not gonna [INAUDIBLE] without a properly structured process as well. So you know, in, in my view, the combination of outside knowledge and experience with a fully participatory process from top to bottom of state government is how you're really gonna be effective in finding the savings that you haven't found already. With that, I'll just answer any questions that you have.

BREWER: All right. Well, thank you for the introduction. And, and just to give you some peace of mind, your slides are on both sides of the paper, so--

ERIC SCHNURER: Oh, good.

BREWER: --we already cut one corner there. All right. With that said, Senator Blood, I know you--

ERIC SCHNURER: Proving, proving, proving that Nebraska is already doing things to save money.

BREWER: Yes, we are cheap. Senator Blood, you're up.

BLOOD: Thank you, Chairman Brewer. And thank you for your testimony. I-- I'm looking for some clarification. So is it your understanding

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

that Nebraska staff does not currently participate in our, our Lean process efforts?

ERIC SCHNURER: Well, no, by, by definition, the Lean process and Six Sigma involve staff participation. You know, I'm-- I, I don't like to rain on anybody else's parade, but-- you know, I've, I've seen Six Sigma and Lean processes in operation. I think they're good. I think that they make a difference. I, I just think that there are additional ways to find additional savings and involve a, a wider range of the state work force in finding additional savings.

BLOOD: Are you aware what efficiencies or savings have been found already in Nebraska?

ERIC SCHNURER: No, I have not looked specifically at your state.

BLOOD: And I mean this very respectfully when I ask this question, if indeed they were to move forward on what's being investigated in this interim study, would it be your organization's goal to come to Nebraska and try and solicit our business?

ERIC SCHNURER: Well, yes, we, we respond to any RFPs like that that are put out. So if you decide to move ahead, we almost certainly would want [INAUDIBLE].

BLOOD: All right. Thank you very much.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

ERIC SCHNURER: Sure.

BREWER: When you were talking about the big and little, I didn't catch all of them. You talked about DHHS, you talked about Corrections. What were the others?

ERIC SCHNURER: The, the big area for healthcare and human services, Corrections and transportation. Most because that's where the bulk of your money is going, obviously. And because probably related to that, they, they tend to be inefficient systems where, where the bulk of savings can be found.

BREWER: All right. Very good. OK. Additional questions? Wow-- oh, yes, sir.

KOLOWSKI: I'll have to chime in on this. Eric, I, I wanted to first of all, say it's, it's my assumption, which could be wrong, but every state has some kind of process they must go through as far as their particular agencies and the segments of the state government that they, that they work with. What is, what is happening if they're not, if they're not doing that? And my assumption is that every, every state does this. Are they just not being followed up on or-- this is sort of a history lesson. What, what do you see when you go out to particular places and, and contact those people and, and try to work with them?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

ERIC SCHNURER: We've got a couple of questions rolled into that. I don't think it'd be a surprise to you that some states are incredibly bad at their fiscal processes and some are very, very good. My understanding is that Nebraska has long had one of the more professional [INAUDIBLE] and good state governments in the country. So many, many are less aware of how bad a state government can be but some of them are pretty loosey-goosey in their processes and, and-- you know, do not do anything they can to budget better and improve government operations. In, in terms of what people will generally say to us if, if, if we initiate the process, and try to convince that state that they ought to deal with something like this. The, the most common response-- the two most common responses, is the one we already talked about is, can't we just do this ourselves? And the answer is yes, you could. But-- you know, as most things, I think it could be better with some professional help. The other most common response, especially in, in recent years, given what the fiscal [INAUDIBLE] across the country has been since-- you know, more or less 2003 and we've already, we've already cut everything there is to cut. So how can we possibly save more by doing an additional review? And the reason for that generally is that governments tend to think of saving efficiency in terms of what's in the budget and if you wrapped your head trying to find savings by going through every line item in the budgets of the last 20 years and you've cut what you can cut out of the budget, it's hard to imagine whether there's anything else that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

can be saved. But the issue is exactly not what was in the budget. If it's in your budget, it's, it's being budgeted, it's being measured, and it's being managed. And you got some hold on what should be spent and can be spent in each of those areas. It's the stuff that isn't in the budget like the road salt, like the processes that are gone through in how permits are processed and things like that, that don't show up in budgets because they're not thought of as budget items where savings can be found. So in general, I, I think there's, there's the kind of budget exhaustion by most people in government at this point that the-- more or less in cutting for almost two decades and it's hard to imagine where else there is to cut. But the, the issue really is not looking for cuts, it's looking for how to do things better, which, of course, is what you're trying to do through a Lean Six Sigma process. But as indicated earlier, there's, there's, there's always ways to improve. There's always ways to do things more efficiently. You know, Texas has been improving its efficiency every year for 20 years. And I, I think that everybody in the position, such as yours, realizes that there isn't an end point to improvements and efficiency gains. There's always a way to make the government work better and that's what you should be trying to do.

KOLOWSKI: Well, it's my assumption that your-- every state should have someone or some group that is doing this internally with the decisions that are made in that particular situation, that state or that city or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

whatever it might be. Is that not true, that there isn't a group that is in every state across this country that would be in charge of trying to find those things within their budget?

ERIC SCHNURER: Well, you have a budget director in every state, obviously, but whether the budget process itself is structured effectively to identify ways to do better each year is an open question. And I'd say that in not every state is that true.

KOLOWSKI: OK. Thank you.

BREWER: Senator Hunt, you had a question?

HUNT: Thank you, Senator Brewer. Hi, Mr. Schnurer, this is Senator Megan Hunt. Thank you for speaking to our committee today. I, I understand the difference between cuts and efficiency in a budget. And I appreciate you making the distinction about that. And I've heard you talk about recalibrating salt spreaders. And-- you know, there's things to, to enhancing efficiency, like shutting off lights and printing double-sided on your paper. Are these kind of the only things that you specialize in with your firm? Are these the things that you focus on with other states or do you have any examples of larger cuts that were made to budgets after consulting with your firm?

ERIC SCHNURER: Well, yes, as I, I said there's-- you have two categories, between the little things and the big things. And so the little things should not be ignored because-- you know, the \$3 million

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

of road salt isn't going to save the world, but lots of things like that lined up adding up to real money. And you do find real money from finding things like that. But this is a fairly lengthy discussion that you'll see several slides in my slide presentation that go to some of these larger issues that I would basically summarize this way, that there, there is significantly saving that can be done as to how government delivers all its major services in the 21st century and it needs to be done where the significant savings can be found. And this basically goes to the fact that the, the-- all of the systems that we have for how government handles people. So, you know, outside of the regulatory of lawmaking functions of government, where the government is basically-- it comes back in dealing with life and human beings on a daily basis. And all, all of these [INAUDIBLE], which includes Corrections, most people don't think of the human services. But there's remarkable resemblance [INAUDIBLE] services, Corrections, prison, jail, healthcare system, the way hot and cold construction run, mental health system, our programs for the elderly and programs for children, including school systems. These all basically historically and ideologically evolved from the same core models in the early 19th century, which was in large part derived from the line of the factory system in the early 19th century as well. And in very simple sort of terms, what these all amount to are systems where a usually not very attractive large building was constructed, and as many people as possible are crammed into it for as long as possible,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

and then they're let go. And none of these systems turned out to be very efficient, and they're inefficient in largely the same ways. If you look at the literature on how to improve mental health, how to improve Corrections, how to improve schools, they're all strikingly similar in terms of what they recommend. And I've got a couple of slides in the presentation that, that deals with that. Thanks to a lot of the research, thanks to advances in technology, we know today that there are ways to do things that are individuated instead of mass corrected that are not place specific to large physical institutions that are more innovative and more flexible and as a result are much less costly and produce much better results. So you basically know how to get better results for less cost in virtually every area that big governments today are spending huge amounts of money on outdated, inefficient systems. And these are larger scale changes that are-- you know, in a lot of ways more interesting than the road salt sort of thing. But they're, they're-- they are big. And that really can save you real money. But you put the two together, large scale changes to modernize how government approaches function and little tweaks of where you're spending money on road salt or paper or other sort of strange things that merge in the government when-- you know, go through a process like that. You put all that together and-- you know, we generally find that you can save about 5 percent off of your operating budget in annually recurring savings if you do it right.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

HUNT: Thank you, Mr. Schnurer. Would you be willing to send my office or to Senator Lowe, who you have been in contact with, some of the research that you're talking about that informs the practices that you use in your firm?

ERIC SCHNURER: Sure. And I'll, I'll-- what, what I'll also send you is-- having problems with our Web page [INAUDIBLE] working. But I'll get those working and send that to you. Our, our Web site has-- suppose to have all of our prior reports out there so you can actually just click on them and see the entire report of several hundred pages of the detailed methodology in each of the individual recommendations and savings and how the savings are calculated and how they're arrived at and-- you know, best practice comparisons to other states and so forth so that is what I can help you with.

HUNT: Mr. Schnurer, where are you based?

ERIC SCHNURER: I'm based in Philadelphia, Pennsylvania.

HUNT: OK. What are some-- quickly, what are some things you do in your personal life to increase energy efficiency in your home, for example?

ERIC SCHNURER: Well, I, I do turn the TV off when I'm not in the room, which may sound like a little thing, but most Americans have a TV running in their house on an average of twelve hours a day, maybe [INAUDIBLE]. I try to turn the thermostat down when we're not around

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

or leaving. And I made a point of buying a fuel-efficient vehicle. So this is some ways I'm trying to save on energy.

HUNT: OK. Thank you, sir.

BREWER: All right. We need to expedite and move on. We will share the information on your, on your Web site. And if anyone has more questions, I'd go via direct to you. Thank you for your testimony.

ERIC SCHNURER: Oh, thank you for inviting me to talk.

BREWER: All right. Jason Jackson, come on up. Sorry for putting you behind schedule. Welcome to Government, Military and Veterans Affairs Committee. You may begin whenever you're ready.

JASON JACKSON: Thank you, Colonel Brewer and members of the Government, Military and Veterans Affairs Committee for having me. Appreciate the opportunity. My name is Jason Jackson, J-a-s-o-n J-a-c-k-s-o-n, and I'm the director of the Department of Administrative Services. First, I would like to thank Senator Lowe for introducing LR187. Under Governor Ricketts' leadership, our mission has been to create more efficient, effective and customer-focused state government, and we seek to run government like a business with an emphasis on continuous improvement. We appreciate having the opportunity to share how these principles are applied in our operations and share some of our successes. Since taking office, our administration has sought to view the organization with business best

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

practices that make all organizations more effective. All of our agencies are encouraged to identify key performance measures in all their areas of operations, establish goals, measure results, and continuously improve upon those results. At the agency director level, we establish annual strategic goals that we cascade down through all-- throughout the organization so all our teammates know how their work aligns with organizational objectives. Our frontline team members have daily huddles with their team where we organize around the work using swim lanes and provide feedback to our leaders about measures of quality, defect reduction, inventory and production goals. Up and down the organization, we are focused on efficiency and continuous improvement. And all of that is supported by our Center of Operational Excellence. The COE is a shared service of subject matter expertise and Lean Six Sigma process improvement principles. We support our peer agencies by providing them with training, tools, and subject matter experts in process improvement that we deploy or embed within their agencies to aid in their business goals. We're proud of the results that we have to date, which include 12,891 yellow belts trained in process improvement. Excuse me, 12,891 white belts trained in process improvement. This is basically introduction to Lean Six Sigma that is part of an employee's onboarding experience. So they know when they're coming into state government they're empowered to influence the changes that impact their work and make suggestions about their work environment. We have 4,163 yellow belts. This is basically process

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

improvement for supervisors so frontline leaders know how to run their teams, manage huddles, solicit the feedback of their team members, and measure results on the team basis. We have 146 executive green belts, 75 certified Lean leaders, 26 process improvement coordinators, and three black belts. The Center of Operational Excellence has helped these leaders with over 350 efficiency projects across 18 agencies, resulting in over 300 thousands-- 300,000 hours of time savings for our employees. A couple of examples of just how that impacts our citizens from a customer experience perspective. When our administration took office, the wait time for our call center at ACCESSNebraska was over 24 minutes. Now we have that down to under 5 minutes for 35 consecutive months. In developmental disabilities, we've reduced the eligibility determination process from a 69-day process to a 14-day process and the application from 14 pages to 3. In air permitting at the Department of Energy and Environmental Quality reproduced the permit application process from 188 days to under 65 days. So these are representative of the efforts that are going on around our agencies that have a real world impact for the citizens that we're serving. The totality of all these efforts have recently been recognized, and I understand that you may have already received a copy electronically, but I provided everybody in the committee with a hard copy of a recent study by the Harvard Business Institute, which identified Nebraska's Center of Operational Excellence as a best practice and a peer leader in the area of public sector process

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

improvement implementation. And we were recently a featured case study at the most recent National Association of State Chief Executive Officers meeting. Basically, my peer organization. As another proof point for Nebraska's position as a leader in public sector process improvement, just last week, we were invited down to Missouri by the Parsons administration to teach their process improvement executives and leaders and frontline employees about process improvement application in a public sector context. So we're proud of our results and think those have accrued to the benefit of Nebraska citizens and are helping us meet our efficiency effectiveness and customer service objectives. That concludes my prepared remarks and I'm happy to take questions.

