

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Government, Military and Veterans Affairs Committee January 28, 2022

**BREWER:** Good afternoon and welcome to the Government, Military and Veterans Affairs Committee. I'm Senator Tom Brewer. I represent the 43rd Legislative District. I serve as the Chair of this committee. The committee will take up the bills in order, as posted on the agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. The committee members might come and go to other hearings. It's just part of the process. And just so everyone knows, I'll do the opening here and then I got to scoot down to Natural Resources for two bills there and then I'll, I'll come back if we're still here. I ask you to abide by the following procedures. To facilitate today's proceedings, silence or turn off your cell phones or electronic devices. Please move to the reserved chairs in the front row when your time to come up. Prior to testifying, introducer will make the initial comments followed by proponents, opponents, and those testifying in neutral. Closing remarks are reserved for the senator who opens. If you're planning to testify today, we ask that you pick up one of the green seats at the back table and fill it out prior to coming up and then hand it either to the clerk or to one of the pages. Let's see. If you want to testify today and would like it to be recorded-- or if you do not wish to testify today and would like to be recorded, the white sheets are back there so you can have that recorded into the record. If you have handouts, we would ask that you make 12 copies and if you should not have 12, the pages can help you make some more copies. When you come up to testify, please be clearly into the microphone. Tell us your name then spell your name, first and last, to ensure that we get it accurately for the record. We will be using the light system. We will use five minutes today. Doesn't look like we have enough to where that should be a problem. When the yellow light comes on, you have a minute remaining. When red light comes on, you need to wrap it up. No displays of support or opposition to bills vocal or otherwise will be allowed in this hearing. Committee members today-- I will start on my right with Senator Blood.

**BLOOD:** Good afternoon. My name is Senator Carol Blood and I represent District 3, which is parts of Bellevue and Papillion, Nebraska.

**McCOLLISTER:** John McCollister, District 20, central Omaha.

**SANDERS:** Good afternoon. Rita Sanders, District 45, the Bellevue-Offutt community.

**LOWE:** John Lowe, District 37: Kearney, Gibbon, and Shelton.

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**HALLORAN:** Steve Halloran, District 33: Adams County, Kearney, and Phelps County.

**BREWER:** All right. Dick Clark. Committee clerk to my right and Rod Krogh, which we have stolen from the Ag Committee for a day. Julie was out today, so he's, he's filling in. We thank him for that. And let's see, our pages are Payton and-- all right, help me with the name again.

**NATALIE REYNOLDS:** Natalie.

**BREWER:** Natalie. Well, that's good because that's not what I had here so thank you. All right. With that, we will begin. Well, I'll tell you what. We'll do a battle handover here of information to Senator Halloran. There's your order. There's your gavel and I'll back out. You have the conn.

**HALLORAN:** OK, thank you, Senator-- Chairman Brewer. We will begin with the agenda as scheduled, beginning with LB807. Senator Brandt. Good afternoon, Senator.

**BRANDT:** Good afternoon. Good afternoon, Vice Chairman Halloran and members of the Government, Military and Veteran Affairs Committee. I am Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. Today I'm introducing LB807, which would change provisions relating to a tax levy and county funding for a nonprofit county historical association or society. The bill would allow an association or society to have two options to receive tax funding from the county. Under the first option, the society or association will complete their own budget and have a separate tax levy for the historical association or society. The levy authority for this tax request would be allocated from the county board and would be included within the county's 50-cent levy limit. This would make the society or association consistent with how all other subdivisions adopt their budget. At present, the statute states that the association or society shall ask the county board for funding, but the tax request has to be included in the county budget rather than the association or society completing their own separate budget. The second option would be for the association or society to receive a funding request from the county board. This funding request would be paid from the general levy of the county, rather than setting a separate levy specific to the historical association or society. Under this option, the association or society would be required to report how the previous funding request was used before any future funding request would be paid. LB807 would not

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increase taxes because the funding provided under either option would still fall under the county's 50-cent levy limit. LB807 would not make any substantial changes to current procedures. Rather, it's intended to provide clarification and consistency for how nonprofit historical society budgets are handled. It would make it easier for the public to view the amount that a historical society is asking for and how to use it. Lastly, it would cause nonprofit historical societies to be handled in the same manner as county ag societies. This bill was brought to me by former Senator Russ Karpisek and the Nebraska Auditor of Public Accounts. Senator Karpisek and Jeff Schreier, senior auditor in charge at the Nebraska Auditor of Public Accounts, will be testifying after me to explain the bill and the need for it in more detail. With that, I would be happy to answer any questions.

**HALLORAN:** OK, thank you, Senator Brandt, for that opening. Any questions for Senator Brandt? Seeing none, stick around for the close?

**BRANDT:** Yes, I will.

**HALLORAN:** Thank you. All right, we will begin with proponents of LB807. Good afternoon. Welcome.

**RUSS KARPISEK:** Good afternoon, Senator Halloran, members of the Government, Government, Military and Veterans Affairs Committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for Auditor Charlie Janssen. As Senator Brandt-- and thank you, Senator Brandt, for introducing this legislation. He's my senator and I'm, I'm happy for that. We do have Jeff, Jeff Schreier, which-- with us, who is the brains of the operation on, on this. We had some turnover in the Auditor's Office. Mary Avery and Deann Haeffner retired and with that, almost close to 80 years of experience between the two. Jeff has done a great job stepping in and Craig Kubicek has, has taken a big role. So with some new eyes on legislation, Jeff kind of was looking at, at this and saying it doesn't quite-- kind of look quite right. So in 2000-- the year 2000, LB968 was passed and it put historical societies in the county budget. So the society comes to the county, asks for, let's say, \$1,000. If the county grants that, then it just goes into the county budget and so it's in there, makes it pretty hard to, to find, maybe to audit or a citizen to look at. What happened is I have-- the second page there-- is that only the five counties on the bottom actually changed and are doing it according to statute. The others up top-- and Saline County is one of those doing it the old way and I am the chair of the Saline County Board, so another reason to bring it. So on the first page, I put my grandma's house tax statement on there

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and we're trying to sell that house so I thought it's all out in the open anyway. On that tax list, you can see historical society on the bottom and they get 97 cents there from my grandma's house and right above it is the ag society, so it's spelled out there. You can see it. Easy to audit, easy for citizens to understand. If we're doing it the way that we should be, according to statute, it would be that-- up in that county part, the 29.5 cents that we charge, and so it would just be all rolled into there. This bill, as the senator said, could go two ways. They could, we think, still do it the way they're doing it, but they would have to bring a list of how they spent the money and that's on page 3 and Jeff can talk about that more. And if they didn't do that, they wouldn't be able to get any more funding. The way we do it is the historical society comes to the board. They ask for a certain levy, in this case that point .00109800. The board approves it and so then it's its own separate line item. Again, the same as a historic-- or an ag society, which in our case is usually what the county fair and the fairgrounds. So really, long story short is we're trying to change this back to the way most people are really doing it, rather than trying to have X number of counties change to the way that statute says. So we're really trying to go back before the year 2000. So it's, it's not a-- again, we're not trying to make them change. We're just trying to make it easier and I think much easier for people to look at and see what it is. And this is on nonprofit boards. Webster County has a for-profit board so they would not be affected. Again, most of these counties would not be affected because they're already doing it the way we're trying to make it. So with that, I'd be glad to take any questions.

**HALLORAN:** All right, thanks for your testimony. Any questions from the committee? Senator Lowe.

**LOWE:** Well, thank you, Senator Halloran, and thanks, Russ, for being here today and discussing this.

**RUSS KARPISEK:** Thank you.

**LOWE:** Would-- this is--- the historical society on this is taxed at .001098.

**RUSS KARPISEK:** Yeah.

**LOWE:** Would the county then reduce its percentage by the same amount?

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**RUSS KARPISEK:** If they were bringing it out of that, say like Cass County or the, the bot-- was bottom four or five, I would assume so, yes.

**LOWE:** I just don't want to create another tax.

**RUSS KARPISEK:** No, no.

**LOWE:** This absorbs that?

**RUSS KARPISEK:** It's just-- it has to be either-- right now, it should be under the county; roads, any of that stuff. But the historical society or ag society really isn't a function of the county. They're a separate entity, but they come and ask for funding. So just again, in my opinion, it should not be in the county budget because it's not even a part of the county. But if those four would take it out, then yes, it should come off of that county bar-- so it should just be a net neutral. And the county's board still has the authority to grant it or not. That doesn't change. It's just more that it's going to a levy dollar/cent amount rather than a flat \$1,000.

**LOWE:** All right. Thank you.

**RUSS KARPISEK:** Thank you.

**HALLORAN:** Thank you, Senator Lowe. Senator McCollister.

**McCOLLISTER:** Yeah, and thank you, Senator Halloran. You know, I'm trying to read through this, but it seems to me that, that paragraph 2 conflicts with paragraph 3. So we're talking about two groups, historical society and an ag group, correct?

