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Appropriations Committee February 18, 2025  
Rough Draft

**CLEMENTS:** Sorry for being a little bit late. The Executive Committee was still in session and had to get down here. Welcome to the Appropriations Committee. My name is Rob Clements. I'm from Elmwood, and I represent Legislative District 2, which is Cass County and eastern Lancaster County. I serve as chair of this committee. We'll start off by having the members do self-introductions, starting with my far right.

**PROKOP:** Hi. Jason Prokop. Represent Legislative District 37, which is west Lincoln and Lancaster County.

**STROMMEN:** Paul Strommen. I represent District 47, which is nine counties in the Panhandle.

**DOVER:** Robert Dover, District 19: Madison County, south half of Pierce County.

**ARMENDARIZ:** Christy Armendariz, District 18, in northwest Omaha.

**LIPPINCOTT:** Loren Lippincott, District 34.

**M. CAVANAUGH:** Machaela Cavanaugh, District 6: west central Omaha, Douglas County.

**SPIVEY:** Hello, everyone. Ashlei Spivey, District 13: northeast and northwest Omaha.

**CLEMENTS:** Assisting the committee today is Cori Bierbaum, our committee clerk. To my left is our fiscal analyst, Clint Verner. Our pages today are Demet Gedik and Wesley Earhart. If you're planning on testifying today, please fill out a green testifier sheet located in the back of the room and hand it to the page when you come up to testify. Online position comments must be submitted on the Legislature's website by 8:00 a.m. the day of the hearing to be included in the record. If you have submitted a comment online, we ask that you not testify in person today. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are yellow sign-in sheets at the entrance to my left. These sign-in sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's hearing, I ask you abide by the following procedures. Please silence your cell phones. Move to the front chairs to testify when your bill or agency is up. When hearing bills, the order of testimony will be introducer, proponents, opponents, neutral, and closing. When we hear testimony

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regarding agencies, we will first hear from a representative of the agency. Then we will hear testimony from anyone who wishes to speak on the agency's budget request. When you come to testify, please state and spell your name-- first name and last name for the record before you testify. Be concise. We request you limit your testimony to five minutes or less. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining. The red light indicates you need to wrap up your final thoughts. Questions from the committee may follow. Written material may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come up to testify. If you have written testimony but do not have 12 copies, please let the page know so they can make copies for you. With that, we will begin today's hearing with LB260. Do we have a representative available? Welcome.

**NEIL SULLIVAN:** Thank you. Chairman Clements and members of the Appropriations Committee. My name is Neil Sullivan, N-e-i-l S-u-l-l-i-v-a-n. I am the State Budget Administrator for the Department of Administrative Services Budget Division. I am here today on behalf of Governor Pillen in support of LB260 through LB264, which comprise the governor's budget recommendation for the, for the 2025-2027 biennium. Senator Clements, if it's OK with you, I prepared my testimony to cover all these bills collectively.

**CLEMENTS:** Well, clerk--

**CORI BIERBAUM:** Sorry?

**CLEMENTS:** He'd like to testify on all four-- five bills.

**CORI BIERBAUM:** That's a call for you.

**CLEMENTS:** Does that work-- if that doesn't bother you. All right. And you may proceed.

**NEIL SULLIVAN:** All right. Thank you.

**DOVER:** [INAUDIBLE].

**NEIL SULLIVAN:** There we go. Biennial budget package contains funding for operations of state government, state aid for individuals and local governments, and capital construction, which are all outlined in the-- in these bills and summarized in the governor's Executive Budget in Brief published on January 15. The comprehensive publication is