BREWER: Thank you for your opening remarks. We'll start with Senator Blood.

BLOOD: Thank you, Chairman Brewer. And thank you for answering some of the questions that I had.

JASON JACKSON: Um-hum.

BLOOD: I, I actually am very proud when I travel at the, the work that Nebraska is doing. And you did answer some of the questions that I had for Senator Lowe. That's why I'm a little, a little confused by this interim study. The one question that I'm hoping that you also have an answer for is you talked a lot about time savings and training.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

JASON JACKSON: Um-hum.

BLOOD: Do we have any concrete numbers on money saved?

JASON JACKSON: I don't have those at my fingertips, but I what I might just say from a conversational perspective, and, and many of you were around, the first budget that the Governor inherited, had about 6 percent year-over-year growth.

BLOOD: Um-hum.

JASON JACKSON: Of course, subsequent to that budget cycle, as you all know, we've gone through several pretty austere budgets and now we're settling in at a trend of about 3 percent year-over-year growth. Throughout that process, we've been able to largely maintain or improve service delivery to our customers that we're supporting. Some of those examples that I cited are representative of that. So to be able to Lean our budget, meet our budget objectives, given the fiscal pressure the state has been under, a big part of our strategy to being able to do that without resulting in a degradation of services to our constituents has been the implementation of this program. What I'm best positioned to speak to and where we would likely see a budgetary impact, if we were to look at it, would be one measure of efficiency is our overall work force size.

BLOOD: Right.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

JASON JACKSON: Over the last four years, we've reduced the size of our work force by about 800 positions, about 600 FTE, which represents about-- between 4 and 5 percent of that 2016 based number that has a direct budgetary impact. And we've been able to do that without layoffs. That's partially about creating capacity in the system by being more effective and efficient. So when we have attrition, we don't have to replace like-for-like and we can help our directors meet their budgetary objectives.

BLOOD: And wouldn't you say that it's true that we can't do Lean Sigma Six in Nebraska unless we include our employees?

JASON JACKSON: That is 100 percent true. And if our process
[INAUDIBLE]--

BLOOD: That seems to be the motivating factor behind what I heard earlier, and it, and it seems that we're already doing that. I feel like I, I don't understand what's broken with the system currently. I feel that it's doing its job. It's not something that happens overnight. But every, every time I look in on you guys there's improvement. Would that sound accurate?

JASON JACKSON: I, I do believe it's accurate. There would be risk of some duplication of effort here. We are very proud of the program that we have. It is frontline employee driven, Lean Six Sigma methodology, particularly in a public sector context, relies on frontline workers

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

being the genesis of a lot of the ideas and solutions that we're ultimately implementing. I'll just highlight one fun example-- well, I think it's fun, but I geek out on this stuff, but there was a reference to two-sided printing. DAS is actually announcing a change this week. This is the interagency mail envelope that you guys are probably all familiar with. It's been around as long as anybody can remember. It cost \$2.65 to make this envelope. This envelope cost 15 cents. By moving to this envelope, we'll be saving taxpayers \$10,000 a year. So those are small representative examples. I think that the previous testifier was speaking to in terms of bottoms-up ideas that-- you know, in their individual-- you know, might not seem like a lot, but in the aggregate have a big impact. Now I would say our-- a limitation of our Center of Operational Excellence is that its penetration hasn't gone much beyond our code agencies. So there's more than 60 agencies in state government, 18 agency-- 18 code agencies. To date, our Center of Operational Excellence has been predominantly focused on those 18 code agencies.

BLOOD: Right.

JASON JACKSON: So that represents a limitation.

BLOOD: But there's nothing that prevents you once you continue to make these improvements from expanding, because once you have a sector

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

going in the right direction, then you can put your energies
elsewhere. Would that not be true?

JASON JACKSON: Well, what would present-- prevent us from doing that
is we don't have operational control over those agencies. Right? And
so what we have attempted to do is, is hopefully evangelize the
successes--

BLOOD: Um-hum.

JASON JACKSON: --so that other agencies might opt in to participation.
And we very much hope for that type of voluntary participation. But in
the absence of direct operational control, that is something that
would impede us from a wider application of this.

BLOOD: Thank you.

JASON JACKSON: My pleasure.

BREWER: Additional questions? Since I got you in the hot seat here,--

JASON JACKSON: Yes, sir.

BREWER: --and I just come back from being mauled by little old ladies,
let's talk about efficiencies in government.

JASON JACKSON: OK.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: I was at Valentine and was going around to the senior homes and kind of under-- trying to understand what the issues were. And, and I have some letters I'll give you so you can have a direct point to go to,--

JASON JACKSON: Great.

BREWER: --but it has to do with changes that were made. And as they explained it, it was effective 1 July of this last year. So if you're a senior and you want to go to the Community Center and you want to have lunch there, you sign in, which I have a problem with signing anything, you need to do that. Now whether you need their Social Security numbers and their blood type to, to sign in to get a lunch that we may have to talk about. But the issue was if they wanted to stay there and participate in activities, if they wanted to borrow a walker, if they wanted to get a flu shot, they did that same paperwork over and over.

JASON JACKSON: OK.

BREWER: So they showed me where one lady had signed seven different sheets of paper in one day along with the information. And what they told me was, listen, at a point it becomes so burdensome that we just-- first off they're-- you know, they're struggling with life as it is and then we, we add this to it. So I would just ask if, if I can share them-- share the letters with you and then maybe you can find

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

out what genius over at DHHS decided that we needed more paperwork and then have a one-on-one discussion about how we might not do that anymore.

JASON JACKSON: Give me whatever information you have. I'll work with the agency director over there and then I'll close with you on what the resolution is.

BREWER: Thank you very much.

JASON JACKSON: Yes, sir.

BREWER: All right. Additional questions? I appreciate your time.

JASON JACKSON: Thank you, sir.

BREWER: I know it was a little bit delayed and you've got stuff to do, but thank you for coming in and sharing this information and being willing to let us go via direct in, in trying to address issues so that we fix things, and we don't have to make it as painful as sometimes it is with government.

JASON JACKSON: My pleasure, sir. Thank you, all. Appreciate it.

BREWER: All right. Dave Nabity, you're next.

DAVID NABITY: I have handouts and I have 12, so I got-- I need to keep one for myself--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: Well, I tell you what, we're gonna let you get by with, with 11 and we'll, we'll take care of that copy later because we're, we're good. Senator Hilger's is not here, and so maybe it was destiny.

DAVID NABITY: Good. That's one group. You can have this and that-- this is the last, and you can all 12 of those.

BREWER: And this is all double-sided?

DAVID NABITY: Some of it is. The big one is for sure.

BREWER: I'm sorry, it was there, I had to take it. All right. Welcome to the Government, Military and Veterans Affairs Committee. Whenever you're ready, go ahead and, and do your introduction.

DAVID NABITY: Good morning. My name is David Nabity. I run a company in Omaha called Nabity Business Advisors. I'm also part of KFAB's news team and do news for them. And I've been involved in a number of different political things over the years. And one of my big burdens has been the reform of Nebraska's government to get Nebraska more competitive. And before I launch into that, Senator Kolowski, I just wanted to let you know that four out of my seven kids are a product of the Millard Public Schools and they are doing excellent. So I appreciate all the work that you did there. The last group with Elkhorn, so I don't know if that is a bad thing or not. But anyway-- so one of the things that was-- became a real burden to me was-- and this has been going on in most of my adult lifetime as Nebraska has

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

been viewed as being one of the highest tax states in America. In almost every publication, in almost every report that you'll get, we are in the bottom ten as far as low-tax states. Some publications have us being third from the bottom, with only Illinois and New York being higher tax than Nebraska. So Senator Flood,--

BLOOD: Who's Senator Flood?

DAVID NABITY: I'm sorry, sorry, I, I apologize, Senator Blood, as I've heard you comment about what's going on with government efficiency, from an outside standpoint, our national reputation as far as being a high-tax state is so bad that we've got to do something. We've got to do something to get the taxes down in this state. And it starts with government reform. And there's a kind way to do it. And there's a cruel way to do it. A kind way to do it is to do what we're gonna be talking about here of, of developing teams of people to go in and scrub government and figure out ways to do business more efficiently. A cruel way to do it is when you have a revolt from taxpayers that basically do ballot initiatives that come in and say, look, nothing's being done to lower the costs in the state of Nebraska, so we're gonna force legislation on the state senators to come up with ways to find savings. That's a cruel way to do it. People-- you can have massive job losses in that setting. You can, you can do things radically instead of strategically. And so what I want to cover today is-- with you today is the, the processes that I've seen go on that I think

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Nebraska could adopt that would be kind, would be strategic, would be well thought through and, and would be something that you could work your way through so that we could improve the state significantly and change our national rankings. And I think that's important for everybody, because it has everything to do with where the retirees go when they retire. Do they go to low-tax states or do they stay in high-tax states? It has everything to do with our college graduates and where they go. Do they live in states that have a lot of economic activity because people are expanding in the states that are low tax? It has everything to do with our future. So I guess the first thing that I want to talk about on, on the first page here, this would be the reforming government in Nebraska, that document.

BREWER: This is the non-two-sided one?