**RUSS KARPISEK:** Well, in this, we're really just talking about historical societies, trying to make it the same because right now, they are should be done differently in statute and we're trying to make it the same. However, we're still trying to make it if those still-- the board would still like to do it the way they are, either way would work.

**McCOLLISTER:** I see. So you're advocating to give historical society levy authority?

**RUSS KARPISEK:** No.

**McCOLLISTER:** Is that correct?

**RUSS KARPISEK:** No. They still have to come to the county board and they still have to ask for their funding, either in a dollar amount-- and if it's a dollar amount, then they have to bring a ledger showing where they spend it. If it's a percentage amount like I have here, a levy amount, then they are eligible to be audited.

**McCOLLISTER:** I see. Is that the primary motivation for this bill?

**RUSS KARPISEK:** Yes and no. I think the main thing was it just didn't-- they weren't doing it the way statute says. And we-- Jeff can speak more to if we, if we've had any problems in, in those historical societies. But right now, it's very, it is very hard, I would think, to find that in the county budget and to see what the money was actually spent on because again, they're not really a function of county budget.

**McCOLLISTER:** But I still haven't resolved the conflict on the second and third paragraph

**RUSS KARPISEK:** I think, Jeff--

**McCOLLISTER:** We need, we need to get together and you can show me how this works.

**RUSS KARPISEK:** I think Jeff can do that for you.

**McCOLLISTER:** OK.

**RUSS KARPISEK:** Again, he's--

**McCOLLISTER:** Thank you.

**RUSS KARPISEK:** --the brains of the operation. Thank you, Senator.

**HALLORAN:** Thank you, Senator McCollister. Any further questions? Seeing none, thanks for your testimony.

**RUSS KARPISEK:** Thank you, senators.

**HALLORAN:** Next proponent for LB807. Next proponent. Good afternoon.

**JEFF SCHREIER:** Good afternoon. Like Russ said, my name is Jeff Schreier, J-e-f-f S-c-h-r-e-i-e-r, and kind of I was probably the, the spearhead behind this bill. Like Russ mentioned, I kind of took over some new duties so now I'm the one that has to answer the question of why do we do things the way we do it. So really, the goal here is to just kind of make sure that the statutes are clear and we understand

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how to implement them, both when we do our audit work with counties and our work reviewing the budget. So a couple of things just to, to build on Russ's testimony, to highlight. I just wanted to make it clear that either the way we're doing it now or the way we're changing it, proposing to change it, at all has to-- the only way that these nonprofit historical societies can get a tax request is if the county board approves it and it comes out of the county's 50 cents of authority. So there's no new levy authority being created here. Either it's in the county's budget and the county get-- uses their 50 cents directly or the county board could say we'll allocate two cents of our 50-cent authority to the historical society and then they would do their own budget for that. And, and kind of the, the goal here is to, to kind of separate them out is to just make them-- make it clear that, like Saline County does when the taxpayers get their tax statement, it's clear that they're paying a levy for the historical society versus being kind of buried in the county's levy on the tax statement. And then as far as our primary motive-- kind of motivation here is it-- just to provide clarification, really. As you-- Russ has on the second page here, different people are doing it in different ways. If you ask me my interpretation of the statute, that's different than somebody else and different from maybe a third person. So the goal here is just to make sure that, that were clear and understand how the statutes read. So when we go out and do our audit work or review the budgets that we're implementing the statutes correctly.

**HALLORAN:** Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator Halloran. So with this change, will these organizations be subject to audit?

**JEFF SCHREIER:** Yes. So the statute-- our primary statute, 84-304, already includes historical societies under the list of entities that have to file an audit with our office every year.

**McCOLLISTER:** Thank you.

**HALLORAN:** OK. Senator McCollister, thank you. Any further questions? Seeing none, thank you so much for your testimony. Are there any additional proponents of LB807? Good afternoon.

**JON CANNON:** Good afternoon, Vice Chair Halloran, members of the Government, Military and Veterans Affairs Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of the Nebraska Association of County Officials-- you may have heard of us referred to as NACO-- and we are here to testify in support of LB807. First, we'd

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like to thank Senator Brandt for bringing this to our attention. He wanted to make sure that the counties were OK with this language and we certainly are. We also appreciate the sound work that the Auditor's Office does and continues to do and this is simply a matter of transparency for the taxpayer. When you get your property tax statement in whichever county that has that historical society, you will know exactly how much is going to that historical society if, if that is indeed how, how that shakes out. It's accountability, which is good government, and knowing what your objects of expenditure are is also a good thing. There, there are times during the year that, that I myself in my capacity at NACO, I'd, I'd like to find out what counties are, are spending and what's, what's coming out of the levy. And when you have something that's just hidden in the levy, it's problematic for me. And we have it out there in the open, that's, that's just better for everybody. So that's what we're here for. I would certainly defer to the gentlemen that testified before me because they certainly explained the issue far more easily than I can, but I would still be happy to take any questions you might have.

**HALLORAN:** All right. Thank you, Mr. Cannon. Any questions for Mr. Cannon? Seeing none, you got off pretty easy.

**JON CANNON:** Thank you very much.

**HALLORAN:** Thanks for being here.

**JON CANNON:** Yes, sir. Thank you.

**HALLORAN:** Any additional proponents for LB807? Seeing none, are there any opponents of LB807? Seeing none, anyone in the neutral, I have no opinion category? Seeing none, Senator Brandt. Senator Brandt waives closing. For the record, for the record, there were no position letters either for or against LB807. All right, moving on to LB765. It's my understanding Senator Al-- Aguilar couldn't be here and--

**LANCE BRAUN:** Correct.

**HALLORAN:** -- and his imminent legislative aide is here in is, in his place.

**BLOOD:** So we can't ask questions. I have a question then we can't ask questions, right?

**HALLORAN:** Pardon me?

**BLOOD:** You can't ask staff questions.

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**LANCE BRAUN:** I would prefer you not if that--

**BLOOD:** No, no, we can't. I just, I-- this is the only bill I had a question on.

**HALLORAN:** And we haven't asked for questions yet. He has spoken. Typically for people substituting--

**BLOOD:** Right.

**HALLORAN:** --we don't ask questions.

**LANCE BRAUN:** Good afternoon, members of committee. My name is Lance Braun, spelled L-a-n-c-e B-r-a-u-n. I'm the legislative aide for Senator Ray Aguilar and I represent Legislative District 35, which is home to Fonner Park and the Nebraska State Fair. I am here representing Senator Aguilar to introduce LB765. LB765 amends some of the restrictions against grants being awarded to facilities that offer parimutuel wagering under the County Visitor's Promotion Fund. For some background, this fund was established to give local governments the option to tax hotels and motels and distribute those tax dollars via grants that will promote tourism. The law, as, as presently written, excludes any grants from being awarded to promote parimutuel wagering or to visitor attractions where parimutuel wagering occurs. Fonner Park is a nonprofit organization with multiple operations that exist at the intersection of the agriculture, tourism, and entertainment industries. Fonner Park is not only Nebraska's premier racetrack, but as home to the Hall County Fair, the Nebraska State Fair, the Heartland Event Center, local and regional exhibition events, state and interstate sporting events, and is host of the Grand Island Livestock Complex Association's National Agricultural Events Exhibit-- Exhibition Events, excuse me. The Fonner Park Campus is one of the most significant drivers of tourism in Hall County. The regional and national events held at the campus draw hundreds of thousands of out-of-town visitors to the campus each year. Most of these people will patronize area hotels and restaurants as well. Since the purpose of the program is to create a recursive cycle of attracting visitors to generate hotel and restaurant tax funds and using those funds to attract more visitors, the events at Fonner Park's Campus are precisely the types of events for which this program was designed. However, because parimutuel wagers occur in the racing operations of Fonner Park, a broad interpretation of the statute may eliminate Fonner Park from consideration for the county visitors' promotions grants. Access to these grants would allow Fonner Park to expand, improve, or construct upon the existing grounds as well as

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acquire and-- or expand exhibits at the grounds in accordance with statute 81-3720. Because other racetracks may be located at fairgrounds-- for example, currently, the Columbus and Hastings racetracks are located at fairgrounds-- this law would benefit those fairgrounds as well. LB765 would change some of the restrictions against grants being awarded to facilities that offer parimutuel wagering. To be consistent with the original intent of the statute, but to also accommodate the situation of Fonner Park or similar racetrack facilities, the proposed language allows grants to be awarded to a licensed racetrack enclosure only if it is the site of a county fair or state fair. Fairs are typically held at large facility complexes, which may also serve as entertainment or cultural destinations. The proposed language does not, however, permit grants to be awarded to racetracks that do not serve these additional local tourism functions. All other language regarding parimutuel wagering is stricken to avoid confusion. Representatives from Fonner Park are here today to testify and answer any specific questions you may have. Thank you.

**HALLORAN:** All right. Well, no, you're not going to ask-- have to answer any questions. We wish we could ask you questions, but it's not fair. So we're going to let you go.