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available on our website at [das.nebraska.gov/budget](http://das.nebraska.gov/budget). Several tables and reports are included in the documents summarizing the governor's recommendation for the biennial period and displaying appropriations for all agencies, programs, and fund types. I've also provided a summary of technical amendments for your consideration as you prepare your amendments to the introduced legislative bills. LB260 is a deficit bill. It includes a total increase of \$62.1 million in general funds, including \$55 million for the Medicaid program due to the reduced federal medical assistance percentage known as FMAP. There is also \$10.2 million transferred from the excess balance of several administrative services funds back to the General Fund. The biennial package represents a half-percent, two-year average annual reduction in General Fund spending in the 25-27 biennium over the base fiscal year '25 appropriations. Each budget issue and decision are narrated and contained in the governor's executive budget book. Governor's biennial budget recommendation balances the \$432 million budget gap published in the November Tax Rate Review report. It also provides for additional investments in education, property tax relief, and medical care. This is accomplished through conservative fiscal decisions. The recommendation is no to a lot of requests, and the General Fund appropriation is held flat in many agencies. This should be considered in the context of the usual across-the-board approach commonly used to resolve such budget gaps. There are also multiple transfers recommended in the package, coming to a total of \$182.9 million from the excess balances of 70 different funds throughout the state. Largest of these transfers includes \$65 million from the Water Recreation Enhancement Fund and \$20 million set aside for the CHIPS Act designation. Recommendation also rolls back over \$77 million of expansions of incentive programs and aid programs from the past few years. An additional \$55.8 million in similar reductions is included in LB650. Other bills supported by the governor's recommendation include LB527, which draws down additional federal funds through managed care organization assessments; LB317, which merges the Department of Environment and Energy with the Department of Natural Resources; LB114, LB434, LB245, and LB394, which adjust DMV, fire marshal, Department of Agriculture fees, and also several revenue bills to broaden our sales and excise tax base, including LB169, LB170, and LB526. With a balanced budget, we can still make strategic investments and do more with less. Recommendation includes salary increases for our public servants. \$4.5 million to staff for new correctional Reception and Treatment Center expansion, an increase each year of \$8 million to eliminate developmental disability waitlist, \$30 million investment in the Nuclear Command, Control, and

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Communication Center to safeguard our nation's nuclear security and support STRATCOM Mission at Offutt Air Force Base, and \$50 million for six-- \$50 million for six years for the \$2.1 billion project to replace UNCM's Clarkson Tower Hospital with a facility that helps our families throughout the state when we need it most. Governor's budget recommendation provides for a General Fund reserve of \$326 million. That's in addition to the Cash Reserve Fund Balance, \$755 million. Total amount reserved between these two funds is \$1.1 billion. And with that, I'd be happy to take any questions.

**CLEMENTS:** Are there questions from the committee? Well. Seeing none. Thank you for your testimony.

**STROMMEN:** I, I do. I just-- real quick. On, on all these, I saw that you handed this out.

**NEIL SULLIVAN:** Yes.

**STROMMEN:** I just want to go over a couple of things, if that's OK. You've got-- on the Oil and Gas Commission, you're going to remove and repeal the language. Is that correct?

**NEIL SULLIVAN:** Let's see here.

**STROMMEN:** We're not, we're not--

**NEIL SULLIVAN:** Yes.

**STROMMEN:** --we're not actually going to-- we're going to-- we're going to keep that, that bill in place. Is that correct?

**NEIL SULLIVAN:** That's right. So the funding-- there, there would be no funding for it, but the statutory framework behind that would still remain in place, yes.

**STROMMEN:** OK. So we're not going to repeal that--

**NEIL SULLIVAN:** Not re-- not an outright repeal. So we're correcting a change to tha-- or, suggesting a change to that, yeah.

**STROMMEN:** OK. I just wanted to make sure that that was the case. And then on the earmarks for the Perkins County Canal, could you just go over that real quick?

**NEIL SULLIVAN:** You're talking about the, the interest? Is that--

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**STROMMEN:** Is that what that is there--

**NEIL SULLIVAN:** Yes.

**STROMMEN:** --the \$62.8 million?

**NEIL SULLIVAN:** So there's some interest that were reallocated and passed between a few different funds. One of the funds that it was being passed to was the museum fund. The recommendation move-- removes that reallocation and directs all that interest to the General Fund. So there is some appropriation tied to some interest allocations that were expected to land in the museum fund. That should be removed if there's no money going to that fund.

**STROMMEN:** OK. Thank you.

**NEIL SULLIVAN:** Yeah, you bet.

**STROMMEN:** Appreciate that.

**CLEMENTS:** Are there questions? You mentioned a number of other bills that are not in the Appropriations Committee.

**NEIL SULLIVAN:** Sure.

**CLEMENTS:** Are those also-- you're counting on those as far as presenting a balanced budget over all general funds?

**NEIL SULLIVAN:** Yes, absolutely. So-- and, and I've seen your preliminary report as well, and I, I do see there's a-- the negative number in there, negative \$260 million in your preliminary report. Now, I, I understand a lot of that's going to come down to we have to pass some, some bills on the revenue side of things in order to get that balance in, get the budget balanced. One thing I would point out is we need to make sure we're not balancing just to that number. The, the legislative recommendations and also the appropriation reductions that we had accounted for in the governor's recommendation include not only balancing that budget to zero but also leaving enough room for investments to property tax relief and additional money to schools, to the Education Future Fund.

**CLEMENTS:** Do you know what those amounts are?

**NEIL SULLIVAN:** Yes. So for the--

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**CLEMENTS:** Proposed.