DAVID NABITY: The non-two-sided one. Yeah. You'll notice in there that, it's about three paragraphs down, and it says, if you just review the basics of income tax, motor vehicle tax, and property taxes in Nebraska, you just take those three. And property taxes include real estate, but also when you go to license your car. If you compare Nebraska to other states-- if you move to South Dakota, you'd save 60 percent at every economic income level, whether you were low income, medium income, or high income. If you combine those taxes together, your tax bill would drop 60 percent. You can license a brand new Maserati in South Dakota and it's \$80. If you get a Ford Explorer in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Nebraska-- you know, you buy a new Ford Explorer, you're gonna pay \$500 and something like that in property tax. In Wyoming, you could save 70 percent, your cash output dropped 70 percent; Colorado, it drops 40 percent; Tennessee, 30; Florida, 60 percent; Texas, 40 percent; and Arizona, 40 percent. So when you think about retirees and they're on fixed incomes and they've got a decision to make, do I stay in Nebraska and pay 60 percent more, 40 percent more in taxes than if I moved to another state? That tax savings alone pays their mortgage payments in other states. That is the problem. That is why we've got to begin doing reforms in this state to get our national reputation better so that we can economically look like a wiser place to stay. Most parents that have children, grandchildren in Nebraska want to stay here. But-- you know, when you're looking at being able to save enough money to cover your mortgage payments and everything else by moving to another state, and many of those states have warmer climates, it becomes, it becomes a very difficult thing to do. So what can you do? And by the way, with, with this ballot initiative going on that is gonna create a credit against property taxes. If there was ever a time for state senators to think of every possible option you can to reform and, and become efficient, it would be now. Because if this thing passes, you guys are gonna have an Armageddon scenario on your hands at trying to figure out how to find money, the cash flow of government. So what can you do? If you look under the expenditures column that I, that I have, the bullet that I have there, Texas, we

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

already talked about the Texas Performance Review Board. They didn't have an income tax at the time and they were faced with having to have an income tax in order to cash flow government. Billy Hamilton was the comptroller at the time and, and he came up with a strategy to partner people inside Texas' government with people outside of Texas government from the private sector. He put the group together. And if you look on the second page there, it talks a little bit about it. But he put the group together and it amounted to about 24 people. So it's different than what-- just hiring an outside consultant and turning them loose. You're actually using people inside-- your department heads and working with private sector people. And I imagine the private sector people that you'd pull together, you'd want to get MBAs, you'd want to get people that are inside corporations that do reorganizational work, and you go deep inside a government and you have five months to do your work, just five months and you scrub and you look for every place that you could possibly save money. And so some of the areas that, that they looked at, is that any areas where there was duplication, you, you work to eliminate it. Any areas of inefficiency and bureaucratic processes to the point where the costs were out of control, you did everything you could to create efficiencies. If you had service-- areas of service or programs that weren't working very well, you just need to eliminate them. Sometimes we hang on to programs that just aren't working very well, the services that could be privatized and delivered cheaper. One of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

things you really want to ask the question, is does government really need to do this, or can we get private contractors to bid like crazy on this, get the costs down, and have the private sector do the work without government having to do it? If you have agencies that are over employed or you've got bloated payroll due to program creep, that needs to be looked at. Now I know that it, it can, it can appear to be cruel to say it's time to lay off people inside of government because we have way too many people. But what I, what I would say to you is, is this, if you can figure out a way, just like what we just heard, if you can figure out a way to create efficiencies so that you don't need near the payroll that you have, if there was ever a time to make changes like that, it's now, unemployment is at an absolute low. Every employer that I know of in the private sector is begging for people to come to work for them. And especially at the, the higher intelligence levels that a lot of these employees would, would qualify for, the opportunity to find work in the private sector has never been better. And so a time to be able to analyze this, I think, is right now. Areas where there excessive, excessive regulation, where the regulations are creating a lot of extra expense, those need to be looked at. And then another thing that doesn't often get talked about is what assets does the state have that they could sell. The assets that could be sold to the private sector, put on the property tax rolls, can be leased back, things like that, areas where you can actually move assets into the private sector and get them on the tax rolls. Those are just some of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019

Rough Draft

the things that they, they looked at. Now what I handed out to you was a letter from Billy Hamilton that he wrote to me. Now Billy Hamilton was, like I said, the comptroller that led the Texas Performance Review Board back when they did that. And they've gone-- I mean, the first year they found \$3 billion in savings and then they went back every two years and-- yeah, that right there. Yep. So that-- I'm sorry-- yeah. That, that is directly from Billy Hamilton to me. Arnold Schwarzenegger, when he was the Governor of California, hired Billy to go out and do the exact same thing for California that they had done in Texas. The problem was that even though they went through the whole process of coming up with all kinds of savings, the legislature in California just would not play and they wouldn't allow Schwarzenegger to be able to implement any of the savings that he, he wanted to come up with. But also in that letter from Billy Hamilton that you'll see there-- you know, they call their department heads something different than what we do. And I just-- I'm not sure if, if it would be comparable to have the, the State Auditor, the State Treasurer, the Department of Revenue executive director, those people as a part of that 12 from inside government and then you'd match them with 12 from outside government. We'd have to kind of work that all out to figure out how we wanted to do that. But in addition to looking at Nebraska's government, the team should also research the reform strategies that are used by other states and bring advisors from these states or visit their states to learn as much as possible. If I can do anything, I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

want to beg the Legislature to put together a committee to go on a road trip or bring people in and research what other states have done to modernize and streamline their governments and make those governments as efficient as possible. John Kasich did it. Mitch Daniels did it. Mike Pence did it. Jeb Bush did it in Florida. There are a number of governors across the country that really led reform strategies. And there's a lot, I think, we can learn. Right now, Louisiana has a new program they're calling the Louisiana Reset and they're attempting to do the exact same thing. That should be studied. So that's, that's the part of the performance review piece that I think is really important. And what you do is-- you know, you look for every place to scrub, save money, and return that savings to the taxpayers in either how you design the tax code or, or-- you know, there's just a whole bunch of different ways to do that. We could spend more time on that if you like. Now with regard to tax policy assessment, that's the bullet point number two. There's been great frustration in Nebraska about the little to no action to lower taxes. And-- you know, we all, we all know about this ballot initiative. You know, it's kind of a, a revolt basically to force property tax savings being pushed somewhere else. One of the first steps in modifying the tax code, in my opinion, is that the Legislature needs to do a complete review of how other states tax their residents. What's in sales tax? What are the average income tax rates? As a piece of real estate-- you know, what, what is the property tax rate in those states

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

versus Nebraska? And once the analysis is completed, there ought to be a theme that's developed-- is what, what does an efficiently run state look like in the way that they're taxing their citizens and then lay that template over Nebraska to see where Nebraska is in balance, whether we're out of balance. Why are we higher in one area, maybe lower in another? But get, get the facts and the model out so you can see where we are really, really out of balance. And then once you do that, then begin to come up with strategies to get Nebraska more in balance with the other lower tax states so we're more competitive on a national scale. That means that-- you know, sacred cows that have been untouched should be challenged and working as much as we possibly can to get Nebraska competitive. And that might mean you need to do things like creating hybrids of, of doing things like flat taxes or things that maybe you've got to put in place to get Nebraska more competitive. The last thing I have in here is incentive planning. You know, South Dakota has 700,000 people. We've got about a million seven. They've got about the same land mass as Nebraska. How in the world can they function with no income tax and \$80 to license a Maserati? What's the difference? Well, one of the, one of the differences is they've developed a tourism economy that we haven't. We have 11 million cars that go up and down Interstate 80. And, and we have not done anywhere near enough to draw those, those visitors through the state off. They've become the hunting capital of the United States. If you go up to South Dakota during hunting season, you

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

got-- you get-- every airport is loaded with private aircraft. Every hotel is full. Every bar is full. I mean, they've done a great job of, of building tourism. In, in Kearney, they tried to do it with the Kearney Arch, but they didn't get an exit forever. And they could have done a whole footprint, almost like a pioneer Disneyland around that, if the innovation had been there. And so-- you know, as a part of the government reform, we've also got to figure out what can we do to bring the incentives in place to motivate our landowners and our property owners to launch things that will grow the tourism so we have foreigners paying the sales taxes that Florida has, that South Dakota has, that Texas has, so that we can cash flow the state with outside money. So that all needs to be a part of this. And then the last thing, and I'll finish up my, my comments. I handed out to you a report that was done in-- I think it was 2011 by the American Legislative Exchange Council. And you'll just see by the bullets that I have here that there are-- this is kind of a summary of what other states have been doing to get their expenses down so they could be tax efficient, so they'd be more attractive from an economic development standpoint and a retiree standpoint. So I would just encourage you to look over all of that. But doing and creating a Nebraska Performance Review Board, in my opinion, is absolutely essential to starting to move things in the right direction, regardless of whether government leaders today are doing a fine job. The bottom line is, is Nebraska is viewed at one of the highest tax states in America. And as long as we

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

stay in that category, we're gonna struggle. So that's the extent of my comments. I'm open to any questions you might have.

BREWER: All right. Thank you for your testimony. Senator Blood.

BLOOD: Thank you, Chairman Brewer. Thank you for your testimony. I'm a little confused about what this interim topic is about and then what you're talking about. I'm very familiar with the ALEC toolbox. I read it-- gosh, I want to say back in 2012, it's been around for a long time. And I don't think it's really ever been updated since I read it. And some of the examples you gave are more local examples like we know when we license a car, how much of that money goes to the state, would you say? How much goes to the county?

DAVID NABITY: I'm not sure of the percentage.

BLOOD: So I kind of feel like we're kind of "globbing" everything together. And, and you're right, Nebraska has 1.9 million-- we're, we're--

DAVID NABITY: That's a big deal to people that live or are residents in the state, though.

BLOOD: I, I agree. Let me finish, please. So we talk about Nebraska has 1.9 million, Texas has 28.7 million, so lots more taxpayers than Nebraska.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

DAVID NABITY: That's why I used South Dakota.

BLOOD: And, and I understand that.

DAVID NABITY: They got 700,000.

BLOOD: So, so can I ask my question, please?

DAVID NABITY: Sure.

BLOOD: Thank you. So the, the concern that I have is that for-- I agree, taxes are too high in Nebraska. And I supported tax relief, but there weren't enough of us to support tax relief in the last session. And I, and I pursue tax exemptions for our military, because I think that that's important, because we need to keep those leaders here in Nebraska. And unless we start playing Marvin Gaye for every married couple for the next ten years, we're not gonna repopulate Nebraska. And then we can't push laws like that, right? So--

DAVID NABITY: That's pretty good.

BLOOD: Thank you. So the, the concern that I have, though, is that-- and the question that I have for you is that I feel like we went off into the weeds with your testimony. And that doesn't mean that you said anything incorrect. It just is very different than what we were told this hearing was about. And the concern that I have is why--

DAVID NABITY: Where, where did I-- do you mind I ask--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: --the concern that I have and the question that I have for you is, why are the state efficiencies that we are working on right now not good? How can we-- why do we expect immediate change when they're showing us very efficient change? They're letting people go and not hiring replacements and they're showing financial efficiencies. Why is what they're doing now wrong and need to be changed and bring an outside person in to fix that?

DAVID NABITY: Because only Illinois and, and New York have higher taxes than Nebraskans.

BLOOD: I do not disagree.

DAVID NABITY: So you got to--

BLOOD: But why do you feel there's a quick fix when the fix [INAUDIBLE]?

DAVID NABITY: There isn't a quick fix.

BLOOD: Right, exactly.

DAVID NABITY: The whole point, the whole point of this conversation is you put together a performance review team to come up with a kind way of reorganizing what we're doing as opposed to a cruel way.

BLOOD: Are you saying Sigma Six is a cruel way?

DAVID NABITY: No.

BLOOD: So aren't they already doing that is the question that I have.

DAVID NABITY: Well, if, if what we were doing and have been doing was enough, we wouldn't be a high-tax state like we are.

BLOOD: If what they were doing now with Sigma Six had been implemented 15, 20 years ago, we would not be in the position we are at now.

DAVID NABITY: Can I ask you a question?

BLOOD: But ten years from now, if they continue to implement that, even with a change in leadership, we will be in a better position financially. And that may not be soon enough for the taxpayers and they may very well have a successful ballot issue. And that's why we have ballot issues and that's why people have the right to do that. And I support their right to do that.

DAVID NABITY: Can I ask you a question?

BLOOD: No, that's not how it works.

DAVID NABITY: It's not allowed. OK, well, then I have a, I have a question in that what's the harm in doing a performance review board? What, what-- how did it harm Texas? How did it harm other states that have gone--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: I'll, I'll assume your asking-- are you asking me that question?

DAVID NABITY: I'm asking, I'm asking the universe that question.

BREWER: OK. I'm--

DAVID NABITY: I'm not looking at any one person. There is absolutely zero downside for doing a performance review board. Zero.

BREWER: And, and just so we run through the bullets here so there is no confusion for the people who don't understand why this discussion was happening with LR187, we'll just run down through the area of the state government operations that can be improved to make the delivery of services more cost efficient; number two, outdated practices that can be eliminated; number three, increased statewide efficiencies; number four, potential new sources of funding; number five, methods to make state agencies more accountable to the people of Nebraska. OK.

DAVID NABITY: Did, did I not not cover each one of those areas in my testimony?

BREWER: You, you, you went through and addressed a lot of issues. The question that I would have offhand here, is we, we, we talked about the 18 code agencies, 60 total agencies. Of the 18 code agencies, which is gonna be the largest, the one that probably you're gonna find

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

the most inefficiency or the most opportunities for issues to be there
for us to look at?