**LANCE BRAUN:** Appreciate that.

**HALLORAN:** Thanks for your testimony.

**LANCE BRAUN:** Thank you very much.

**HALLORAN:** All right. We'll, we will follow with proponents of LB765. Good afternoon.

**BRAD MELLEMA:** Good afternoon.

**HALLORAN:** Welcome.

**BRAD MELLEMA:** Thank you. I'll introduce myself. My name is Brad Mellema. I'm the executive director of the Grand Island Hall County Convention and Visitors Bureau and it is my pleasure to be here today in front of you. So this legislative bill that's in front of you, I just want to clarify a little bit what our reasoning behind this is. When the original text was written in the early '80s Fonner Park pretty much just did horse racing and, and-- I'm sorry.

**HALLORAN:** I hate to interrupt. Could you spell your name for the record for us?

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**BRAD MELLEMA:** Brad, B-r-a-d, last name Mellema, M-e-l-l-e-m-a.

**HALLORAN:** Thank you, Mr. Mellema.

**BRAD MELLEMA:** Very good. Thank you. And so back to the original time when this law was written, the racetrack and then the county fair existed there and these weren't an issue. Well, go-- fast forward 40 years, things have changed. Fonner Park has grown into a massive complex, hosting events and activities across the spectrum of cattle shows, sports, so forth and so on. And in tourism terms, it is probably the big engine of our county in terms of drivers of tourism to our community and we want to, of course, be supportive of that. There's a gray area as the text is written in the law currently, meaning it could be interpreted that we can't provide funds to Fonner Park for proposed improvements to things that, that do drive tourism. To be clear, it is not our intention to provide funds that directly support wagering or parimutuel wagering as it is in there. Just so you know, the grants that we put out are under-- first approved by my board and the visitor promotion committee and ultimately the Hall County Board of Supervisors or Commissioners, as they are now called, which I have a few of them behind me for another reason sitting here today and wanted to speak in favor of the change here so that we don't have a gray area as it comes to providing funding for improvements to the Fonner Park Campus as it relates to tourism in Grand Island. I can also wear the hat today of NTTA, the Nebraska Travel and Tourism Association, came out in favor of this change so our statewide organization considered the proposal that you have here before us. And this past week, it was approved as a support role from NTTA, so I can take that hat off and put it over here and let you know that. I guess the last thing to state related to this is it's, it's a complicated thing. When you go to Fonner Park, it looks like one place, but when you peel back what it is and you realize the-- all the different moving parts of it, we have been supportive of them in the past and we want to continue to do so through these granting programs. And so I appreciate your consideration of clarifying this for the way things operate in the modern era. I would entertain any questions that anybody would have.

**HALLORAN:** All right. Thank you for your testimony. Senator Blood.

**BLOOD:** Thank you, Senator Halloran. I wasn't sure what to call you today since-- thank you for coming to testify today. I, I grew up in Hastings so I like definitely remember what Fontanelle used to look like-- what it used to be.

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**BRAD MELLEMA:** Sure.

**BLOOD:** But now it's-- Fontanelle, not Fontanelle-- Fonner Park used to look like. Fontanelle is in my neck of the woods. So, yeah, it was spectacular when I went there to the state fair this year. I just can't imagine how much it's, it's changed in the last 50 years.

**BRAD MELLEMA:** Yeah, we're glad to have you out there.

**BLOOD:** So the question I have for you and I would have asked Senator Aguilar, but I'm hoping that you can help me since you obviously had something to do with the bill--

**BRAD MELLEMA:** Um-hum.

**BLOOD:** --is that why only state fair or district or county ag fairs? Because we know that there's going to be casinos and racetracks going in in other locations in Nebraska and we also know that with those casino, casinos will be in hotels that will also sponsor conventions and the events. Why only places like Fonner Park?

**BRAD MELLEMA:** Well, basically, that's where it's at today. You're correct; as casinos are developed and there's adjacent conference or event centers--

**BLOOD:** Um-hum.

**BRAD MELLEMA:** --we need to know where the line is between supporting an event or activity directly related to that and then where the gaming starts and where the, where the other tourism activity would begin. They get, they get blurred out and grayed out. And so back to the casino portion of that, perhaps there needs to be some future consideration given to that thought. That, that's a good question.

**BLOOD:** So you wouldn't necessarily take issue if indeed--

**BRAD MELLEMA:** I wouldn't be opposed to it. I think-- I can only speak for what I believe would happen in our situation. So in Hall County, we would approve funding for an improvement or-- to that-- to Fonner Park in this case. And it has to go before Hall County Board and if they believe it's a direct beneficiary of parimutuel wagering or in this case, future casino gambling, they're not going to approve that. That's-- they've got their own funds.

**BLOOD:** Right.

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**BRAD MELLEMA:** They've got their own things. And so back to OK, if it's a conference and convention center that's attached to that, that's a gray area and you can see with the way the text is written right now, it may behoove us to, to explore the opportunity of, of expanding that in the future. But I can't speak to what Senator Aguilar was thinking necessarily as to narrow it down to those.

**BLOOD:** Well, and I would see the secondary issue, based on the definitions given in statute, is that not only is that type of wagering pertain to horses, but also pertains to sports betting, right?

**BRAD MELLEMA:** Parimutuel wagering?

**BLOOD:** Yeah.

**BRAD MELLEMA:** I would defer that to my colleague, Chris Kotulak, back here, who's going to be speaking to you--

**BLOOD:** I'm going to say yes based on my time on General Affairs, but--

**BRAD MELLEMA:** OK.

**BLOOD:** So, yeah, I think that there's a couple of problematic things in the bill that, that we definitely have to look at--

**BRAD MELLEMA:** Sure.

**BLOOD:** --but not anything that's like a big hurdle, but--

**BRAD MELLEMA:** Yeah.

**BLOOD:** --I appreciate you being sincere and, and helping me try and understand. It's a really simple bill, but I, I see it as being problematic if we're going to grow the industry across Nebraska. And we just have to make sure that everybody has an opportunity to have access to funds to, to make Nebraska better [INAUDIBLE].

**BRAD MELLEMA:** Absolutely, yeah. And I think most folks would agree that it doesn't need to directly benefit the wagering or the parimutuel wagering--

**BLOOD:** Absolutely.

**BRAD MELLEMA:** --industry. It has to be the tourism side. So there has to be some clarity so that when we approve these grants towards, in

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our case, Fonner Park, we know with a high level of certainty that we're doing it right.

**BLOOD:** And, and we know that tourism site is going to help shore up the incubator and generate for that county, so.

**BRAD MELLEMA:** Yes, yes.

**BLOOD:** All right. Thank you.

**HALLORAN:** Thank you. Senator Blood. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator. Will there be a clear line of demarcation between the gambling activities and the promotion of the facility itself?

**BRAD MELLEMA:** Therein lies the question that we just brought up a little bit with that last conversation and that's what we're attempting to clarify. So as written, it's very gray. As we look at the consideration that Senator Aguilar has proposed here, it helps to clarify it quite a bit, but it depends on how much you want to put right into the law for us to get directions. So in our case, Hall County, when they approve these things, they'll know that, OK, here's, here's the line of demarcation, as you would call it, regarding an improvement. I believe if a, if a facility is built and its primary purpose is wagering, that's off, or if he wants a new starting gate for the horse races, that's not going to happen. There may be multi-use facilities. For example, the concourse under the, the, the grandstand at Fonner Park gets used all the time for car shows and all kinds-- all manner of things that spillover from the Heartland Event Center. It's a multi-use area. Obviously, it gets used to facilitate horse racing during that time of the year. So if we were to improve that, put air conditioning or carpet in there or some sort of improvement that takes it to another level for a higher level of use, I would see that as appropriate, but we, we would like to figure out based upon the law so that we have some, some good understanding as to whether that is an appropriate use of those dollars.

**McCOLLISTER:** Does the statute under consideration have sufficient clarity or do you think we still need to improve on it?

**BRAD MELLEMA:** The thing that I would like to perhaps see-- we've stricken some language from it where it says-- basically, it's kind of saying you can give it to parimutuel wagering, but I think that a sentence could clear that up by simply saying, but the fund should not benefit the activity directly of wagering or gaming as it were because

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that's obviously on the horizon. So perhaps we're gaming or parimutuel wagering as it would, would help us to do that and then how that would be directed. I think either NTTA or other best practices could be established across the state that were acceptable.