**NEIL SULLIVAN:** --property tax relief, to at least hold property tax growth even-- so the bills-- you know, bills went down last year. We don't want to see them going back up again next year. To get that accomplished, we think you need at least \$245 million for property tax relief. Just at least hold the line on property tax growth. Education Future Fund. You know, we had a \$200 million transfer from the Cash Reserve Fund into the Education Future Fund. That's needed to, to stabilize that fund. We'd like to see at least another \$100, \$200 million going into that fund each year.

**CLEMENTS:** You said 120?

**NEIL SULLIVAN:** Yes. Yeah.

**CLEMENTS:** All right. Thank you. Any other questions? Senator Spivey.

**SPIVEY:** Thank you. And thank you for being here today. So of course I've been getting lots of emails from constituents around parts of the bill across the slate that they support or do not want me to support. And so would love to just get more insight from you specifically around the intention behind the Environmental Trust Fund in the recommendations that you are making for some of the changes in the cash funds and the allocation.

**NEIL SULLIVAN:** So the Environmental Trust Fund, that receives 44.5% of the lottery funds that we have in our state. What we've seen-- we tried to look at the Environmental Trust from the cash flow perspective. For instance, last year, they spent about \$9 million out of that cash fund. Got about \$24 million in revenue. So the issue we see is, over the last just a few years, that fund has grown from around \$30-some million and is now over \$70 million. So what we're trying to do is align that so that the funds are going out to its intended purposes, purpose is aligned with what the trust fund was established for, but that the funds are going out and being spent. So we were suggesting reallocating that to Game and Parks to help connect Nebraskans with the natural environment. You know, a lot of-- a lot of Nebraskans, the way they do connect with our natural environment is going to state parks, and allowing that money to be used to make improvements at our state parks is a great way to further the mission of the Environmental Trust. Other, other recommendations we had were for soil, soil quality, and also for our waterways and the river

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basins, help maintain those and, and protect and restore. So all things align with the Environmental Trust mission.

**SPIVEY:** Thank you.

**CLEMENTS:** Any other questions? Seeing none. Thank you for your testimony.

**NEIL SULLIVAN:** Yep. Thank you.

**CLEMENTS:** Since, since your testimony was regarding all five of these bills, we're going to, going to allow commentary on-- testimony on each one. And I think we'll-- I guess what we're looking for is currently proponents for LB260, LB262, LB263, LB261, LB264. Are there other proponents? Seeing none. Are there opponents for any of those bills? Please come to the front seats if you're planning to testify.

**KRISTAL STONER:** Go ahead?

**CLEMENTS:** Yes, go ahead. Welcome.

**KRISTAL STONER:** Thank you very much. Good afternoon, members of the Appropriations Committee. My name is Kristal Stoner. I'm the Executive Director for Audubon Great Plains, with the-- which is an office of the National Audubon Society. And I'm here to testify in opposition to LB260-- and that's on behalf of the 12,000 members of the Audubon Society who are residents here in Nebraska-- and on behalf of a coalition of organizations that strongly oppose the diversion of funds from the Nebraska Environmental Trust in the proposed budget. So just to give a little bit more context, the Audubon Society is a conservation organization focused on birds, but we understand that as they are changing and they are declining, that's-- tell us something about our environment that we need that we should pay attention to. So LB261 undermines our state parks. Under Section 18, there's a reduction of general funding in the parks' operations then to be filled by parks cash. So our state parks provide the opportunity for our citizens to explore the wonders of Nebraska and the joy of the outdoors. If we do something like this, it's going to reduce our ability to maintain our parks. And if there's a funding shortfall, it can inevitably lead to increases in our parks' entrance fees. This is going to reduce the accessibility to those people who need those state parks more than anybody else. Also, under-- if we have LB260, it's going to be undermining the trust. Because what we're seeing is that there's a \$5 million diversion from the Nebraska Game and Parks