DAVID NABITY: What, what are my opinions on that?

BREWER: Yeah, your opinion on that?

DAVID NABITY: I would agree with Eric's comments that-- you know, it'd
be the DHHS, Corrections, transportation, those sorts of things.

BREWER: OK.

DAVID NABITY: But--

BREWER: And if, if we went to the 60 total agencies, where is probably
gonna be your biggest area that there's inefficiencies.

DAVID NABITY: Yeah, the one, the one thing that he did not discuss was
what would be the impact of privatizing different things? And, and
there could, there could be massive savings in that arena that we
haven't even explored. And it, it-- you know, I, I know that I'm
limited on time, but, but, but looking at doing-- having the private
sector maybe do things that government is doing now could result in
significant savings whether it's, whether it's--

BREWER: Actually, you're limited time on your opening, but once we get
to grill you, we keep you there as long as we want. So--

DAVID NABITY: OK.

BREWER: --you're trapped there for now.

DAVID NABITY: That's fine.

BREWER: Let's give it an example of that because I think I understand what you're saying, but just so everyone's on the same sheet of music. If we were--

DAVID NABITY: Well--

BREWER: --privatizing, where would be an area we could do that where you think we could save money and still be as efficient?

DAVID NABITY: Well, one of the, one of the areas is, is-- well, if you take the Department of Roads and all the interior-- internal engineering and architectural work that they've done-- you know, there's tons of engineering and architectural firms in this state that could do that work. Is it, is it-- you know, could there be savings if you let, let that business out? I mean, that's just one example.

BREWER: Well, I do understand what you're saying. It's, it's hard to fix something when you're a part of it. And, and I say that as us as part of government. Because it's, it's just the way things are.

DAVID NABITY: Yeah.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: It's the way it's always been. And, and if you don't have someone who comes in with this look at the world that doesn't have blinders and say, hey, this, this may be somewhere where you haven't thought through where you could do things more efficiently. So I'm with you there. I mean, there are numbers, of course, they're a little overwhelming when you do look at a Texas because they do have more people and they have more sources of money--

DAVID NABITY: Yeah.

BREWER: --and all that kind of things. You know, having--

DAVID NABITY: But looking at South Dakota, it totally trumps that. It just totally wipes that coming out.

BREWER: Yeah, I, I was just there giving them money. So I, I understand where you're coming from there. And you're right, they have taken, for example, pheasant hunting and turned it into a bonanza. We've, we've got the ability to have just as much pheasant hunting here.

DAVID NABITY: Yeah.

BREWER: And, and most of people that come and, and pheasant hunt--

DAVID NABITY: No question.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: --have pretty deep pockets and don't mind spending money. And, and so-- yeah.

DAVID NABITY: And you-- there's, there's all sorts of incentives you could do for that. You could, you could give property owners that build a half a million dollar hunting lodge, a ten-year exemption on increases in property taxes to give them ten years to make the thing profitable. There's, there's all sorts of things you could put in place from an incentive standpoint to get the entrepreneurial community to do things that will draw people to the state of Nebraska. And-- you know, I, I keep looking at Kearney and I think about what could have happened there and what didn't happen there. And it just breaks my heart because that could have been a major, major stopping point across Interstate 80. And-- you know, maybe someday it can be. But, but-- you know, it's one thing to reform government, it's another thing to have people that don't live in the state pay a lion's share of our taxes. And Florida can get away with that, and South Dakota's getting it done with what they're, what they're doing up there.

BREWER: But-- I mean, to your point, though, we're never gonna make Nebraska a, a resort for beaches.

DAVID NABITY: No.

BREWER: But we could make it a bonanza for other things--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

DAVID NABITY: Yep.

BREWER: --where we have certain unique--

DAVID NABITY: Unique, yep.

BREWER: --abilities to bring people here. So--

DAVID NABITY: And I want to see us be strategic. And the only way to be strategic is to put a team of people inside government with people from outside government and give them five months to scrub and come up with ideas to reform government. That's the kind way to do it. The cruel way to do it is to do what we've got with this ballot initiative that's just gonna rip out huge amounts of money out of the budget and then force everybody to, to, to light fires and start burning down government. I mean, it's the wrong way to do it. And we can do this, we can do this. It's already been done in other states. There's no reason why we can't do it here.

BREWER: Well, I would be remiss if I didn't tell you that, that I've, I've been a supporter of the ballot initiative, not because I don't agree with you on this, I think it will be cruel. But when LB289 came up and, and you saw how it shaped up, I think if it comes up, and I'm sure it will probably be January, and it's received the same, it will light the state on fire.

DAVID NABITY: Yeah.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: And, and-- you know, we were out talking to folks with the ballot initiative and, and it's not hard to find someone who wants to see it on the ballot because they like to express their distaste for where we're at.

DAVID NABITY: Yeah.

BREWER: So you're spot on, I think, in, in the burning desire for people in Nebraska to see lower taxes in general, but especially property taxes. But I, I, I fear that if they don't have that tool, there is nothing to motivate the Legislature to pass any meaningful [INAUDIBLE].

DAVID NABITY: Well, that's why I'm here. I'm trying to motivate the Legislature to embrace something that's already been done in other states that's worked well. And my hope is the Legislature will do it. We have to improve our national reputation.

BREWER: I understand.

DAVID NABITY: We've gone nothing but backwards nationally in how we're analyzed by anybody that analyzes states from a tax standpoint.

BREWER: I, I don't disagree with you. I've got friends that are retiring at, at Peterson Field in Colorado; at, at Warren Air Force Base in Wyoming, and in Rapid City at Ellsworth. And they're from Nebraska and they're, and they're not coming home, and I'd love to see

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

them come home because they're good people and their families come from here. But I think when you look at the fact that it will cost them between 5 and 8,000 more dollars a year to live here than somewhere else, they realize that that-- that's a big share when you're retiring and you're living on retirement pay. So--

DAVID NABITY: That's why I said that when, when, when-- as, as a part of this process, doing the study of the other low tax states, see where Nebraska is way out of balance and you might not be able to eliminate the income tax if you move more things to the sales tax side of things, but perhaps you could do a flat tax. Back in 2006, I had a, a conversation with Doug Ewald, and he said that his department did a study that showed that if Nebraska put in a three and a half percent flat tax and if you were a resident of Nebraska and you lived here and you had access to the services, you, you would pay a three and a half percent flat tax. It would have raised the same amount of money that Nebraska was collecting out of the income tax system they had at that time. And so the military people that you, you mentioned, Senator Blood, many of the military people that retire, they get a second job and they'll be working someplace else. So if you had a three and a half percent flat tax, they'll pay three and a half percent on their military pay for sure, but they're gonna pay half the tax on their nonmilitary pay. So it works-- it would be far more likely that a person that retires from the military would stay here if you had

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

something like that. And you might have to put something like that together in the interim until you get some of these other things done.

BREWER: I understand. All right. Additional questions? Yes, Senator Hunt.

HUNT: Thank you, Senator Brewer. Mr. Nabity, this, this document that you passed out, it says October 25, 2018. Is that a typo, or was this prepared last year?

DAVID NABITY: Oh, it's a typo. I'm sorry.

HUNT: OK, just wondering-- I was wondering what you're originally prepared this for.

DAVID NABITY: I had three people look at this, too,--

HUNT: OK.

DAVID NABITY: --and we all missed that. So--

HUNT: That's my-- that's the only question I'm gonna ask you.

BREWER: Good attention to detail.

DAVID NABITY: Thank you.

BREWER: OK. Any additional questions? We've grilled you for a while. Thank you for your patience and--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

DAVID NABITY: Appreciate you listening.

BREWER: --for your, for your testimony.

DAVID NABITY: I do. It's awesome.

BREWER: All right.

DAVID NABITY: Thank you.

BREWER: You bet. All right, any additional testifiers on LR187? All right. Seeing none-- hang on here. I'm somewhere between needing and not needing, and so I'm all over the place here. OK, be sure if you're a testifier, you fill out the green sheets. The letters for LR187, there are none. So we will go ahead and close the hearing on LR187 as soon as John Lowe closes. Boy, I just about pulled the trigger to quick on that one. That was my fault. Sorry about that.

LOWE: I may have been confused on these two LRs.

BREWER: Yeah, that's all right. Well, you, you got to stay in that seat for the next one, so you just as well get settled in.

LOWE: Thank you, Chairman Brewer. I appreciate this time we've spent today and the testifiers coming to testify in favor of LR187. Just to let you know, I have released pheasants in Nebraska. I paid for them myself just to try to get them back up and running again. Harvard University has released a report saying Nebraska is one of the best

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

states now for coming back and reviewing their means and, and what we're doing. A successful business continues to look for a way to improve its business. Me being in business most of my life, I have continued to look for ways I could save money, ways to do business better, ways to increase my customers. And I think that's kind of what we're looking here to do, is to-- way to look to make Nebraska run better, more efficiently, and to keep people here and to entice people to come. I was at the manufacturing summit yesterday. All the manufacturers in Nebraska are looking for new people to work. Now, now you think manufacturing, that's, that's somebody who's grimy and dirty and works a 12-hour shift and, and goes home with a lunchbox. That's, that's not what manufacturing is anymore. Manufacturing is technical. Manufacturing is, is everything from computers to letting the robots do everything. It's, it's, it's not such a grimy, dirty business anymore. And so we have openings everywhere. We need people. When I travel across the United States, this is the same thing in every state. Every state needs people. We have young people now not getting married until their late 30s. And they're thinking, well, I'm too late to have children. So our population is not increasing the way it was when you were getting married at the age of 18 or, or somewhere around that, and you're having four or five young children. Now maybe two children, you're just replacing yourself. And yet our economy is growing. We need people. We need to do this without increasing bureaucracy. We need to find ways that we can do this internally

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

without creating new government. In Nebraska, there's a state with 2 million people and we have wants for the population of 4 million people. So we have to be efficient with all of our money that we spend. We have to watch every dollar that we spend. And it's, it's not by doing drastic things. I, I know the Governor has done a great job with Lean Six Sigma and, and getting his departments running well. But as we heard, he is in charge of 12 departments-- 18, excuse me, 18. That leaves 42 that are not doing this or are not under his control to do this. That's a big section of our government that's-- that the Governor, that the Governor is not able to get into and do the Lean Six Sigma. Now a lot of that is in education, so we have to be careful that we don't step on education's toes, but we'd like to encourage them to find ways to become efficient. I think we've done a good job, and I appreciate you hearing this LR today.

BREWER: All right. Thank you for your closing. Any questions? Senator Blood.

BLOOD: Thank you, Chairman Brewer. Thank you, Senator Lowe. That was an interesting interim hearing. You and I are in agreement that there has been a lot of improvement in money, say, for taxpayers because of Sigma Six. Yes?

LOWE: Yes.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: So a lot of the things that you've brought up in your closing are also being addressed by Blueprint Nebraska. Would you say that's correct?

LOWE: Some of things are being addressed by Blueprint Nebraska. They're taking a look at them. Efficiencies are not done yet with that.

BLOOD: Right. But it's-- again, we're looking to bring more people into the state,--

LOWE: Yes.

BLOOD: --save tax dollars, pay, pay our dollars by doing more with less and making Nebraska a more productive state that brings more income in so we can lower taxes. Would you say that's correct?

LOWE: That's correct.

BLOOD: So the concern that I have, and one of things I've always hated about government serving as an elected official, is that there's this weird concept that we have to spend taxpayers' dollars to save taxpayers' dollars. Right? That makes little sense to me. And then you'll hear-- you've heard me say it before, right, where I say I don't understand why we're reinventing the wheel. For instance, I've seen interim studies come across us this summer and fall that I know

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

have been done several years prior to this. So we're being
redundant,--

LOWE: Um-hum.