**McCOLLISTER:** Thank you.

**HALLORAN:** Thank you, Senator McCollister. Any further questions? Seeing none, Mr. Mellema, thanks for being here.

**BRAD MELLEMA:** Thank you. My pleasure.

**HALLORAN:** Appreciate it. Additional proponents for LB765? Good afternoon. Can you state and spell your name?

**CHRIS KOTULAK:** Yes. Good afternoon. My name is Chris Kotulak, C-h-r-i-s K-o-t-u-l-a-k. I was born and raised in Omaha in the Elmwood Park area and I am currently the CEO of Fonner Park. Good afternoon, ladies and gentlemen of the committee and, and staff. I'll be brief. I basically just want to provide some context and a little historical on what Brad Mellema just said and I'm more than happy to answer some questions. There were some good questions asked. Just a little historical, we do want to clarify-- just because Brad and I have walked the, walked the line in my years as being the CEO because we're very aware of this restriction on what funds may or may not be allocated or directed towards the way of a parimutuel enterprise such as Fonner Park is in part. And so we've been very cautious and there's been many times where I just haven't had any funding because of that for this reason and we understand. Lance Braun cited the Grand Island Livestock Complex Authority. That's GILCA and that is-- Fonner Park is a-- is one part of that. State Fair is another. The convention visitors bureau, who Brad represents, is the third and the Grand Island Chamber of Commerce is the fourth. We all have 25 percent shares in GILCA, if you will. They're basically shares in responsibility, not revenue. But I can say that 80 percent of the events that take place in those livestock and expo buildings on the west side of our parking lot at the Fonner Park Campus would not have occurred without funding from the funds that the convention and visitors bureau provide. Brad provides anywhere from \$2,000 upwards of \$20,000 thousand based on the event and we would just love to be able to continue to get that funding to help us go towards what my goal is-- I've said this for the last couple of years. I would love to see Grand Island-- not Fonner Park, but Grand Island become the ag capital of the Midwest and things of this nature could help. Zero motive of that money is dedicated or are there any tentacles to any casino

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operations. And as Brad said regarding the parimutuel, Fonner Park is part parimutuel and then we're also part just civic endeavors and a platform for that. So we, we want to further clarify where any funding, potential funding could be directed and allocated legally. Thank you.

**HALLORAN:** OK. Very good. Any questions from the committee? Seeing none, thank you, Mr. Kotulak.

**CHRIS KOTULAK:** Thank you.

**HALLORAN:** Appreciate it. Are there any additional proponents of LB765? Seeing none, are there any opponents for LB765? Seeing none, are there any of the I have no opinion, neutral position for LB765? Seeing none, that will close LB765. In Senator Aguilar's absence, there will not be a close, so that ends our hearing for LB765. For the record, there were no position letters for LB765. We'll move on to LB847, Senator Wishart. Greetings, Senator.

**WISHART:** Good afternoon, Vice Chair Halloran--

**HALLORAN:** Close enough. That's good.

**WISHART:** --and members of the Government, Military and Veterans Affairs Committee. My name is Anna Wishart, A-n-n-a W-i-s-h-a-r-t, and I represent the 27th District including parts of west Lincoln and southwestern Lancaster County. Today, I'm introducing LB847, which seeks to update the design-build process to include metropolitan utility districts, public power, and public power and irrigation districts. I was approached by these entities last year shortly before the hearing on LB414, which I brought before you last year, and it ended up being a bill on consent calendar and we passed it last year. My concern when they asked me to amend my bill last year was that it would hurt the passage of that bill on consent calendar and so I told them I'd be back this year to help. As you remember, design-build is a method of project delivery in which one entity works under a single contract to provide design and construction services. One entity, one contract, and one unified flow of work from initial concept through completion. The goal is to save money and time through a more efficient process. This is just a simple addition to those who would be able to utilize this more efficient and cost-saving tool. I did speak with the Speaker and this is an issue that he has actually pushed for years. I, I took the baton on from him when he became Speaker and so this would be something that could be on consent

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calendar if it's passed through this committee. So I would be happy to answer any questions.

**HALLORAN:** OK, thank you, Senator. Any questions for Senator Wishart? Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator. The usual provisions; bidding, that kind of thing would still, still be in place, correct?

**WISHART:** Absolutely.

**McCOLLISTER:** Thank you.

**HALLORAN:** OK. Thank you, Senator McCollister. Any further questions? Seeing none, will you stick around for close?

**WISHART:** I will and it should be a pretty quick--

**HALLORAN:** OK.

**WISHART:** --hearing.

**HALLORAN:** Thank you.

**WISHART:** I know it's Friday.

**HALLORAN:** Thank you for the opening.

**WISHART:** Thank you.

**HALLORAN:** All right. With that, we'll seek proponents of LB847.

**RUSSELL WESTERHOLD:** Good afternoon, Vice Chairman Halloran. My name is Russell, R-u-s-s-e-l-l, last name, Westerhold, W-e-s-t-e-r-h-o-l-d, appearing before you today on behalf of the Metropolitan Utilities District, or MUD as you more likely know them, in support of LB847. Of course, we want to thank Senator Wishart for bringing this bill. It is very straightforward. It simply allows MUD, public power districts, and public power and irrigation districts to utilize the design-build contracting method. As Senator Wishart alluded to, I think this is a topic with which you are all familiar. Why do we wish to have this authority? In some circumstances, it is the best method for us to deliver construction projects in the most timely manner and in the most cost-effective manner and that is a good thing for our ratepayers. So with that, Mr. Chairman, I will conclude, but of course, be happy to answer any questions that you all may have.

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**HALLORAN:** OK. Thank you, Russ. Any questions from the committee? Seeing none, we'll move on. Thank you, sir.

**RUSSELL WESTERHOLD:** Thank you.

**HALLORAN:** Any additional proponents for LB847? Are there any opponents for LB847? Any in the neutral capacity for LB847? Seeing none, for the record, there were three proponents position letters, zero opponents, and zero neutral. All right. We will move on to LB791. Senator Lowe.

**LOWE:** Thank you.

**HALLORAN:** Welcome, Senator.

**LOWE:** Thank you. Senator Halloran and 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 Kearney, Gibbon, and Shelton. LB791 is a very straightforward bill. It changes the population threshold dealing with county surveyors from 60,000 to 100,000. In 2017, this committee changed the population threshold from 50,000 to 60,000 with LB200. I carried that bill because Buffalo County had concerns about the cost and the difficulty of hiring a full-time county surveyor. In 2017, the bill initially changed the threshold to 75,000, but Senator Dan Quick had concerns about that number and asked for 60,000 instead. LB200 was a consent calendar bill that year. The reason why I'm here today is because Senator Aguilar and the representatives from Hall County, Karen Bredthauer-- she's a county commissioner-- asked that the population threshold be increased so I agreed to bring this bill on their behalf. Buffalo County representatives are also very supportive of this change and with that, I'm happy to answer any questions.

**HALLORAN:** OK. Thank you, Senator Lowe. Any questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Senator Halloran. What's the practical effect of this change, Senator?

**LOWE:** The practical, the practical effect of it is they wouldn't have to hire a county super-- surveyor so that cost would not be there. They would not have to afford for them the office. They could, they could contract outside the county to do that.

**McCOLLISTER:** I understand. Thank you.

**LOWE:** It's a, it's a cost-saving measure.

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**McCOLLISTER:** OK.

**HALLORAN:** Thank you, Senator McCollister. Any additional questions? Seeing none, stick around for close?

**LOWE:** I will waive closing. I have to be in Appropriations now.

**HALLORAN:** All right. Thank you, Senator Lowe. Are there any proponents of LB791? Welcome, Ms. Lancaster. How are you?

**PAMELA LANCASTER:** I'm wonderful. Thank you. Nice to see you, Senator. So first of all--

**HALLORAN:** Could you spell your name for the record for us?

**PAMELA LANCASTER:** Yes. My name is Pamela Lancaster, P-a-m-e-l-a, Lancaster, L-a-n-c-a-s-t-e-r. I'm a Hall County commissioner here representing the Hall County Board of Commission. So Senator Halloran and other members of this committee, Hall County Commissioners would like to thank, first of all, Senator Lowe and Senator Friesen for understanding and supporting Hall County's concern. Present state legislation requires that the county elected surveyor and our county-- in our case, is elected-- to become the county highway superintendent at the 60,000 population threshold. Hall County is respectfully requesting that that population threshold be increased to 100,000. Changing the management style of the 60,000 population level would be of no benefit that we are aware and would be very costly to Hall County taxpayers. Presently, the Hall County surveyor carries out the statutory duties required by that official, as well as managing the geographic information systems, GIS, department. The public works department is managed by a non-elected official, the county-- a highway superintendent hired and overseen by the board of commissioners. If a Hall County surveyor is required to become the Hall County highway superintendent and manage the public works department, he would need to be compensated for the additional duties of managing yet another, another department. Having limited time to carry out the duties of the surveyor and the GIS department, an additional employee would no doubt be required to fulfill those duties. To date, the Hall County GIS department budget allows for only two employees plus the official, so we would no doubt need to add one. It is difficult at best to hire qualified people for the GIS department, so no doubt this position would need to be full time. Therefore, Hall County is asking that you support our request to increase the population threshold to 100,000, requiring the county super-- I'm sorry, the county surveyor to become the county highway

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superintendent. This would allow any rural county to keep their present management style until they reach that 100,000 in population threshold, which is more efficient and is less expensive for the taxpayer. Thank you for your support and if there are questions, I'd be glad to try to answer them.