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operating for General Fund dollars and replacing it with parks cash, but then ultimately is going to be backfilled with the Nebraska Environmental Trust. It also does not provide for the traditional fund transfer of \$11 million to the Water Sustainability Fund, which is then going to be backfilled using NET funds. This is just an improper use of our Environmental Trust funds. It's shifting funds away from our conservation grants and into these necessary government operations. So keep in mind that the trust was created back in '92. It was created for the people and it was created by the people to be-- create an open grant program so that any citizen of Nebraska could apply for those funds. It was never intended to be something that was going to be filling state agency budgets. The other thing is it erodes the public and private partnerships that we've established in the state. So the environmental challenges that we have in the state are great. Consider eastern red cedar trees. They're a threat to our Nebraska grasslands, to our grazing infrastructure, to our agriculture systems, and it's a threat to our grassland birds. The price tag on that is \$1.2 billion. That's a huge problem. So what we as conservation organizations do is we go after federal funding, and we need NET as a match in order to be able to use those funds. It's seed money that we can bring outside sources into the state to address these enormous conservation problems. So in the movements that we see of the different budget pockets right now, that's going to erode our ability to do that work that we have been doing for over three decades. The return on investment is incredible. Those NET dollars are sometimes leveraged two, three, or four times with the impact that we have in the state. Consider also that a lot of the work that we're doing is going into our local comm-- local communities. You can't outsource habitat work. We're hiring local contractors to do fence, fence installation, to do well drilling, to do dirt work, to do all of these programs. So it's going back into Nebraska communities to do this work. I also want to point out that diverting these funds to cover government grant operations violates the voter mandate and it undermines the integrity of the trust that's been in place for over 30 years. Nebraskans have relied on the trust to support conservation proj-- excuse me-- to support conservation projects across the state and not to fill our budget gaps. So with the series that we see that we're going to be talking about today, if this precedent is set, it opens the door for future erosion of the Nebraska Environmental Trust. So LB260 must be fixed to preserve the independence and effectiveness of the Nebraska Environmental Trust, to preserve our state parks and other state agency responsibilities. We ask you uphold the original mission of the trust and ensure that the lottery funds remain



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dedicated to statewide conservation rather than being redirected to general government spending. Nebraskans deserve transparency and accountability and respect for voter-approved initiatives, not for budget maneuvers that are going to betray that intent. So with that, thank you for consideration of my testimony.

**CLEMENTS:** Thank you. Are there questions from the committee? Senator Cavanaugh.

**KRISTAL STONER:** Yes.

**M. CAVANAUGH:** Thank you. Thanks for being here. Sorry. I was introducing a bill. So your concern is around the Environmental Trust.

**KRISTAL STONER:** Right, yes.

**M. CAVANAUGH:** And I was trying to pull up the current version of LB260. I heard you talk about the lottery funds. Were there other pieces of the budget that-- beyond the shift of the lottery funds?

**KRISTAL STONER:** So the-- there's a series of moves throughout, but in LB260 I pointed out that there's \$5 million that is not there for the Nebraska Game and Parks' operations. And so then in later bills, LB260 and LB264, then we see where the Environmental Trust is being used to backfill and support those. So, so it's kind-- in LB260, we see that reduction of \$5 million for the Game and Parks and we don't see \$11 million, which traditionally went to the Water Sustainability Fund. And then in later bills, they're be backfilled by NET.

**M. CAVANAUGH:** And those are both in LB260--

**KRISTAL STONER:** Those are both in LB260.

**M. CAVANAUGH:** --and then the backfill is in the cash transfers bill.

**KRISTAL STONER:** In LB261 and LB264.

**M. CAVANAUGH:** OK. Thank you.

**KRISTAL STONER:** Mm-hmm.

**CLEMENTS:** Are there questions?

**KRISTAL STONER:** Yes.

**CLEMENTS:** Senator Prokop.

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**PROKOP:** Just a couple, couple questions. One is, as a result of what's proposed in, in LB260, is there anything as far as pri-- because understanding the amount of dollars that are sitting in the trust and then what's obligated in terms of projects that that money might not have been spent or-- keep providing examples of projects that might not move forward if this takes place or if there's-- I guess if that takes place.

**KRISTAL STONER:** Yeah. I would say-- you know. So if we-- if a whole series of things happen so that there's only \$3 million left in the Environmental Trust, it traditionally supports things like habitat restoration. There's a lot of wetland projects that are done that clean our drinking water. Those wouldn't be-- wouldn't have the money available. We do a lot of eastern red cedar tree clearing. When we clear eastern red cedar trees out of a grassland, it improves the grassland for grazing, for cattle, for birds. So we wouldn't have the funds available to do that. It also includes recycling. It includes environmental education. So it includes several other pieces of the mission of the Environmental Trust that if we lose this funding source, we're not going to have the funds available for that. Another example I can give you is that-- with Audubon, we have Rowe Sanctuary, which, which sits on the banks of the Platte River. Every year, we have people from all over the world who come to Kearney and Grand Island, Nebraska. They spend their money in those local communities to the tune of \$15 million. And because of the trust, we were able to build these facilities that overlook the river. We can have 30 people at a time come to our blinds. So that's generating a ton of mo-- money locally. It's putting Nebraska on the map internationally, and it's thanks to the Environmental Trust that we were able to do that type of work. So it spans a whole variety of projects.