BLOOD: --and a lot of that has to do with term limits. But again,
we're, we're wasting taxpayer dollars by being redundant. The question
that I have for you is we know because all of us travel-- you know, I
know that many of you have been to the ALEC conferences and we've been
to CSG and NCSL and Harvard and Leadership Institute, and the list is
very long. And we are traveling from state to state, as was already
suggested. We all are looking at other states' budgets, what's
working, what's not working, and we are implementing legislation. But
the problem is you cannot fix a problem that's been going on for
decades overnight, be it a ballot issue, be it Six Sigma, nothing
happens quickly. So what we're basically saying is that even though
there's a whole bunch of efforts going on and there are things that we
can fix in-house, and we want to spend taxpayers' dollar-- taxpayer
dollars to have somebody outside of Nebraska come in and show us how
to save money. So that's basically saying that we don't have the
talent in state government to do that. I think it's kind of insulting
to our, our employees and, and our leaders in Nebraska. And, and
we're, we're not using what we have to save taxpayer dollars. So how

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

do we-- the question is, how do we justify spending taxpayer dollars to save taxpayer dollars?

LOWE: Whether we look at it internally through our, our state government, whether we look at it as a partnership with state government and business, whether we look at it as an outside source coming in to tell us what we need to do, we're going to be spending money. Whether we're paying those people in state government to look at it, whether we pay the people in state government and with a partnership with business, we're still spending money. Whether we pay an outside auditor, we're still spending money.

BLOOD: But aren't we-- when you're an employee, you're already receiving pay. When you're a consultant, you're not within the payroll. You know what I'm saying? It's that we're, we're putting out new money. If it is our expectation that staff save a certain percent of money, we can implement that expectation somehow. Right?

LOWE: We should be able to, yes.

BLOOD: Without outside help.

LOWE: They, they should be doing it now.

BLOOD: There's a reason Nebraska-- Nebraska may rate low with taxes, and part of that reason is because, as we know, and you've already

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

said that families are getting smaller, houses are getting bigger.

Right?

LOWE: Um-hum.

BLOOD: Priorities have changed. I have to say my family-- my oldest has nine grandchildren, so we're contributing.

LOWE: Thank you very much.

BLOOD: Yes, thank you.

HUNT: [INAUDIBLE] me up there.

BLOOD: But they're in Iowa now. Sorry, I digress. So the, the issue is, is that these are demographics that have been coming for a long time. Like we all act surprised that all of a sudden nobody's having babies. But if anybody had done their research, and the, the prior person said he was a business consultant-- I'm a business consultant, I do feasibility assessments. This is a trend that's been coming for a long time. Why are we now surprised and trying to fix it? So--

LOWE: Because I'm now in the Legislature.

BLOOD: There you go.

LOWE: I wasn't before.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: So as legislators, it's our jobs to, to look at demographics so we can do good policy. So we know that this is a demographic. We know that fixing-- addressing our legislation to pertain to that demographic is good business. So this, I think, and I would ask you this question and for you to answer it honestly. Do you think we have the talent here in Nebraska to fix this in-house If they were given correct guidance?

LOWE: We have great talent here in Nebraska. And, yes, I do believe that we have the talent here to fix this.

BLOOD: Thank you.

BREWER: All right. Any additional questions for Senator Lowe? Seeing none, we will change out our number there and--

LOWE: I got it.

BREWER: Very good, there you go. That's efficiency in government right there. It's crooked, but that's all right. Senator Lowe, welcome back to the Government, Military and Veterans Affairs Committee. You may begin your opening on LR92 whenever you're ready.

LOWE: Thank you very much, Chairman Brewer, it's been a long time, no see, and fellow members of Government, Military and Veterans Affairs Committee. My name is John Lowe, that's J-o-h-n L-o-w-e, and I represent the 37th District. I'm here today to open on LR92, an

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

interim study designed to look at rules and regulations and processes in Nebraska and to compare our processes with other states. Specifically, I've invited testifiers behind me to discuss the reforms that have been implemented in other states and what effects they have had on the rules and regulation process. Rules and regulations can have a major effect on the state economy. According to the report from Beacon Hill Institute, the regulatory burden in Nebraska cost our private sector \$478.3 million in 2016. This is a large number. Some of this burden is, is necessary for health and safety reasons. But is it all crucial? I cannot say with 100 percent certainty, but I have my doubts. And that is why I introduced LR92 to see what other states have done recently to address the regulatory burden. I would be remiss if I did not highlight some of the recent attempts here in Nebraska to address these concerns. One of the largest changes in this legisla-- this Legislature has undertaken in the last few years is to address the occupational licensing. Several senators on this committee have brought bills to help address these problems with support from additional senators. More recently, Senator Murante brought a bill on behalf of the Governor that would have eliminated regulatory red tape by changing the word "shall" promulgate rules and regulations to "may." Governor Ricketts has recently introduced an executive order which was designed to tackle the regulatory burden in Nebraska. But as individuals behind me will tell you, there are other states that have explored other solutions. I believe it is worthwhile to listen to what

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

these other states have done and to see if Nebraska can borrow from these reforms. And with that, I'd be happy to turn it over to the first testifier.

BREWER: Before you take off, let's see if we got any quick questions for you. Questions for Senator Lowe before he leaves? You will stick around for closing.

LOWE: I will.

BREWER: That wasn't a question. All right. First testifier. James, come on up.

JAMES BROUGHEL: Pass these around.

BLOOD: Guess I'm doing it. All right.

JAMES BROUGHEL: I'll give them to her. Sorry, about that.

BREWER: Our page had to leave at 11:00, so we'll switch it out here.

BLOOD: I'm not get any respect today.

JAMES BROUGHEL: Sorry.

BLOOD: It's all right.

BREWER: Welcome to the Government, Military and Veterans Affairs Committee. You may begin whenever you're ready.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

JAMES BROUGHEL: Good morning. Thank you for granting me the opportunity to speak today. My name is James Broughel, J-a-m-e-s B-r-o-u-g-h-e-l. I am a senior research fellow at the Mercatus Center at George Mason University in Arlington, Virginia, and an adjunct professor at the Antonin Scalia Law School at George Mason University. I'll be touching on three topics today related to regulatory reform. First, regulation is necessary in many cases. It can be justified to protect public health, safety, and the environment. But the accumulation of regulation also has a real cost. Second, how much regulation is there? At the Mercatus Center, I've been involved in an effort over the past several years to quantify regulation across the 50 states using modern technology. And finally, there are three reforms that I will emphasize. These are red tape reduction efforts, something called a regulatory reset, which involves repealing the entire state administrative code and replacing it with a simpler version and economic analysis requirements. Now as background, the accumulated body of regulation in the state has an effect that can be thought of as akin to dropping pebbles in a stream. So the first pebble is insignificant, a thousand pebbles might slow the flow of water, and a hundred thousand pebbles could dam the stream, even though that last pebble all by itself was also insignificant. In this way, even seemingly reasonable regulations can end up slowing economic growth. A few lost percentage points in annual growth may not sound like a lot, but states with slow growth will see incomes and wages

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

stagnate for their residents. Now, in recent years, my colleagues at the Mercatus Center and I have launched a project called State RegData, which is a first of its kind effort to quantify regulation across the 50 states. We use text analysis technology to scan through state administrative codes. We've learned, for example, that Nebraska, as of 2017, had 100,627 regulatory restrictions in its administrative code, as measured by instances of the term shall, must, may not, prohibited, and required. The Nebraska Administrative Code has seven and a half million words in it, and it would take about ten weeks to read if all you did was read regulations 40 hours a week at a normal pace of reading. To put that in context, the average state has about 131,000 thousand regulatory restrictions. Nebraska, however, has roughly 56,000 more restrictions, more than double your neighbor, South Dakota, which we've heard a little bit about today. California is the most regulated state by our measure, with almost 400,000 regulatory restrictions. Now a number of states have been engaged in innovative regulatory reform efforts in recent years, which I would like to highlight. And in some cases, they are using Mercatus data tools to track their progress. So first, are red tape cutting efforts. One example comes from Virginia, which in 2018 passed bipartisan regulatory reform called the Regulatory Reduction Pilot Program. It requires two state agencies engaged in occupational licensing regulation to count all of their regulatory requirements and then reduce them by 25 percent over a three-year period. Ohio has passed

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

similar legislation in the past few months. That legislation also requires departments to produce account of all their regulatory restrictions, and it mandates the removal of two regulatory restrictions for each new one added until mid 2023. Another reform is called a regulatory reset. Now, this involves repealing the entire state administrative code and starting from scratch. It sounds dramatic, but two states have actually undertook this process in the last year, Idaho and Rhode Island, also highlighting how this reform is bipartisan. Idaho has a sunset provision. It says that all state regulations expire on July 1 of each year unless extended by an act of the legislature. And this year, due to infighting in the legislature, they opted not to extend the existing code. Now, as a consequence, 19 percent of rural chapters, 10 percent of pages, and 19,000 regulatory restrictions were allowed to expire, and most of the code was still retained. They were simply refiled as new regulations and emergency regulations so they wouldn't immediately just be repealed. Rhode Island allowed 30 percent of its rule pages to expire at the end of 2018 as a result of an expiration date built into its regulatory code. This was done under a Democratic governor and a Democratically controlled legislature. Finally, any red tape cutting effort or regulatory reset is going to be limited in effectiveness without being supplemented by high quality information in the form of economic analysis. So agencies in Nebraska do currently have some minimal requirements to consider fiscal impacts of their regulations, but no

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

in-depth economic analysis is required. So to conclude, there are three reforms that I believe would represent smart steps towards achieving faster growth in Nebraska. These are red tape cutting reforms, a regulatory reset, and economic analysis requirements. Nebraska is well-positioned to adopt any or all of these reforms. Mercatus Center data are available and are actively informing efforts in the states as they seek to reduce regulatory burdens. Thank you very much for your time. I'm happy to answer any questions.

BREWER: Thank you for your testimony. All right. Questions? Go ahead, Senator Kolowski.

KOLOWSKI: Thank you, Mr. Chairman. James, I simply want to ask-- I see one of the articles in here is, Why is Nebraska Ranked as the Most Fiscally Healthy State? Do you have that handout in this folder that you gave us?

JAMES BROUGHEL: I don't think that's my handout, but it's OK.

KOLOWSKI: Olivia Gonzalez was the author.

JAMES BROUGHEL: Oh, that must be-- that's not part of my testimony. It was part of some other materials that were prepared that were relevant to Nebraska.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

KOLOWSKI: OK, but being other materials, we've ranked Nebraska and Linc-- excuse me, and New York and Illinois as three of the worst places to live because of taxes.

JAMES BROUGHEL: Um-hum.

KOLOWSKI: And then we come out with this article that ranks us very high fiscally. I'm, I'm just a little confused as to what are we passing around and what are we, what are we sharing here?

JAMES BROUGHEL: So I am not an author of that report and I am not an expert on the fiscal condition of Nebraska, but I believe that a, a major part of the emphasis of that report is pension obligations and the ability to pay future obligations that the state is committed to, so that could explain it.

KOLOWSKI: Which are important, no doubt. Sure.

JAMES BROUGHEL: Certainly.

KOLOWSKI: Sure. Thank you.

BREWER: Senator Blood.

BLOOD: Thank you, Chairman Brewer. So they pass that law, but is it not true that on July 1, then that 8,200 pages of regulations that contained 736 chapters of state rules then expired? And so if they were to have a, oh, my gosh, moment that then the governor would have

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

to come up with an emergency proclamation to protect that area that they formerly regulated?

JAMES BROUGHEL: So there wasn't so much a law passed in Idaho, as much as they failed to pass--

BLOOD: Right.

JAMES BROUGHEL: --a law that would have extended the regulations. The governor was very clear when he was given this opportunity that he wasn't gonna use it as an opportunity for mischief. Really, what it spurred was a meaningfully-- meaningful review of the regulatory code among all the different departments in the state. Most regulations weren't touched, but they did find opportunities to eliminate regulations that maybe were outdated or were-- had lost legal authority at some point in the past to simplify many regulations, shorten them, write them in more concise language that's easier to understand.

BLOOD: So indeed, 8,200 pages of regulations that contain 736 chapters of state rules expired?