**HALLORAN:** Thank you, Ms. Lancaster, and thanks for being here. Any questions from the committee? Seeing none, that's a quiet group. You were pretty thorough.

**PAMELA LANCASTER:** We do our best.

**HALLORAN:** All right. Thanks for being here.

**PAMELA LANCASTER:** All right and thank you for, for having this testimony today. It's very important to us.

**HALLORAN:** All right. Are there other proponents of LB791? Greetings.

**SCOTT PETERS:** Thank you, Senator.

**HALLORAN:** Could you state your name and spell it for us, please?

**SCOTT PETERS:** Scott Peters, S-c-o-t-t P-e-t-e-r-s. Thank you, members of the Government, Military and Veterans Affairs Committee, for taking my testimony today. I am the elected county surveyor for Hall County and GIS director. I'm here today in support of LB791. I was appointed to the position of Hall County surveyor and GIS director in March of 2018 by the Hall County Board, Board of Commissioners and then elected to the position in the 2018 general election. At that time of my appointment and election of county surveyor, the Hall County Board of Commissioners determined that the residents of Hall County would best be served by having a county engineer execute the duties of highway superintendent and the county surveyor be directly involved with the GIS mapping the Hall County. This was made possible at that time because Hall County was under the 60,000 population threshold that requires the county surveyor to be ex-officio county engineer. The county surveyor is responsible for filing and preserving the survey records, perpetuating all original government section corners and quarter section corners, and reviewing subdivision plats that are filed with the Register of Deeds Office. The county surveyor is also responsible for overseeing the day-to-day operations of the GIS office. The GIS office works directly with our county surveyor's office in maintaining an accurate cadastral map for Hall County and also helps all other county offices with their mapping needs. Most counties throughout Nebraska have a part-time county surveyor and hire

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a consultant to do their GIS website for their county. Hall County, along with the city of Grand Island, through an interlocal agreement, maintain a cooperative GIS system in-house. It is my opinion that having the expertise of a licensed land surveyor working directly with the county and city GIS staff, reviewing surveys and overseeing the input of land records has been a benefit to all parties involved. I support LB791, as it seeks to amend the county population requirement from 60,000 inhabitants to 100,000 inhabitants. This change will give Hall County the ability to keep its current structure of its departments and provide the residents of Hall County with the same services they have come to expect from their county surveyor and GIS department. Please support LB791. Thank you. If you have any questions, I'd be willing to answer them.

**HALLORAN:** Thank you, Mr. Peters. Are there any questions from the committee? Seeing none, nicely done. Thank you.

**SCOTT PETERS:** Thank you.

**HALLORAN:** Are there additional proponents of LB791? Good afternoon, again.

**JON CANNON:** Good afternoon, Vice Chair Halloran, members of the Government, Military and Veterans Affairs Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of the Nebraska Association of County Officials, also known as NACO, here to testify in support of LB791. First, we'd like to thank Senator Lowe for bringing this bill. It's a recognition of the fact that counties should be able to manage their personnel policies as best they see fit. And this is a Hall County bill and Ms. Lancaster came in front of you and she testified very ably as to why Hall County wanted this bill brought forward. But also, it certainly implicates Buffalo County, which is another fast-growing county in Nebraska. I will note that Hall County in, in the most recent decennial census, their population is nearly exactly the same as Sarpy County's was 50 years ago. And certainly, I hope that they get to, you know, in the next 50 years, they get to be about the same size as Sarpy County as well. I certainly would like to encourage that kind of growth there. Hopefully, that doesn't mean that we come, come back asking for a different threshold in the future. But this is local control. Hall County has made a determination as to what structure best serves their citizens and we certainly think that that is something that, that should be move forward. We would urge your support of LB791. I would be happy to take any questions you might have. Thank you.

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**HALLORAN:** Ok and for the record, I don't know if-- would you say your name and spell it again? We know who you are.

**JON CANNON:** Yes, sir. Jon Cannon, J-o-n C-a-n-n-o-n.

**HALLORAN:** OK, thank you very much. Any questions from the committee? Seeing none, you are very thorough as well. Thanks for being here.

**JON CANNON:** Thank you, sir.

**HALLORAN:** Are there additional proponents of LB791? Seeing none, are there any opponents of LB791? Seeing none, are there any in the neutral capacity for LB791? Seeing none, that will close the hearing for LB791. For the record, there were no position papers for LB791. Moving on to LR263CA, Senator Blood. Welcome, Senator Blood.

**BLOOD:** Thank you, Senator Halloran. We've lost half our committee.

**HALLORAN:** Important half is here. It's your, it's your floor.

**BLOOD:** It's true. So good afternoon to Senator Halloran and all of my fellow senators, friends all. My name is Senator Carol Blood and that is spelled C-a-r-o-l B-l-o-o-d, and I represent District 3, which is western Bellevue and eastern Papillion, Nebraska. Thank you for the opportunity to bring forward LR263CA to your esteemed committee. I bring forward this bill because Nebraska has a dirty little secret they've been keeping for decades. And as I speak more and more with Nebraskans, I'm finding that few of our residents know that this is actually happening. That secret is unfunded and underfunded mandates. So to be frank, when folks hear about the secret, most want to know how the Legislature has addressed the concern. And this is a good time in my opening to remind everyone on this committee that this problem was compounded by what happened in 2011. That year, the Legislature took away state aid to political subdivisions with the promise that it would one day be reinstated when the state budget got back on its feet. However, that day never came. LR263CA seeks to propose a constitutional amendment that would prohibit the Nebraska Legislature from imposing any financial responsibility for new programs or increased levels of service under existing programs on any political subdivision after the year 2022. In Nebraska state statute, a political subdivision includes villages, cities of all classes, counties, school districts, learning communities, public power districts, and all other units of local government. We know as policymakers that Dillon's Rule construes grants of power to localities very narrowly. The bottom line is if there's a question

about local government's power or authority, then the local government does not receive the benefit of the doubt. Their power is granted in the express words of our state statute. So when we place an unfunded mandate on our counties, they have few options when it comes to paying for those mandates outside of property taxes. This bill is timely because in the years since the publication of Senator Sue Crawford's LR582 report, which you have copies of, where not only were mandates and the burden they created for local government listed, but there was also a long list of ways that could be-- that these issues could be corrected to prevent that from happening in the future. So Nebraska has made little to no progress on these unfunded mandates and has even added new ones. Meanwhile, the state continues to point to local government as a reason our property taxes are high, while each year adding to the financial burdens with new mandates. In 2018, my taxpayers and Sarpy County paid over \$8.1 million in costs directly associated with unfunded mandates and it has continued to rise. I believe we have someone here from Sarpy County that can give you an even clearer picture of the millions it now costs taxpayers. Additionally, certain senators continue to push forward bills to try and cap the spending at the local level, further tying their hands and making it tougher for those government entities to function. Underfunded, unfunded mandates permeate many aspects of our systems. The passage of LB383 offers a perfect example of an unfunded mandate. Because of LB383, counties like the one I represent, Sarpy County, no longer receive full reimbursement for the housing of state prisoners. For Sarpy County taxpayers, the true cost of holding a state prisoner, as calculated in the county's indirect cost allocation plan for the 2020 fiscal year, is \$136.63 per day. So the 11,172 prisoner days multiplied by a daily rate of \$136.63 equals an annual cost to local taxpayers \$1,526,430. The total prisoner days for the 2020 fiscal year was 59,376. Also, did you know that your district court judges are state employees? Sarpy County is required to pay for the bailiff, which is basically a personal secretary, for each judge and for a law clerk who is shared by all three judges. Personnel costs are \$321,633, not including health and dental insurance. Sarpy County also pays for expenses such as court-appointed counsel, law library costs, supplies, computers, and furniture. Sarpy County Juvenile Court judges are also state employees. The county is required to pay for a bailiff for each judge, as well as a file clerk and a part-time receptionist. Sarpy County also pays for court-appointed attorneys, evaluations, and supplies. Legislation regarding court-appointed attorney and guardian ad litem fees caused attorney fees in the current budget to increase from \$292,657 in 2015 to \$476,853 in 2021. So let's take a look at Johnson County, specifically the Tecumseh State Prison. When an inmate