**CLEMENTS:** Senator Prokop.

**PROKOP:** Second, second part of that: would it be fair or an accurate assumption to make that probably dollars from the trust have gone into every county or legislative district in the state as far as-- since it's been around for 30-plus years how-- where-- an accounting of where all those projects are going?

**KRISTAL STONER:** Yes. [INAUDIBLE].

**PROKOP:** [INAUDIBLE].

**KRISTAL STONER:** I don't have that--

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**PROKOP:** [INAUDIBLE].

**KRISTAL STONER:** I don't have that off the top of my head. But I have seen the-- I have seen the maps of where the projects have gone. And, yes, it has statewide impact-- investments statewide.

**PROKOP:** Thank you.

**KRISTAL STONER:** Mm-hmm.

**CLEMENTS:** OK. Thank you for your-- oh, excuse me. Senator Spivey. And I'll remind the committee that the Environmental Trust is an agency within the Game and Parks agency. And when Game and Parks agency hearing comes up that the trust representatives will be here-- likely be here to answer questions more specific about that. Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here and for your testimony. Could you speak a little bit more to the matching grants and how the fund is leveraged to get these federal dollars back into Nebraska?

**KRISTAL STONER:** Absolutely. So, so a key example would be-- we have NAWCA funding, North American Wildlife Management Act funding.

**SPIVEY:** Impressive that you remember that.

**KRISTAL STONER:** Thank you. It took me a moment. So that's just one example. There's a lot of other federal funding sources. So we can apply for those. They're competitive. In order to be awarded, we have to have nonfederal match. So if you think about the work that I would do as a conservation organization, I don't necessarily have the \$300,000, \$400,000, \$500,000 that I need to match those projects. So we use Environmental Trust funds to match those. So it can be a three-to-one match. And then we have those funds that come from the federal government for us to do the habitat restoration work. So we rely on Environmental Trust dollars very heavily in order to be able to pull in those extra funds from outside the state.

**SPIVEY:** Thank you. And would you say, just given your perspective of the work that you're doing in leveraging those dollars, that if that-- those cash fund transfers happen that you will not be able to leverage federal dollars to complete some of the work that's in front of your organization?

**KRISTAL STONER:** That is absolutely correct.

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**SPIVEY:** OK. Thank you.

**CLEMENTS:** Seeing no other questions. Thank you for your testimony.

**KRISTAL STONER:** Thank you.

**CLEMENTS:** Now, we have only, oh, five of these bills, but since we had a testifier on LB260, if you're here regarding LB260, I'd appreciate those people going first. Anyone else regarding LB260 provisions? OK. Seeing none. Let's go to LB261. Are there opponents on LB261? Please come forward. Welcome.

**ELE NUGENT:** Thank you. And good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Ele Nugent, E-l-e N-u-g-e-n-t. And I'm the Manager of Conservation Programs for Ducks Unlimited based in Grand Island. I'm here today to testify in opposition to LB261 on behalf of Ducks Unlimited and the coalition that opposes the bill's proposed direct raid on the Environmental-- Nebraska Environmental Trust, or NET, diverting essential conservation funding away from communities and into the state's General Fund. Ducks Unlimited is a science-based conservation organization working to protect wetlands for waterfowl, wildlife, and people. Through voluntary, incentive-based programs, we've worked hand-in-hand with Nebraska landowners to conserve habitat and improve working farms and ranches. DU, Ducks Unlimited, has received and partnered on many NET grants across Nebraska on privately and publicly owned lands such as DeSoto National Wildlife Refuge, north of Omaha, North Lake Basin in Kiowa, Wildlife Mana-- Management Areas by York and Scottsbluff, respectively, and the McKelvie National Forest by Valentine. Examples of work conducted using NET funds include wetland restoration, upland seeding, invasive species control, grazing infrastructure installation, and lake renovation. In light of our lengthy history with NET, here are a few of our concerns. LB261 directly undermines NET. It proposes removing \$7.5 million per year for two years-- a total of \$15 million-- from NET. This is not a budget necessity. Instead, these funds are being used to offset General Fund spending on programs that have always received general funds. It is an unnecessary and misleading budget maneuver that weakens NET while falsely portraying General Fund reductions. LB261 would also have devastating consequences on conservation programs. This \$15 million loss means fewer funds for projects that protect water quality, habitat restoration, wildlife conservation, and pollution reduction. Many of these projects rely on matching private and federal dollars, so the impact of this cut would extend far beyond \$15 million, as you just

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heard from Kristal Stoner. Without this funding, Nebraska communities and conservation organizations will lose critical support for initiatives that sustain our land, water, and wildlife. LB261 also violates voter trust. Nebraskans voted for the Nebraska Lottery knowing it would fund environmental conservation, not government operations. Redirecting these funds sets a dangerous precedent, opening the door for further political interference that should remain a nonpartisan, independent funding source. NET was established to serve the entire state, not to be raided for budget tricks that disguise General Fund cuts. Conservation funding should remain independent and untouchable for state General Fund purposes. We ask the Legislature to preserve the integrity of the Nebraska Environmental Trust and ensure its funding is used for its intended purpose: protecting Nebraska's natural resources. Thank you for your time and your attention to these issues. I'd be happy to answer any questions.