JAMES BROUGHEL: But it was replaced with another code, which was also in the thousands of pages long. So most of those regulations were retained just in a simpler form.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: So they're replaced or retained. OK. So for some reason, I'm not sure that came really clear in your, your introduction.

JAMES BROUGHEL: OK.

BLOOD: So, so they're really not eliminating, what they're doing is they're just looking at them and, and which is what most states do anyway?

JAMES BROUGHEL: No, actually, most states do not have a meaningful process of reviewing regulations on the books, including Nebraska. I would say, in fact, Nebraska was given a D rating for its regulatory procedures in a report that was issued a few years ago by the New York University Institute for Policy Integrity. And so the idea--

BLOOD: That was one, one source. A very conservative source, I believe, right?

JAMES BROUGHEL: Progressive, it's a progressive--

BLOOD: Progressive.

JAMES BROUGHEL: --think tank at New York University, gave Nebraska a D rating for its regulatory procedures. So the idea of the reset is to spur some review of the regulatory code, which in absence of having a process for periodic review wouldn't happen.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: So why is that not the responsibility of the boards that oversee these, these various entities?

JAMES BROUGHEL: So in my research, I have found that institutional reforms that govern the regulatory process are more likely to be effective than, say, ad hoc measures that rely on a particular individual or a particular director to prioritize the reform. So the idea is we want this to become a systematic part of the process so that regulators are constantly looking back at the existing regulations, learning from past experience, learning from what works, what doesn't work, so that we can both improve the existing regulations that are also on the books as well as new regulations.

BLOOD: OK, so that was not the question. So I agree with individuals--

JAMES BROUGHEL: Um-hum.

BLOOD: --I agree, I agree it should not be up to any one individual, but we have boards that oversee specific entities that these regulations apply to.

JAMES BROUGHEL: Um-hum

BLOOD: Why would it not be for us to set the expectation that they should be reviewing this--

JAMES BROUGHEL: Well, they aren't doing it.

BLOOD: --as opposed to something grandiose?

JAMES BROUGHEL: So-- I mean, if, if you're just gonna simply wait for them to do it, the evidence suggests that it won't happen unless institutional changes are adopted.

BLOOD: So again, I think we're making something that we can handle in-house with an ask is becoming a bigger issue than it needs to be. We always have all these outside organizations coming into Nebraska telling us how to do things better in Nebraska. And I respect that,--

JAMES BROUGHEL: Um-hum.

BLOOD: --but what I hear you saying and I, I don't disagree that there is much outdated regulation. I came from a municipal background. I worked really hard to update our ordinances because they were out of date and, and not acceptable. And we need to do that. And they do do that at the state level on a regular basis in-- when they drop state statute, they check to see what's outdated and they update those and they bring us-- it to the legis-- to the senators and we fix that. So the concern that I have is why, why is it not as simple as an ask to the board that's responsible and knows that entity the best? Why should we be involved in it when we don't know the regulations better than those boards?

JAMES BROUGHEL: The reason is because there are-- without some kind of systemic process for reviewing regulations, it's the general tendency

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

over time is for more regulations to be written than are taken away each year and the regulatory code will grow as a result, and it will become increasingly complex. And there's considerable academic evidence, some of which I cite in my written testimony, that the accumulation of regulations slows economic growth. Now if you think of a typical regulator, what are the incentives that they face? Their, their job is essentially to write regulations. They don't think of themselves as reviewer of-- reviewers of regulations or repealers of regulations. They think of themselves as rule writers. And very often they're rewarded for writing regulations. They're given awards, salary increases, promotions. The same sorts of incentives do not exist for reviewing regulations and repealing regulations that might, might not be working. And so there are institutional problems. It's not just in Nebraska. It's-- you see this in governments across the country and the world that there aren't good incentives to learn from past experience and admit, frankly, when something hasn't worked well. The-- it's-- the political incentives are such to try to avoid that accountability. And so oversight is needed from the, from the governor, from the legislature in, in order to force this kind of systemic review. It's not gonna happen naturally. Regulators may resist it initially because they are used to performing their functions in a particular way. And you're asking for change, human beings resist change, it's just human nature. And so that's why laws

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

or something with a little bit more force is usually needed to spur this kind of meaningful review.

BLOOD: So I still don't hear the answer. I hear you talk about individuals, and I hear you talk about upper management in general to, to put it in layman's terms. The one thing that I know about our boards in Nebraska is that they work under directives. And if indeed their description is to review regulations, I don't under-- again, I-- I'm constantly hearing, let's bring in more government or create more government or create, create a way to, to spend taxpayer dollars to eliminate the spending of taxpayer dollars or to eliminate the size of our government. I feel like sometimes we overthink things when there's a simple answer. For example, if you come to me and I work for DHHS, I can ask you the same question two different ways. I can say, are you a veteran? Or I can say, have you or a family member ever served in the military? Directing people to ask the correct question can mean the difference between people getting the right services or never getting services. The question obviously being, have you or a family member ever served is the right question. What I hear us saying is that we have all of these boards and we have citizens of Nebraska on these boards who are very capable of doing this, why are we not taking the most obvious way to create change and using that instead of trying to do something more complicated? We want to be very grandiose and say, all regulations must expire and then we'll figure it out from there or

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

say, we have to bring somebody in staff wise to-- you can't just pass legislation to make this happen, this is gonna involve staff. But yet, if we instructed a board to do it, that is their job to do this. They just need to have the correct instructions. Why do we need legislation?

JAMES BROUGHEL: So there are-- a single director of a board who is highly motivated and wants to take it upon themselves to do this could do it. And I'll give you an example that the--

BLOOD: But a board is multiple people, not a director.

JAMES BROUGHEL: Oh, OK. So a director of a department or a commission that runs a particular board, if they decide-- they have their orders to the people who work under them within a particular agency or have the force of law. So if you're the director of the Department of Health and Human Services, for example, and you, you want to order the employees of that agency to conduct a review of their regulations, a highly motivated director could do that. And so in, in my testimony, I mentioned the case of the Board of Pharmacy in Idaho, where the director of the Board of Pharmacy did undergo a review of, of his regulations, was able to cut his regulatory code just for his agency essentially in half as a result and he used Mercatus metrics as part of that process, counts of words, and restrictive terminology to guide their efforts. So it's certainly the case that individuals who are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

highly motivated could take this upon themselves and oversee these kinds of efforts within their particular area of jurisdiction. I would just say that it's unusual that it happens and simply asking personnel at agencies to conduct these kinds of reviews, I wouldn't expect them to, to conduct a rigorous review that is particularly meaningful.

BLOOD: So this would be one time that I would agree to disagree with you. And I did read your testimony, you've put it on-line on your social media.

JAMES BROUGHEL: Um-hum.

BLOOD: The Nebraskans who serve on the commissions and boards take their jobs very seriously. And what I like about the fact the Nebraskans who serve on this commissions and boards, what they do is that they're, they're who we work for. They don't have outside influence. They're just residents of Nebraska who are trying to make it a better place to live and raise our families. And so I'm a little concerned about this because I feel that this discredits the work that they do. And I know that is not your intent, but that is my concern when we get too involved with something that we can fix easily, which is set a better guidelines for those boards and commissions.

JAMES BROUGHEL: So when you refer to boards and commissions, are you referring say, to licensing boards or boards that regulate particular professions?

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: So for APRNs, for example, has a board or electrical--

JAMES BROUGHEL: Right. Right.

BLOOD: --the commission-- the list is very, very long. If you go to my social media, you'll see the list--

JAMES BROUGHEL: Um-hum.

BLOOD: --because I just texted about it.

JAMES BROUGHEL: So there is-- there has been a lot of attention towards occupational licensing reform in the last few years. Much of this was spurred by a report that the Obama Administration put out from their Council of Economic Advisers in 2015, I believe. There is considerable evidence and I would say consensus among economists that a great deal of occupational licensing regulation actually is not in the public interest. It is in the interests of the professions that are regulated. And very often these boards are, are populated with people from the industry that is regulated and they essentially serve the industry at the expense of individuals who might just want to get a good paying job and try to enter that industry, and at the expense of consumers, because these restrictions tend to raise prices and very often don't improve quality as a result. And so I would especially emphasize that relying that those kinds of boards and commissions that regulate professions are probably the least likely to kind-- to engage in this sort of review effort, and the least likely to do so in a way

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

that's consistent with the public interest. And so I would highly encourage you to consider looking more closely at those boards and considering the kinds of bipartisan occupational licensing reforms that we've seen in places like Virginia.

BLOOD: I, I would encourage you to research Nebraska to a greater extent because I would respectfully disagree on what you just said. I think the Platte Institute would also probably disagree here in Nebraska. Nebraska actually has gone very far in that area, and all of our boards have been very cooperative when it came to moving that forward. So I would disagree with you respectfully, but thank you for that answer.

BREWER: All right. Additional questions? All right, James, just to make sure that I've got some numbers straight, since we're talking about boards, commissions, and what this Legislature does. You said we had 7.5 million words of regulation. Is that--

JAMES BROUGHEL: That's right, in the Nebraska administrative code. So that is just administrative rules. I would add to that that there are, there are also requirements that exist in statute and that can exist in policy documents. So this is just one part of the legal system in Nebraska that we're looking for, but, yes.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: And then the, the second part of this, because if this is correct, I just want to make sure I got these numbers right. The average is around 131,000--

JAMES BROUGHEL: Um-hum.

BREWER: --regulations. And that's-- that-- what you're doing is kind of across the nation average of states and Nebraska would be 56,000 above that?

JAMES BROUGHEL: No. So the average-- we've, we've looked at 46 states plus the District of Columbia. There were four states that we haven't been able to look at yet due to data availability issues. The average state has 131,000 regulatory restrictions. Nebraska has about 101,000. So you are lower than average. If you look at some of your neighbors, South Dakota has 44,000 regulatory restrictions. That's the least regulated state by our measure; Kansas has 71,000; Colorado under 52,000. There's a large variation across states, California has almost 400,000 regulatory restrictions; New York has more than 300,000 by our estimates. So the average is one statistic, but there's a lot of variation.

BREWER: OK. But if you look at similar size, similar population if we go with the Kansas, South Dakota, whatever you want to do, 44,000 versus 71,000 versus Nebraska at 101,000.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

JAMES BROUGHEL: Um-hum, that's right.

BREWER: OK. That, that was my question. Anything else? All right.

Seeing none, thank you for your testimony.

JAMES BROUGHEL: Thank you.

BREWER: Oh, yeah, Julie will grab any materials you have there.

Welcome to the Government, Military and Veterans Affairs. You may begin whenever you're ready.