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dies in the state prison, who do you think pays for the autopsy? Who pays for the grand jury investigation? It's not the state, it's the county. Johnson County has a small population, as many Nebraska counties do, so how is it fair that they must be responsible for this burden? Is it fair that they will likely have to make decisions about what roads will receive gravel or be plowed? These are the types of decisions that must be made when these expenses happen. I'd like to next address the cost to counties to provide the Department Health and Human Services, Probation, and other state offices space and maintenance costs free of charge. This is an issue that everyone from former state senator Deb Fischer to Senator Justin Wayne has tried to tackle with no relief. Beginning in 1983, in exchange for the state taking over many of the Health and Human Services' functions previously provided by counties, counties were required to maintain, at no additional cost to DHHS, facilities used for the administration of public assistance programs. Now, this might seem like a great idea until you see the costs. The net value of the space provided to DHHS in Sarpy County is approximately \$1.3 million. Housing DHHS employees in county courthouses also limit the amount of space available for services directly supporting court function such as probation officers. In 2014, Hall County appropriated \$600,000 to purchase an office building just to house all of its probation officers who are state employees. In Lancaster County, lease and equipment costs for probation, both adult and juvenile, and DHHS topped \$725,000 in 2018. Adult and juvenile probation costs in Sarpy County total almost \$358,000. So finally, I'd like to discuss unfunded mandates to school districts, another entity that relies on property taxes to provide public education and related services to students and their families. This time, I'm going to focus on bills introduced in a recent session to give you an idea of how large and pervasive this issue is. In recent years, the Legislature passed legislation requiring additional training or instruction that did not include additional funding or a reduction in requirements for schools. This includes dating violence training, substance, substance abuse teaching, return-to-learn protocols for students, and suicide awareness and prevention training. These are all very worthy and important issues facing students in schools, which is why legislation was introduced and passed by this body. However, the Legislature was not-- has not funded most of these initiatives, instead relying on school districts to provide the services and training without reimbursement. Changes in curriculum require expenditures for school districts' curriculum toolbox process, which involves teachers choosing and vetting materials, alignment to state standards, and development of the curriculum guide and corresponding assessment tools. This requires either paying certified

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staff for additional hours during the summer or providing substitutes for them during the school year in addition to the purchase of classroom materials to fulfill the curriculum requirements. I can truly go on, but we would end up being here into the night and I'm assuming you'd all like to go home for the weekend, so I'll make the rest of this brief. Nebraska has been largely unwilling to address unfunded mandates and has added new unfunded mandates each year. Legislative attempts to remedy existing unfunded mandates are repeatedly shut down or languished in committee year after year. Yet, the state takes no responsibility when it comes to the role it plays in property taxes being so high across Nebraska. If we are unwilling to address unfunded mandates or curb the state's use of them moving forward, we face leaving municipalities, counties, and school districts with even fewer funds available to address the cost we force them to incur. It's time we take a look at these issues and start breaking down what is necessary and what has value. If these programs have value, then the state should reconsider how they fund the programs and quit kicking the property tax can down the road. I will be staying for my closing, but in respect to your time today, I encourage you to save your questions for the testifiers who are following me, since they will be sharing more in-depth numbers and information from the subdivisions that they are here representing today.

**HALLORAN:** Thank you, Senator Blood. Are there any questions from the committee? Seeing none, thank you. Are there proponents for LR263CA? Good afternoon.

**DON KELLY:** Good afternoon, Senator Halloran and members of the Military and Veterans-- Government, Military and Veterans Affairs Committee. My name is Don Kelly, D-o-n K-e-l-l-y, and I'm chairman of the Sarpy County Board of Commissioners. I want to thank Senator Carol Blood for introducing LR263CA. Sarpy County deeply appreciates her longstanding support and her long-term commitment to supporting the elimination of unfunded and underfunded mandates to counties. I'd also like to point out that Senator Sanders is a Sarpy County-- former Sarpy County local elected official, also knows all too well the impacts that unfunded mandates have on local governments and I have personally sat with Chairman Brewer a few years ago and explained the dilemma to him as well. Over several years, we have watched many well-meaning legislative proposals directed toward local governments to implement and ultimately pay for in the long term. Over the past few legislative sessions, we have seen more and more bills that limit local governments' funding and therefore limit the ability to pay for current programs, which are in most cases, operating on thin budgets.

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We support the measures that would fully fund programs our county would need to be responsible for operating and maintaining. LR263CA would certainly give teeth to any legislative measures passed by the Legislature, which are sure to be created after 2022. As an elected official who must manage a budget, I understand some of the concerns that may limit your financial flexibility. However, I would suggest to you that you already have financial limits with your requirement to stay within a balanced budget. I believe LR263CA, if passed by the voters, would benefit the Legislature by adding language to pay for the services and programs any Legislature would pursue in the future. In closing, I know Senator Blood ran over many of the underfunded and unfunded mandates, but I've handed you out a short list of some of the long-term expenses on county programs, which are unfunded or underfunded mandates for your review and those that impact Sarpy County on a, on a daily and monthly basis. And we've discussed these over the years and we'll continue to educate the Legislature on the impacts of these in the coming years. I thank you for your service and the opportunity to visit with you today. I'm exceptionally thrilled that it's the fifth hearing. We're wrapping up before 3:00, so I wish you a great weekend and thank you again for your service. I'm happy to answer any questions.

**HALLORAN:** Thank you, Mr. Kelly, for being so concise and precise. Are there any questions from the committee? Yes, Senator Sanders.

**SANDERS:** Thank you, Senator Halloran. Commissioner, good to see you. Thank you for this list and when we have it in black and white, it certainly helps all of us. Is there a way we can get the entire list? And maybe there's too many to put on them, but this is what, \$10 million?

**DON KELLY:** Yeah, it's \$10 million, Senator Sanders, and I will tell you that there are some initiatives underway in this year's Legislature: LB921, which had a hearing earlier this week which, if passed as proposed, would add another \$2.4 million in unfunded mandates. That would be the additional cost to the county for housing felons for up to a year in our county jail. So certainly happy to give you more. This-- the list I handed you is a good roll-up, but it's very truncated. I can give you the details that support each of those figures in greater detail and I'll have those sent down to your staff.

**SANDERS:** Thank you, but I think you said there was more to add to this list. So this is-- what are they about--

**DON KELLY:** No, no, ma'am. It-- that-- this list is pretty inclusive.

**SANDERS:** OK.

**DON KELLY:** It, it's a roll-up of the, of the current \$9.2 million that we're looking at daily. You know, when I first became a commissioner, it was around \$5 million. So the number is getting higher every year as-- and a lot of that's due to the growth and, you know, and population increase in our county. But there are some proposals currently underway in this legislature that will, will increase that significantly.

**HALLORAN:** OK.

**SANDERS:** Thank you.

**HALLORAN:** Thank you, Senator Sanders. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator Halloran. Mr. Kelly, how long have you been a county commissioner?

**DON KELLY:** How long have I been a county commissioner? I've been on the board since 2013 and I'm in my seventh year as the chairman.

**McCOLLISTER:** Wasn't there a time when counties were expected to absorb the cost of Medicaid, at least a portion of that cost?

**DON KELLY:** You know, I don't know the answer to your question, Senator, but I could certainly research and get back to you. I do not know.

**McCOLLISTER:** OK, well, perhaps some of the people that follow could update me on that if I'm--

**DON KELLY:** Yeah.

**McCOLLISTER:** --if my assessment is--

**DON KELLY:** I'm not aware of that requirement since I've been on the board, but it could very well be.

**McCOLLISTER:** Thank you, Mr. Kelly.

**DON KELLY:** All right. Thank you, Senator.

**HALLORAN:** Thank you, Senator McCollister. Any additional questions? If not, Mr. Kelly, you're going to get us out here in a timely fashion. Thank you for being here.

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**DON KELLY:** Thank you, Senator Halloran.

**HALLORAN:** Any additional proponents for LR263CA? Welcome. Could you state your name and spell it for us?

**CONNIE KNOCHE:** Yes, my name is Connie Knoche, C-o-n-n-i-e, and good afternoon, Senator Halloran and members of the Government, Military and Veterans Affairs Committee. I'm here to-- we're here today to testify in support of LR263CA because unfunded mandates have contributed to our state's high reliance on property taxes to fund schools and local governments. Relative to other states, Nebraska's schools and local governments receive little support from the state. According to the 2018 Census Survey of State and Local Finances, Nebraska localities received 22.8 of their general fund revenues from the state, which is well below the national average of 32 percent. Nebraska presently ranks 47th in the percentage of local government support that comes from the state. We rank even lower, 49th, and the level of K-12 support that comes from the state. Low state support has resulted in local-- localities relying more heavily on property taxes to fund services of which they are required to provide by the state. Data from 2001-02 to fiscal year '14-15, the last year this information was available, show Nebraska localities growing increasingly reliant on property taxes. County governments in particular saw their property tax reliance grow, especially in the years following the passage of LB383, which eliminated direct state aid to localities. OpenSky has long advocated for more state funding for schools and other localities in order to lower our reliance on property taxes. Increasing state aid to lower property taxes also was the top recommendation in the 2013 Tax Modernization Committee. In the absence of increased state aid, prohibiting unfunded mandates for new or increased levels of services should relieve some pressure on budgets of our state's local government. We would feel more comfortable with this proposal, however, if it included some assurance that any mandate passed going forward was not only adequately funded by the state, but also that the state revenues are sufficient to meet any new obligations. Thank you for your time and I'm happy to answer any questions.