**CLEMENTS:** Are there questions from the committee? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thanks for being here. You seem to have a lot of knowledge about the lottery funds and kind of the history of the lottery funds.

**ELE NUGENT:** I have some knowledge.

**M. CAVANAUGH:** So do you know when Nebraska first brought the lottery to the state?

**ELE NUGENT:** I'm unsure of that.

**M. CAVANAUGH:** I'm seeing nods from somebody else.

**ELE NUGENT:** But-- yeah. That's what I [INAUDIBLE] as well.

**M. CAVANAUGH:** 2002?

**KATIE TORPY:** 1992.

**M. CAVANAUGH:** 1992.

**ELE NUGENT:** I thought it was the '90s, but that was as close as I could get.

**M. CAVANAUGH:** We phoned a friend for the record. 1992. OK. That's what I thought according to the legislation. So at that time, it was the

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intent to have-- bring the lottery to Nebraska so that we could use those resources for the Environmental Trust Fund and that's when the fund was created?

**ELE NUGENT:** That-- so when the lottery was created, the intent of part of those lottery dollars was to go to the Nebraska Environmental Trust to create the trust and fund it using those lottery dollars.

**M. CAVANAUGH:** OK. Thank you. That's interesting history that I wasn't aware of.

**ELE NUGENT:** Yeah. Thank you.

**CLEMENTS:** Any other questions? Thank you for your testimony.

**ELE NUGENT:** Thank you.

**CLEMENTS:** OK. We'd like to stick on LB261. If we have opponents. Welcome.

**CRAIG BECK:** Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Craig Beck. That's C--r-a-i-g B-e-c-k. And I'm Research Director at OpenSky Policy Institute. We are here in opposition to LB261 and LB264 because we believe the proposal is fiscally unsustainable and lacks transparency. First, we do want to say that we do appreciate that the proposal does not rely on new transfers out of the Cash Reserve Fund to balance the budget. We are happy to see that the preliminary budget report holds the reserve's balance much closer to 16% of revenues and expenditures than the introduced copy of the bill. However, we do know that there are additional considerations that the committee will have to make related to the Cash Reserve Fund as the final report gets closer. Ultimately, OpenSky opposes the budget as introduced because it is not sustainable in the long term. Inherent in this proposal is a reliance on state revenues growing rapidly in future years as a result of income tax cuts, yet nothing indicates these cuts have spurred significant revenue growth. In fact, we estimate the state would, state would need nominal revenue growth of more than 6.5% over the coming biennium just to cover the shortfall, but growth is currently estimated at just under 5%. That's the chart that I handed out. Relying on anticipated revenue growth without evidence that it's actually happening or will happen as the tax cuts further shrink the tax base is not sustainable or realistic. When Kansas cut taxes in 2012, studies found its GDP and new business growth lagged significantly compared to neighboring

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states, including Nebraska, and that cuts there and in Wisconsin caused negative economic multiplier effects from reduced state government spending and increased economic uncertainty. The proposal also relies on cash fund transfers to fund recurring obligations. Since these are one-time cash infusions, they do not address the underlying issue. The tax cuts have shrunk our revenue base to the point where it is unable to support the state's most basic spending needs. Cash fund transfers may alleviate this problem now, but they are not a long-term solution. The Legislature has relied on cash fund transfers in the past two budget adjustments, and although the proposal claims that these transfers are sustainable, nowhere is that measure clearly specified. Additionally, we are concerned about a lack of transparency in how the proposal approaches property tax spending. Though General Fund appropriations are increased over the biennium in the preliminary report, it does not take into account new spending on property taxes. That's because this spending is not classified as an appropriation, but rather as a transfer, even though it comes from the same pot of money as the General Fund. Rough math indicates appropriations would increase by roughly an additional 3/10 of a percent if the transfers were included in its growth calculation. And as we know, even in the preliminary report, appropriations growth for the upcoming biennium is still reliant on a few yet-to-be-determined factors. It's for these reasons that OpenSky opposes the budget as introduced and urges the committee to ensure that the state is set up for long-term fiscal sustainability and transparency when crafting the final report. Thank you. And I'm happy to answer any questions.