NICOLE FOX: Thank you. All right. Well, thank you, Senator Lowe, for introducing LR92. I am Nicole Fox, N-i-c-o-l-e F-o-x, representing the Platte Institute and a lot of-- some of the things I'm gonna be talking about, Mr. Broughel's already covered, so I'll kind of skip over some of those pieces. But just a reminder-- you know, the goal for regulations is to-- the intent is to protect the public. But unfortunately, sometimes they can negatively impact the ability to create innovative products, deliver services to citizens and to employ people. Local, state, and federal regulations exist. State examples would include things like occupational licensing, minimum wage laws, workers' compensation, and unemployment insurance. Combined, the multiple levels of regulation can be extremely burdensome. There needs to be a balance between protecting citizens while not prohibiting economic activity and growth. And the focus on this testimony will be on state regulations specifically. So the rules in Nebraska's

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Administrative Code are based on the state agency department or commission that has written them. And as Mr. Broughel said, according to research that the Mercatus Center did in 2017, our administrative code contains over 100,000 restrictions. Regulations come with a price tag. A regulation needs to be promulgated and enforced, which requires people, processes, and systems in government agencies, as well as in the businesses and organizations that are affected by those regulations. In some cases, individuals and businesses needing to follow those regulations must hire lawyers or specialists familiar with relevant regulations to assure that they're complying. This costs valuable resources and constitutes a hidden tax. Over the years, more and more regulations have been added at both the state and federal levels, which has increased the complexity and cost of doing business and has ultimately hindered Nebraska's economic growth. According to a study by the Competitive Enterprise Institute, federal regulations alone added about-- over \$14,000 annually to American household budgets through hidden taxes. While Nebraska cannot control regulations at the federal level, it can control its own. States like Nebraska have written millions of additional words of regulation and hundreds of thousands of additional restrictions on top of the federally mandated regulations. State level requirements carry the force of law to restrict individuals and businesses, just as federal requirements do. In his opening statement, Senator Lowe referred to the Beacon Illi-- Beacon Hill Institute and how they looked at

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Nebraska's regulations and that they were able to obtain a cost estimate of over \$470 million. The breakdown of this, the estimate was comprised of over \$302 million in fees, \$63 million in appropriations, and \$110 million in compliance costs. However, after reviewing the Nebraska's Administrative Code, it was felt that these figures represented just a fraction of the total cost to the private sector. An important factor not considered in their calculations was the impact that regulations have on the private economy. Regulations impact the private economy through several channels. First, there is money that households and businesses must spend on fees and that can be used to finance household consumption and saving. Also, the time and effort that households and businesses spend to comply with these regulations could be redirected to producing goods and services. These represent opportunity costs. Aside from those costs, we also must acknowledge that state regulatory reform has many natural opponents. There are industries who like the regulations because existing policies keep out their competitors. Excessive regulations allow special interests to control the process of creating new jobs and businesses. Everyone's right to earn a living is important, and we especially need to make sure that those with less education and less access to capital are not denied the chance to become entrepreneurs. And for example, in the state, I mean, we've done a lot with occupational licensing and I, I definitely applaud your efforts. Last year, we passed a couple of bills allowing people to easily become

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

entrepreneurs. One was Senator Morfeld's short-term rental bill. Also, we-- you, you guys passed the Cottage Food Bill sponsored by Senator Crawford to allow home bakers the opportunity to sell directly from their homes and to do so year round. And I also know we have a bill pending, for example, in the AG Committee dealing with food trucks. So-- and these are ways that people can, can start businesses without a lot of capital. So we-- and we need to assure that we can continue to allow Nebraskans to do things like that. Mr. Broughel talked about some of the reforms in other states. So I'm gonna skip over some of this. He mentioned Idaho and Rhode Island. Also along the lines, he called it a regulatory reset. I'm referring to it in my testimony as a, as a sunset. But North Carolina also did this. They did-- they passed their reform in 2013. And what that did was it had each state rule-- where each state rule was slated for automatic sunset in ten years unless reviewed. After the review, the, the rules would fall into one of, one of three categories. It was either deemed unnecessary and got repealed. It was either deemed necessary with substantial public interest. And so that-- meaning that the rule had attracted public comment within the prior two years. So it was to be readopted. And then, if deemed necessary, without substantial public interest, because the agency considered the rule necessary and it was automatically readopted. With this legislation by 2018, approximately one in eight regulations had been eliminated. Skipping down, he already mentioned Ohio and Virginia. I'd like to talk briefly about

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

Wisconsin. So Wisconsin passed what is known as a REINS Act. This was passed in August of 2017, and this law made three fundamental changes to the administrative rulemaking process. First, it places a cap of \$10 million on new rules and regulations passed by a state agency. If the agency wants to pass a rule that will cost an industry or a business more than \$10 million, it must get legislative approval before the new rule moves forward. Second, it creates an option for the legislature to request a public hearing early in the rulemaking process to give citizens and industry representatives the chance to voice their thoughts. Third, the bill allows the legislature to request an independent economic analysis for a second opinion on the cost of the compliance of a new rule. Wisconsin's law takes away power from unelected government officials and makes state agencies accountable to the taxpayer. Also along these lines, in 2010, Florida passed what they called their million dollar rule, subjecting any rule with a five-year projected cost of \$1 million to an automatic legislative review. And similarly, they required a statement of estimated regulatory cost for any proposed rule that would impact small businesses. The statement was required to include the number of individuals or entity required to comply with the rule. The cost to the agency or any other state or local government entities, including impact on revenue, transactional costs incurred by individuals or entities subject to the rule, and the impact of the rule on small business, small counties, and cities. In the first five-year period,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

there were 36 ratification requests out of 8,535 rules up for adoption. So it didn't capture a lot. But it did capture some of these major more costly rules. Next, I want to talk a little bit about what this Legislature has done in the past, and I'll try and be brief. Basically, what they've done is, is take a look at regulations in general, not necessarily regulatory burdens. So quickly, in 2011, LB617 was passed. What this required was a status report of any rules that had not been promulgated within the time frame required by law. If an appropriation was made with respect to the rule, the report must include what the funding had been used for instead and what staff-- what duty staff had been performing while such rules and regulations were pending. In 2013, LB242 is passed, it amended LB617, and said that if agencies had not adopted and promulgated rules and regulations within three years after the operative or effective date of the, of the legislation, the standing committee of jurisdiction shall hold a public hearing to determine the reason that the rules had not been enacted. And then finally, in 2016, there was LB867. And what this did was it redefined rule and regulation and identified different types of agency documents that were not considered to be rules. And it also gave us opportunity to engage in short-term rulemaking. And as I said, the three bills kind of generally addressed regulations, but they did not necessarily reduce regulatory burden. In July of 2017, again, the Mercatus Center came to Nebraska. We were here for that release of their report and they, they talked about Nebraska's regulatory burden

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

at that time. Governor Ricketts did issue an executive order that temporarily suspended rulemaking, and it also required state agencies to review all existing and pending regulations. Each regulation was to be evaluated based on defined criteria, and there were supposed to be reports compiled and sent to the Governor's Office by November 15 of that year, although that did not happen. Those reports were delayed. And I think that they're still waiting on some of them. Following the 2017 executive order, LB948 was introduced and that would have been in 20-- in the 2018 session. And some of you may have been here when Platte testified on that bill. We testified in a neutral capacity. In sum, we kind of felt like it, it was a step in the right direction. But we felt that the bill basically is, as Senator Lowe alluded to, it, it had some language changes where it was making some of the code mandatory-- or changing some of the code mandatory to optional. But in looking at the way that Mercatus had reviewed our regulations and measured our burden, changing "mays" to "shalls" was not really going to reduce regulatory burden according to the way they had measured it. And we wanted to see something that had more process changes. And at that time, we had talked about what some of the other states have done, and we suggested some of what I'm going to just suggest here. So like James, I have some ideas for Nebraska moving forward as far as ways we can reduce our regulatory burden. The first one, as I said, James called it a regulatory reset. I'm calling it a comprehensive sunset provision with periodic reviews. One piece of legislation that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

the Legislature has passed is LB299, that, that is essentially similar to a sunset provision with periodic reviews where, where-- with the goal of looking at our occupational licensing laws and, and reviewing 25 percent of those a year to, to streamline them to make sure that they're not overly burdensome, that we're, that we're making sure that we're competitive with other states. We feel that this is most definitely a step in the right direction. What I like about the sunset review process is that it looks back at old regulations and, and-- you know, cleans those up. But it also because it's ongoing as new laws are passed, new regulations are written, it lumps those together because I think-- you know, sometimes with regulations, what happens is regular-- regulations are written for the time and sometimes they can become outdated or sometimes regulations are, are written with the thought of-- you know, streamlining a process. But then we find that there's unintended consequences and maybe that they're a little bit burdensome. Or again, other states are changing. They're changing their regulations and we're becoming not so competitive. So I think it's good to kind of have that ongoing review. Another option-- and this is based-- I passed out with my materials, a copy of our most recent paper and it deals with regulatory reform written by Jon Sanders. And in this, he points out the suggestion of a small business regulatory flexibility. Small businesses account for two-thirds of jobs created and the majority of the private sector work force. And if you think about it, a lot of times-- you know, large businesses, they

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

have people leave or quit and they rehire for that position. But what the small business, often what is happening is we've got businesses that are trying to expand and grow and they're actually-- and that's why we say job-- or small businesses are job creators, because they're, they're growing and they're hiring more and more new employees. Often those small businesses are hit harder by unintended consequences of regulations. Firms with fewer than 20 employees pay an average annual regulatory cost of over \$10,000 per employee, compared with \$7,700 for those with 500 or more employees. States are increasingly allowing small business regulatory flexibility to address the disproportionate burden regulatory compliance can pose for smaller and newer businesses. Small business flexibility allows for either exemptions for more costly regulations or at least less stringent requirements lessening the regulatory burden. The Pacific Research Institute has looked at the regulatory burdens of small businesses. Nebraska is one of ten states without a small business regulatory flexibility. Our neighbor Colorado has the best ranking of the states in terms of small business flexibility as it allows regulatory flexibility for larger or small businesses or businesses of up to 500 employees. Our neighbors Missouri, Iowa, and South Dakota also have small business regulatory flexibility, but their-- the number of employees is not as high. And finally, the last recommendation that we would have or we would ask the body to consider is what we would call the REINS Act or the regulatory-- or regulations in-- from the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

executive in need of scrutiny. What this does is it gives legislative oversight to newly proposed major regulations. And to make sure that state regulations are not more stringent than their federal counterparts. We think that this is helpful moving forward because it assures more carefully crafted legislation without ambiguous mandates that may lead to the creation of major regulations, and that it compels agencies to be careful in crafting rules so that they stay below the cost threshold. REINS does not address the existing regulations and it does not impede the making of emergency regulations. So in conclusion, I just-- again, some regulation we do know for sure it is needed for public safety, but we want to make sure that we're not unnecessarily imposing barriers that could affect the state's economic growth and affect small business. So with that, I'm happy to take any questions. Senator Blood, I knew you'd probably have some to ask.

BREWER: Thank you, thank you--

NICOLE FOX: I'll try my best.

BREWER: --for your testimony. Senator Blood.

BLOOD: Thank you, Chairman Brewer. And I actually have two brief questions. So this particular handout, did the Platte Institute actually write this or was this written and you put your name on it?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

NICOLE FOX: We, we wrote that.

BLOOD: So do you truly believe that regulations come from agency bureaucrats in the executive branch?

NICOLE FOX: We wrote that. I mean, we--

BLOOD: You don't think that's kind of insulting to our staff?

NICOLE FOX: Well, the, the reality is, Senator Blood, is that-- you know, as an elected official, you're, you're accountable to voters. And if you do, if you do things that your constituency doesn't agree with, they have a right to vote.

BLOOD: Absolutely.

NICOLE FOX: But-- you know, the-- in government agencies, there's-- you know, they're not accountable to, to voters. They don't get voted out of office.

BLOOD: No, but they do get fired and they do get disciplined. I, I just-- I have to be very frank. I, I take issue with the way that that's phrased, and I think is very insulting to the people that work so hard for our state. My second question. So we talk about Nebraska having over 100,000 regulatory restrictions and we use North Carolina as an example. Do you know how many regulatory restrictions they currently have in code?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

NICOLE FOX: I don't have that memorized off the top of my head. But--

BLOOD: One hundred and nine thousand three hundred and fifty. So we're saying that Nebraska has over 100,000 regulatory restrictions, which is too many. And used-- utilized North Carolina as an example, and I do understand everything that you said that North Carolina had done and the benefit from that. But the concern that I have-- and again, we are always trying to fix government and government definitely needs to be fixed. I agree with that because, because we don't always hold people accountable. But sometimes we look at a picture and we think we can fix it when we're really not fixing anything. It's more of an action that looks like we're trying to do something. And so my concern is 100,000-- and I talk to people who say that actually compared to other states, we don't have a lot of regulations. When we travel-- and I know Senator Megan-- or excuse me, Senator Hunt, I apologize for using your first name, shame on me, we-- she hears the same. So-- you know, North Carolina cut back on regulations. Well, right now they have a 109,350 restrictions in code. So I, I just--

NICOLE FOX: Yeah.

BLOOD: --all I'm saying is we need to be conscious. We keep coming in with all these great grandiose ideas. And it is about the taxpayers, and it is about how much money we spend on government without a doubt,

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

and it is about having an environment bring in new business. But the first part of your testimony was that regulations are for--

NICOLE FOX: Public safety.