**HALLORAN:** OK, thank you, Connie. For the record, you spelled your first name. Could you spell your last name too?

**CONNIE KNOCHE:** It's K-n-o-c-h-e. I apologize.

**HALLORAN:** No, you're fine. Thank you. Any questions from the committee? Seeing none--

**CONNIE KNOCHE:** Thank you.

**HALLORAN:** -- thank you very much. All right, additional proponents of LR263CA? Good afternoon.

**DAVID BECK:** Good afternoon, Senator Halloran and committee. My name is David, D-a-v-i-d, Beck, B-e-c-k, and I'm a rural businessman that works and Kearney, Phelps, Adams, Franklin, and Webster Counties and I'd like to express the frustration of my con-- the people that I work with over the property tax. And I appreciate this bill's move to make apparent some of the causes of that increasing burden and I hope that we can find a means to still support our rural schools and all the other services that we see in rural Nebraska that's become increasingly difficult to make a living out there. And it's become increasingly difficult to find a place to live and I hope we can all address that here. And instead of pushing the burden out, I'd like to see it come back to here where it belongs. Thank you.

**HALLORAN:** OK, very good, Mr. Beck. Any questions from the committee? OK, seeing none, thank you for coming down and testifying.

**DAVID BECK:** Thank you.

**HALLORAN:** Any additional proponents of LR263CA? Welcome again.

**JON CANNON:** Thank you, Vice Chair Halloran, distinguished members of the Government, Military and Veterans Affairs Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in very strong support of LR263CA. NACO has been discussing unfunded mandates for many, many years. That's, that's no surprise for anybody. The reports that you've had through prior legislation are reports that are primarily compiled from NACO staff and something that we stand by. And, and as we've updated them through the years, you know, it certainly shows the scope of the issue that we have before us. This is a property tax issue and there's, there's no question about it. Counties are political subdivisions of the state. We have no authority outside of that which the state has given us. We have no authority to raise taxes, any revenues beyond what the Legislature has given us. And so when the Legislature comes along and says, oh, by the way, you have additional duties, we are glad to accept them, but that means that they come with a cost. I liken it to, you know, when you're were 16-year-old and you get your first car. When I got my first car, that was great. I had, I had wheels, I had an opportunity to go out and, and make some money by getting a job.

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Imagine, however, that mom and dad have said, you have to use that job for only certain things. You could only make money off of your car through certain ways. And oh, by the way, we have some duties for you. Now we'll give you an allowance, \$20, \$40 week, which I don't know, that's what I got when I was a kid. I got to imagine it's something like \$100 a week now, but you'll have to ask my wife that, how much she's giving the kids. But you get your allowance and you have some duties. Mom and dad say you need to pick up the dry cleaning. You need to run my prescription up to Denver or wherever, wherever your pharmacy is. You need to do a few other things. You need to make sure that the car is washed on a weekly basis and the gas is full on Sunday afternoon. And imagine that mom and dad say, oh, by the way, you only have, you know, limited means of using your car for anything else. So I'd, I would do what any other kid would do. I would tell my friends, if you want to ride down to the mall, give me a buck. We'll-- that will, that will take care of us. And then imagine later on that mom and dad come to you and say, you know, your friends have been complaining to us about how much you're charging them for a ride to the mall and that's exactly the situation that we're in there right now. Mom and dad are the state. Whether that's the executive or the legislative branch, I'll, I'll let you guys figure that one out. But at it, at its heart, there are duties that we are given. There are limited means that we have of raising the revenue necessary for accomplishing those duties. Now, at the county level, what we do, we're not running prescriptions. We're not picking up dry cleaning. We're taking care of the roads, the bridges, law enforcement, jails, courts, and elections. Those are some duties that the people of the state think are pretty darn important and the Legislature has devolved the execution of those duties down to the counties. We are happy to do that. We are happy to be partners with the state in the execution of those duties and to the extent that the state continues to put further mandates that costs money down onto us, we just ask that they be compensated. With that, I'd be happy to take any questions you might have. Thank you.

**HALLORAN:** Thank you, Mr. Cannon. I particularly enjoyed the metaphor. I would have run away from home. Any questions from the committee? Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator Halloran. I asked a question earlier whether or not counties ever were required to pay some portion of Medicaid and that the state took that over as a, as a grand bargain. Do you, do you have any knowledge of that?

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**JON CANNON:** I don't, Senator, I-- but I will find that out and I'll give that information to you.

**McCOLLISTER:** OK, thank you very much.

**JON CANNON:** Yes, sir. Thank you.

**HALLORAN:** Thank you, Senator McCollister. Any additional questions from committee? Seeing none, thank you, sir, so much.

**JON CANNON:** Thank you, sir. Have a great weekend.

**HALLORAN:** Continue the great metaphors. That was--

**JON CANNON:** Yes, sir.

**HALLORAN:** Any additional supporters for LR263CA? Greetings. Could you give us your name?

**CHRISTY ABRAHAM:** Hello.

**HALLORAN:** --and spelling?

**CHRISTY ABRAHAM:** Yes, hello, Senator Halloran, Senator Sanders, and Senator McCollister. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here with the League of Nebraska Municipalities and I'm so glad to be before you today. Senator Blood did a great job of sort of stealing all of my testimony. We did not conspire about that. She's just that smart. But I did want to point out that municipalities have a lot of unfunded mandates. Some of them include publication requirements. I think a lot of people don't think about that, but the state sets the publication requirements that cities have to do and that's an expense. We also have our local option sales tax taken away when the state passes things like the Nebraska Imagine Act. And we certainly are happy to contribute to economic development in the state, but the sales tax is taken from the locals to support the state incentive program. I have other examples as well, but Senator Blood, again, did such a great job of outlining some of what those are. Also, as she mentioned, in 2011, state aid to municipalities was taken away. That was several million dollars a year that was given to municipalities across the state and the, the purpose for that money was to compensate municipalities for the shrinking property tax base when property tax exemptions were given. Because of the property tax base shrunk, this aid to municipalities fund was created to sort of offset that. But about 11 years ago, those funds were taken away as well. So we really appreciate this constitutional amendment. We think

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it brings an important issue to the front. It might keep sort of unfunded mandates in the mind of state legislators as they're passing legislation. So we certainly support this. And I'm sorry, I don't have a great analogy. I was sitting back there trying to think of one and I've got nothing, Senator Halloran, so I apologize. That's it.

**HALLORAN:** You're doing fine.

**CHRISTY ABRAHAM:** I appreciate the confidence. Thank you.

**HALLORAN:** Thank you, Ms. Abraham. Any questions from the committee? Seeing none, thanks for being here.

**CHRISTY ABRAHAM:** Thanks so much.

**HALLORAN:** Next proponent of LR263CA. Good afternoon.

**BRENNEN MILLER:** Good afternoon and happy Friday. Senator Halloran, members of the committee, my name is Brennen Miller, spelled B-r-e-n-n-e-n M-i-l-l-e-r, appearing before you today as a registered lobbyist on behalf of our client, the Lancaster County Board of Commissioners. Nice thing about going later on a Friday after so many wonderful individuals is they took all the highlights. Senator Blood, thank you for bringing this. Commissioners over the years have appeared before this committee numerous times to highlight the impact to Lancaster County. And to be brief, you have the full letter signed by all five commissioners in front of you, but I would highlight a paragraph on page 2. For example, Lancaster County has been mandated to pay the cost of maintaining office and service facilities for the Department of Health and Human Services to administer Medicaid at a budgeted cost during this fiscal year of approximately \$325,000. Similarly, appointed legal representation in district court and juvenile court is paid by Lancaster County at a total budgeted cost of approximately \$1.86 million this fiscal year. County-paid staff costs for district court and juvenile total over \$2.1 million and nonstaff operating costs for both district court and juvenile court for over \$1 million. So just looking at those, obviously county boards across the state have to be careful when budgeting and mandates play a large part into that. So looking into the future, we, of course, want to be at the table when those are considered, as they play a major part as we decide priorities for our constituents. So with that, I'd answer any questions.

**HALLORAN:** All right. Thank you, Mr. Miller. Are there any questions from the committee? Seeing, seeing none, very thorough.

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**BRENNEN MILLER:** Thank you. Happy Friday.

**HALLORAN:** And happy Friday to you as well. Are there additional proponents of LR263CA? Greetings.

**ERIC GERRARD:** Good afternoon. Senator Halloran, members of the Government Committee, thank you for having me today. My name is Eric Gerrard. That's E-r-i-c, last name is G-e-r-r-a-r-d. I'm appearing today on behalf of the city of Lincoln in strong support of LR263CA and we also want to thank Senator Blood for bringing this constitutional amendment or proposal. I will be very brief. The, the reasons for this have been laid out well by the sponsor of the bill and the testifiers before me, but this would be a big deal to, to all political subdivisions. It's kind of rare that you're able to unite all political subdivisions in support. Oftentimes, you'll see us-- if it's an unfunded mandate, coming in together opposed. So thank you for, for being able to do that, Senator Blood. The only other thing I wanted to point out is that this obviously would go to a vote of the people across Nebraska. I think that's always wise and I have my suspicion that this would pass if it were, if it were on the ballot. I think, as others have pointed out, this would be real property tax relief and I think Nebraskans have typically voted for that when that's on the ballot. If I'm wrong in my assumption, it would make it more difficult when we're sitting in front of a committees saying that this is an unfunded mandate and I guess senators could say, well, the voters handily shut that down. I don't anticipate that that would happen, but that's another advantage of going the constitutional amendment route. So thank you again to Senator Blood and I'll answer any questions that you may have.