**CLEMENTS:** Senator Prokop.

**PROKOP:** You, you mentioned cash fund transfers and, and it, it being one time-- a one-time kind of balancing tool. Are there any transfers you see within the cash funds that you're particularly concerned about or, or worried about?

**CRAIG BECK:** Sure. So admittedly, I have not had a chance to review the preliminary report, so I, I do know that-- I believe it, it's-- the preliminary report is reliant on an additional \$130 million or so in cash fund transfers. But I think, from the governor's introduced budget, assuming that those transfers made it into the preliminary report, our two biggest concerns I think would be related to affordable housing-- so the Affordable Housing Trust Fund and the Rural Workforce Investment Fund. We know that the state has affordable housing issues and so we are concerned to see those transfers. Again, I, I, I cannot say whether that made it into the preliminary report or

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yet-- or are not yet. But certainly as introduced in the governor's budget, we are concerned about those.

**CLEMENTS:** Are there questions? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here today. Can you speak a little bit more to the property tax concerns that you're having and how that's represented in this budget that the governor introduced?

**CRAIG BECK:** Sure. So I, I think-- as, as I mentioned in the testimony, our, our concerns about the property tax spending really come down to a, a transparency issue. So the way that, that the property tax funding-- and, and I'm really speaking here about our three broad-based property tax programs: the Property Tax Credit Cash Fund, the School District Property Tax Relief Fund, and the Community College Future Fund. Those are transferred out of the General Fund before General Fund calc-- before General Fund spending is calculated. This is obviously a historical precedent, not saying anything with regard to the, the process, but there is substantial spending that is occurring outside of the baseline General Fund appropriations growth that we see on the General Fund financial status. You know, it, it is well over \$3 billion in the preliminary report that comes out of the General Fund before that General Fund baseline spending number is calculated. So there, there are substantial dollars that this body and this committee is allocating to property tax relief. And I, I think from our perspective, we would like to see perhaps a little bit more transparency with regard to those dollars. I, I think it could be as simple as including a, a line of, of, of spending growth, including the General Fund transfers out in addition to just the General Fund spending growth. The, the comparison in the governor's budget was quite a bit different in terms of-- his General Fund spending growth on average over the coming biennium was a 0.5% reduction. It's obviously, I think, 1.8% in the committee preliminary for now. But when you include the, the transfers out of the General Fund to additional property tax spending that the governor had proposed, that number became from a 0.5% negative somewhere closer to 3% on average over the biennium, which is, you know, much closer to our historical average spending in terms of, of General Fund over-- you know, historically over many biennia, so.

**SPIVEY:** Thank you.

**CRAIG BECK:** Of course.



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**CLEMENTS:** Are there questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thanks for being here. So part of that is the Education Future Fund, correct?

**CRAIG BECK:** Ye-- we were not including the Education Future Fund in our calculations related to the governor's budget, but, yes, the Education Future Fund is a transfer out of the General Fund that has been indicated by the body is intended, I, I think, for the most part, to reduce property taxes. So, so, yes.

**M. CAVANAUGH:** So-- and you said that they're not being calculated in the General, General Fund. Is that historically typical or is that something that has just recently started to be a trend?

**CRAIG BECK:** I, I don't know exactly when it started. I know it's been going on for a while. And, and again, we are not saying that, that there's any issue with the process because the-- this committee and the body is following the process that-- the precedent that previous Legislatures have set. What we're simply saying is that, you know, General Fund appropriations are somewhere around \$5.4, \$5.5 billion on an annual basis, but there's an additional \$1.7, \$1.8 billion that goes out of the General Fund of General Fund revenues to cash funds that are transferred out outside of General Fund spending calculations. And so we just-- we, we do think there is quite a bit of spending that the Legislature is doing, particularly on property taxes, that falls outside of those General Fund baseline spending numbers.

**CLEMENTS:** Other questions? Go ahead. Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. So you talked about the cash fund transfers and how that's not sustainable. And if, if you don't have the answer to this, I totally understand, but do you have any recommendations on how we could balance the budget instead of doing cash fund transfers?