BLOOD: Public safety--

NICOLE FOX: Um-hum.

BLOOD: --and the protection--

NICOLE FOX: Um-hum.

BLOOD: --of our citizens. Right? Thank you.

NICOLE FOX: Well-- and I, I, I do appreciate you bringing this point up and I apologize. I didn't bring our-- or didn't make it in mine and I do have some information in an old e-mail I'd love to share with you because I know when some of this was going on back in 2017, 2018, we had sent an e-mail to senators asking about the numbers. And I think you have to look at the numbers-- you know, with some caution because you have to also look at the number of regulations per population. And so I think when you look at it based on-- you know, Nebraska's population of 1.9 billion, it does--

BLOOD: Million.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

NICOLE FOX: --and you compare-- or did I say billion? I'm sorry, million.

BLOOD: Yeah, I wish we had a billion. We wouldn't be having this conversation.

NICOLE FOX: You know, like-- because, for example, if you compare us say, to-- you like if you just said, OK, the state of New York has X number, and I can't remember off the top of my head, but-- you know, they have X number of regulations and then you look at Nebraska and comparatively you're kind of like--

BLOOD: So--

NICOLE FOX: --but when you compared it--

BLOOD: I don't know if I agree with that.

NICOLE FOX: --to population it made--

BLOOD: I don't think regulation has to do with population. I think the taxes do. But regulation is about public safety. It isn't about how many people we're protecting, it's either a life or death-- either, either this electrical code is gonna prevent your house from burning down or it isn't. So this is-- that's, that's-- I don't-- I think you're comparing apples to oranges when it comes to demographics. I don't think regulations have anything to do with your population.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

NICOLE FOX: But I also think to-- I mean, part of our goal is to, just like I said, do an inventory to say, can we be more efficient? Are there things that we're doing that are being burdensome? So, for example, I remember back in, I think it was, 2017, 2018, there was an occupational licensing bill where somebody had come to us and he was an audiologist and he was having to essentially get two different permits to do one function. And-- you know, we changed the-- you know, we changed the law so that he would only have to get one permit to do a single function. And I don't know-- you know, I don't know why that happened. I don't know if it was--

BLOOD: Right,--

NICOLE FOX: --lack of communication.

BLOOD: --that was a bill-- it was pulled out of a bill that was not gonna be successful and put into my omnibus bill, LB88,--

NICOLE FOX: Yeah.

BLOOD: --and so I'm very familiar with that. So that's a really good example of how senators step up to the plate when those problems are brought forward without an overall regulatory examination. Right?

NICOLE FOX: But, but the thing is, is we have over 200 occupations that we license. And that came to our attention because a constituent came forth and said, you know, this is a, this is a process change

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

that needs to occur. And the thing is, is how many of-- how many similar type situations are out there that exist that we don't know about. And with a regulatory review that might bring some of that to light.

BLOOD: But I hear you saying that we're making inroads.

NICOLE FOX: Slowly but surely, very slowly but surely. I mean,--

BLOOD: Movement forward is still movement forward.

NICOLE FOX: I, I, I can't disagree with you there, Senator. But again, I think that if we-- you know, did something like a LB299, but did it agency wide to take a look at things and periodically review things and, and also moving forward trying to keep things in check.

BLOOD: One last question,--

NICOLE FOX: OK.

BLOOD: --a real quick question.

NICOLE FOX: You said only two earlier.

BLOOD: Yeah, I know, but you, you keep talking, so it brings more questions.

NICOLE FOX: OK.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BLOOD: That's why it's easier to say yes or no.

NICOLE FOX: I'll keep that in mind.

BLOOD: So you, you listed all of these bills that have been brought forward that just aren't being acted on. Why would this bill be any different?

NICOLE FOX: What-- I'm sorry, what bills did I [INAUDIBLE]--

BLOOD: That you-- they were asked to provide reports within a certain window of time and did not provide those reports.

NICOLE FOX: Well-- so-- yeah-- are you talking about the Governor's executive order to-- I think it's just because he gave a deadline and they got into it realizing this is gonna take a lot, a lot longer. So I was just reporting on-- I guess that was what I was trying to allude to is that-- you know, a deadline was given and it's like, wow, we have a lot of regulations to go through and it takes time.

BLOOD: Exactly. Thank you.

NICOLE FOX: Um-hum.

BREWER: Any additional questions? Seeing none, thank you for your testimony.

NICOLE FOX: Thank you.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: All right. Additional testifiers on LR92? Please, come on up.

PAT CONNELL: Good morning.

BREWER: Good morning, and welcome to the Government, Military and Veterans Affairs Committee. You may begin whenever you're ready.

PAT CONNELL: All right. Good morning, Senator Brewer and members of the committee. My name is Pat Connell, C-o-n-n-e-l-l. I serve as the vice, vice president of Behavioral Health, Healthcare Compliance, and Government Relations for Boys Town National Research Hospital. I'm here today on behalf of the Nebraska Association of Behavioral Health Organizations. I chair the, the Legislative and Regulatory Committee. We've had a long-term commitment to reducing the amount of rules and regulations that we have within, within healthcare and especially with reducing redundancy. We've been doing this since back in 1990. And the reason I'm here today is I think we've, we've heard from other speakers at the 20,000-foot level, 15, 10, and now I'm talking about flying a low flying helicopter at treetop level and talking about how it affects providers on a day-to-day basis. I have a long-term interest in this. In the early 1970s, I wrote a research paper that was used as the basis for a legislative bill here in the Unicameral on school bus safety when I was working for, back then, County Commissioner Morgan on his first term. I've also-- in NABHO, I served in major leadership roles for the last 30 years. I've served four

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

two-year terms as, as president, which is all-- which it was a lot of work. So I'd like to just touch on two things today. One is, we've had successful efforts in the past. Vivian Chaumont was the Medicaid director many-- not many years ago, it seems like many years ago. But at one point in time, she got frustrated with us and said to us, hey, Pat and, and the group, tell us what it needs to read. And so what we did is we created a model which is attached, which says, hey, here's the left hand column is the regulation. The middle, the middle column says what we would propose that the regulation read. And the third column would be a ration-- the rationale or comments on that. We did that and she liked it. And she started making regulatory changes. Unfortunately, her health deteriorated and ultimately she passed away before she was able to implement a lot of it. But she did get the ball rolling on, on several of these, these ventures. When a provider looks at regulations-- what they look at-- and I'm on page two now midway down-- you know, it really bases on nine questions. Is it necessary? Why is it needed? Is there a federal law that mandates this or is this popular at the time or is it-- was there a public safety incident or an event? Does it conflict with accreditation standards? Which is often required to receive Medicaid. Give you an example, in the behavior health standards, which I'm very familiar with, there's 450 standards. We have to meet at the accreditation level in order to receive Medicaid payments. Is it overly prescriptive? And that's probably the biggest problem, is the regulation is over prescriptive.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

And what is the evidence for, for that prescriptive? Does does it improve patient care? And so how-- again, what is the evidence? And then the key elements to making this successful is involving all of the stakeholders early in the process. When you're writing a new regulation or you're proposing new visions-- whether it's to staff, the patients, the providers, they all have an insight as to how this regulation should work to, to make it most effective. And then those that are oftentimes used on the basis of raising the issue of quality. What is the evidence of that? How-- and in-- one or two cases is not quality. It's, it's, it's peer review. And because you don't want to write regulations that you end up having to repeal because it doesn't accomplish its goal. So we applaud the Governor in all of his efforts to reduce regulations. We applaud the legislative-- this legislative body. We as NABHO, would love to work with you in any capacity forward. We'd like to be your foot soldiers if, if you need us. So with that, I will conclude my testimony and answer any questions.

BREWER: Thank you for your testimony. And if you don't object, I think I'm gonna borrow your nine points here to use in the future. This is, this is a good reference to use when you're making a decision whether to write a regulation or not write a regulation.

PAT CONNELL: And we ought to let the record know that I raised my thumb upwards in--

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

BREWER: You gave me the [INAUDIBLE].

PAT CONNELL: --appreciation of your doing that.

BREWER: Thank you very much. OK. Questions on LR92 testimony? All right. You got off easy. Thank you for your testimony. Any additional testifiers on LR92? Seeing none, Senator Lowe, welcome back to the chair. No pressure, but it's three minutes until noon.

LOWE: I've just canceled my lunch date, so I've got plenty of time. Thank you today for coming and, and meeting on LR92. I appreciate it. I appreciate everybody behind me. I saw the group behind me. I thought we were gonna be here until 4:00. The Urban Affairs Committee was just in South Sioux City, Nebraska, for a meeting. We met at a very nice restaurant that overlooked the Missouri River, and from there we saw the shining city of Sioux City, Iowa, a community of 82,500-plus. South Sioux City is a town of 12,900-plus small community. They just built a Surgical Center in South Sioux City of \$23 million, I believe. Why? Because Nebraska had less regulations and they could build the, the Center quicker and faster and get it up and running. Why is it also good in Nebraska? Nebraska is a good place to be a doctor. Regulations at one time-- well, regulations should be reviewed because at one time trains had to stop in Nebraska if there were cattle at the crossing. I don't believe we need that anymore. It'd be hard to put a cow on a coal train or an ethanol train. So they should be reviewed.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

And I don't think it needs to be every 50 years. I think we need to do it regularly just to see if we still need these regulations. There are organizations that don't even know regulations exist because they're buried so far deep. I know currently the retired nurses in Nebraska must keep up their education and be qualified for giving shots, even though they never give shots. They just give care. And in our free clinics, we're losing our retired nurses. I believe it goes into effect later this year or next year. And that will be hard for the free clinics to stay open without a retired nurse giving up her time to be there volunteering to help people in Nebraska. Our rules and regulations are there to protect, mostly the businesses, the organizations, and we need to look at these to see if they're actually viable. I've come into several occasions where I've come up against the boards and the boards were made up of those in that from the organization itself with no outsiders in those boards. They don't want to give up their control. So I think we need to look at it. And the Governor has done a great job, and our past governors have done a great job in making Nebraska a great place to live and a great place to come to. But that doesn't mean we can't look at things and make things better for Nebraskans. Thank you.

BREWER: Senator Lowe, thank you for bringing both these LRs. I would have to agree with you on the regulation part especially. I have never felt so helpless in my life as when the-- and when I was surrounded by

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

the little old ladies in Valentine and they explained how they thought it was just so unfair that they had to give their Social Security number, and blood type to have lunch, borrow a book, get a walker, or get a shot. I think that there are times we burden folks and make it so that they don't take advantage of some of the benefits that should be there for them because of, of the burdens. And so this I think does need a look, but let's see how many questions we have for you here. Questions for Senator Lowe? Yes, Senator Blood.

BLOOD: Thank you, Chairman Brewer. So I'm listening to you Chairman Brewer, and I'm listening to you talk about specific examples, and my question would be, will you be bringing bills forward that address those issues in the upcoming session?

LOWE: I'll be looking at it.

BLOOD: Thank you.

BREWER: And I guess following along with that, since it potentially could affect the Government Committee, do you see if you don't bring legislation, understanding this is a short session, are you looking at any other LRs in the future or anything? Because if, if it-- you know, if, if we are gonna take a good, honest look at it, we probably do need to go take a hard look at other states or dig deeper into regulations and, and figure out where we may have that, that overlap it's being a little too burdensome.

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Government, Military and Veterans Affairs Committee October 25, 2019
Rough Draft

LOWE: I will be bringing more LRs in the future.

BREWER: I understand it as a general, but a specifically on these issues-- you know, we probably need to-- if we're gonna do it, do it enough in depth to be of some value so that we're actually gonna make a difference rather than just-- you know, slow walk through some of the issues.

LOWE: Yeah. No, we need to continue to look at this and, and look at it thoroughly and, and, and do it as, as prudent as possible.

BREWER: All right. Any additional questions? Seeing none, that will conclude the testimony on LR92. And that will conclude our testimony today, because we have no letters to read into the record.