**HALLORAN:** OK, thank you, Mr. Gerrard. Are there any questions? Senator McCollister?

**McCOLLISTER:** Senator Halloran, thank you. Do you think this could perhaps have an unfunded-- or I mean, an unanticipated reaction because we'd have to reduce the amount of aid that the state of Nebraska submits for our property tax? If we were to all of a sudden have an obligation to these counties to recover these costs, don't you think that would have a unanticipated effect on the state budget?

**ERIC GERRARD:** Sure, I'm not sure if I'm answering the-- as I understand, I think it's prospective, prospective looking, so it would be any, any new sort of bill or mandate put down on the cities and, and counties. And so I think you as a state would be able to, to budget or to note for that. I do think-- and again, I'm not sure if

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I'm answering the question, so you can correct me if I'm not. I do think for city of Lincoln in particular, if this, this were to happen, we'd be able to focus on the core. We do focus on the core services, but really focusing on the core services anymore instead of mandates that are, that are coming down from the state.

**McCOLLISTER:** I won't belabor the point, but I'm just thinking that we aren't-- haven't fully looked at the consequences of, of such an action.

**ERIC GERRARD:** Thank you.

**HALLORAN:** Thank you, Senator McCollister. Any additional questions from the committee? Seeing none, thanks for your testimony. Additional proponents of LR263CA? Good afternoon.

**JACK CHELOHA:** Good afternoon, Senator Halloran and members of the committee. My name is Jack Cheloha. That's J-a-c-k, last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha and I want to testify in support of LR263CA this afternoon. Thank you to the committee for hearing from me and thank you for Senator Blood for introducing this. The reason why we support this amendment, you've heard from a number of political subdivisions so far and a lot of my reasonings would be the same as theirs, so I was trying to think what might be some of the other ones, or at least if I could drill down a little further. Somebody mentioned that cities are a participant in the state economic incentive programs, you know, the Nebraska Imagine Act or, or the Advantage Act or the-- in fact, the old LB775 as the number indicated. And with that, there was not only a refund possibility of state sales tax, but also the local option sales tax and so on, on that, I wanted you to know as a committee that in the city of Omaha, we receive requests to refund our local option sales tax between-- roughly between \$8 million and as high as \$15 million a year. And so that's tough for us to budget for sometimes and, and so we want you to be mindful of that. I thought, I thought about an analogy for you, Senator Halloran. I'm-- I like to think about it in the sense, that the, you know, the state is the, the big brother or big sister and we the cities and counties are like little brothers, little sisters and we all want to work together because we want to provide the best, you know, services and programs for our constituents, which would be the citizens of Nebraska. So, so this bill before you today gives us an opportunity to say, you know, don't forget about us when you sometimes change some laws or, or mandates, some programs because there is a cost on local governments then when we're asked to, you know, further implement them. Another, another

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example I have, you know, the city of Omaha has the largest police force in the state and that's driven by the fact that we have the largest citizens within our city limits and we want the city to be safe. Yet at the same time, you know, officers arrest people for state statute violations as well as city ordinance violations. And, and sometimes when we house the people that are arrested, there's, there's cost, if you will, and you already heard about the jail costs. So I know for a fact that we get a bill from our county because the city doesn't operate a jail anymore. So we get a bill from Douglas County saying, well, this is what you owe for housing your inmates and your arrestees under city ordinance or the ones that you, you brought in even under state statute and so it's, it's really kind of a broad perspective. There's so many things and ways that you can be affected, everything from, you know, solid waste mandates, etcetera. We have to do certain things there relative to delivering services for our people, but yet at the same time in metropolitan class cities, there's a limitation because the only way we could charge for garbage service is if we get affirmative vote of the people. And, and on that issue-- to have a ballot issue, I mean, there's a cost to that as well. And so there's just so many factors so I just ask that we, you know, work together. When, when the state, you know, did take away state aid to cities, that was really a dark, a dark day, if you will, for political subdivisions. But it was a dark day also for the state because you were facing financial crisis and, and, and so we, you know, did our part as we cut back on it. But then to have a flat-out eliminated really hurt us and, and so I just wanted to say those are the reasons why we support this CA and, and we think further discussion on it would be beneficial. Thank you. I'll try to answer any questions.

**HALLORAN:** OK. Thank you, Jack. Any questions from the committee?  
Seeing none--

**JACK CHELOHA:** Thank you.

**HALLORAN:** --thank you very much. OK. Further proponents of LR263CA? Any additional proponents? If not, moving on to opponents for LR263CA. Opponents? Seeing none, anyone in the neutral capacity for LR263CA? Seeing none, OK, Carol-- Senator Blood, if you'd close for us, please?

**BLOOD:** Yes. So before I close, Senator McCollister, the question reference to Medicaid, only 18 states incur the cost to the counties and Nebraska is not one of those states.

**McCOLLISTER:** Thank you.

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**BLOOD:** So I do have an analogy for you, Senator Halloran. So when I look at unfunded and underfunded mandates-- and we know that I've talked about it on the floor multiple times because I do feel strongly about it, especially after serving on the Bellevue City Council for eight years prior to being a state senator. The analogy that I have is that the state is the teenager with mom and dad's credit card. They buy new shoes, maybe they gas up their car, maybe they take their friends out for pizza, if that's still a thing, and then who pays the bill? Well, mom and dad pay the bill and mom and dad are our subdivisions. So you guys get shiny new things, but they get stuck with the bill and that's not right and that's not fair. And in reference to the budget, what we're asking is that we stop these Band-Aids after a particular time period. They're still kind of screwed, but they're not going to get screwed as much. And that's the very least that we can do because senator after senator after senator has had bills, has had interim studies, and they've gone basically ignored. And that's one of the things that I've always hated about government for the entire time I've been a steward to the people of Nebraska is that we pay for and participate in studies all the time and they go into a three-ring binder and they go on a shelf and everybody forgets about them. We know as far back as Deb-- Senator Deb Fischer that this has been a known issue to this body. We know that this committee has had an interim study when Senator Crawford was here that I handed out to you where they pointed out what the problems were for local government and how these unfunded/underfunded mandates were affecting them. So now it's time for us to put our big boy pants and decide what we're going to do about it. And instead of us making the decision except to kick this out for debate, this gets left up to the people. As long as I can remember, Nebraska, over the last few decades, have had these grandiose plans that were allegedly going to lower property taxes, but we never fixed the underlying systemic issues that keep our property taxes high. But boy, we're really good at pointing to local government as the reason when we're talking about property taxes and we know darn good and well that in general, that is not the truth. So I'm asking what's left of this committee today, which is not many, that we share with the other members what happened today is-- and that we Exec on this soon. I'd actually like to make this my priority bill because we've had no opposition and we have a lot of support. And I know you have several letters as well in support and let's let Nebraskans decide if they want to lower their property taxes or not. And if they choose not to, I respect that, but if they choose to, I will proudly carry this on forward in everything that I do, the remaining time I have in the Legislature, and I hope you would as well. It's fair, it's right, it's just, and it's time. So with

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that, no more analogies, Senator Halloran, and hopefully your questions are answered. Senator McCollister, yes?

**HALLORAN:** Thank you, Senator Blood. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Senator Halloran. One of the testifiers today indicated that the state does in fact send money to the counties. In this, this rather comprehensive list that I got from Sarpy County-- well done on that.

**BLOOD:** Yeah.

**McCOLLISTER:** Isn't there some offsetting income that these counties receive from the state that we aren't--

**BLOOD:** That would be a--

**McCOLLISTER:** --included?

**BLOOD:** -- a county question. That's not something that I feel comfortable answering, but I can find you the answer.

**McCOLLISTER:** OK.

**BLOOD:** The other question that you did ask today that I don't think I answered was in reference to our budget, Senator McCollister, we've been parading around talking about how much money we have right now. We wouldn't have that money, outside of the money we get from the federal government because of the pandemic, if we hadn't started taking money away from local government.

**McCOLLISTER:** Thank you.

**HALLORAN:** Thank you, Senator McCollister, and thank you, Senator Blood, for your close.

**BLOOD:** It's my pleasure.

**HALLORAN:** And I'd like to remind everyone here that, as was noted I believe in the opening, oftentimes, senators do have to leave to testify in front of other hearings. So it's not a reflection of their disinterest, it's a reflection of their other obligations, so. And thank you all for being here. That concludes our Government, Military and Veterans Affairs Committee-- oh, excuse me. For the record, we have position letters for LR263CA. There are three proponents, zero in opposition, and zero neutral. Thank you all for being here.