**CRAIG BECK:** Yeah. That's, that's a great question. We most certainly are concerned that the cash fund transfers are not sustainable. You know, if we look to historical precedent, this committee and the body has used excess cash fund balances in, you know, previous economic downturns to help balance the budget. I don't think we would qualify our current situation as an economic downturn. And so it is concerning to us to pull those cash funds, those bal-- those excess balances, if you will, right now when, when we technically, you know-- or at least

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when-- you know, in terms of past precedent for pulling these cash funds, we are not meeting those same criteria. In terms of, of balancing the budget, that's-- that is a, a difficult question. I think, you know, we look at-- the-- so this chart, for example, that I, that I handed out, this is looking at nominal revenue growth over-- since 2002. And we see-- you, you can see pretty clear peaks and valleys, right? Four years of revenue growth that's above average and four years of revenue growth that's below average. That's the historical-- that, that's at least historically how revenues have, you know-- there's this-- their historical cycle. What, what we see anyway when we look at this chart is we should be headed up to what-- again, historically would suggest would be a peak in revenues and where those revenues-- where our, our General Fund revenues are outpacing-- the growth in our General Fund revenues is outpacing the growth in our General Fund expenditures. We see it, though, as the income tax cuts that have been introduced in the body-- or, have been enacted by the body have really cut that revenue growth, that, that nominal revenue growth off. And so what that's leading to is decreased General Fund appropriations, at least compared to the historical average, in order to make up for that lost revenue. So--

**M. CAVANAUGH:** And those two other downturns, '08-09 and '16-17--

**CRAIG BECK:** Mm-hmm.

**M. CAVANAUGH:** --what-- do you know what those were in relation to?

**CRAIG BECK:** So '08 and '09 would have been the Great Recession.

**M. CAVANAUGH:** Right.

**CRAIG BECK:** And in '16-17, I don't know if there was actually-- I, I just-- I know 2017 was a terrible budget year. I think we came in with a \$1 billion deficit. It didn't end up being a \$1 billion that the, the committee had to find, but it was just really bad revenue growth that year.

**M. CAVANAUGH:** Thank you.

**CRAIG BECK:** Of course.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony.

**CRAIG BECK:** Thank you.

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**CLEMENTS:** Again, we're on LB261. If you have comments on LB261-- and if it involves another bill, you can include that in your testimony. Welcome.

**DREW LARSEN:** Good afternoon. My name is Drew Larsen, D-r-e-w L-a-r-s-e-n. And I'm here representing Pheasants Forever and Quail Forever. And if it's OK, Mr. Chairman, I'd like to provide testimony on LB260, LB261, and LB264.

**CLEMENTS:** Yes. Proceed.

**DREW LARSEN:** Thank you. Chairman Clements and members of the Appropriations Committee, thank you for the opportunity to provide testimony regarding LB260, LB261, and LB264. Conservation is the proper management of our natural resources, and there are very few investments more critical to the quality of life in Nebraska. To ensure our economic success in maintaining and improving Nebraska natural resources, sustainable and consistent funding is critical. LB260, LB261, and LB264 would not only redirect conservation funding away from the Nebraska Game and Parks Commission and the Nebraska Environmental Trust, but would be a diversion of conservation funding that would make it difficult for conservation groups in Nebraska to receive critical federal grant awards directed at Nebraska farmers and ranchers to carry out win-win conservation projects. Pheasants Forever and Quail Forever are the nation's leading volunteer membership-based [INAUDIBLE] conservation group. Our community of supporters are a diverse group of hunters, farmers, ranchers, landowners, conservation enthusiasts, and wildlife officials. The common thread is that we all want to make a difference for wildlife by conserving and creating habitat as well as providing access to our precious natural resources. In Nebraska, we have expanded to 63 locally led chapters, nearly 10,000 members, and 40 full-time employees who have a rich history of meaningful wildlife habitat creation and enhancement by working with farmers and ranchers. With Nebraska being 90-- 97% privately owned, working with private landowners is critical to our mission. Our organization has successfully utilized NET and NGPC funds on over 1,000 farmer and rancher projects across the state since its inception in 1992. These farm and ranch improvement projects cannot be outsourced, and conservation products have been proudly delivered in all 93 counties in the state of Nebraska. Considering the impact that proposed diversions would have on Nebraska's conservation community, rural economies, and sportsmen and women, we ask that conservation dollars continue to serve strategic conservation efforts through the Nebraska Game and Parks Commission and the Nebraska Environmental

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Trust. Thank you for the opportunity to provide comments on this topic. And I'd be happy to answer any questions that you all have.

**CLEMENTS:** Are there questions? Seeing none. Thank you for--

**DREW LARSEN:** Thank you.

**CLEMENTS:** --your testimony. Next testifier. Welcome.

**KATIE TORPY:** Good afternoon, Senator Clements and respected members of the Na-- of the committee, Appropriations Committee. Usually I'm in front of the Natural Resources Committee. My name is Katie Torpy, K-a-t-i-e T-o-r-p-y. I'm here today on behalf of the 5,500-member household of the Nature Conservancy and coalition partners Ducks Unlimited and Audubon, testifying in opposition to LB260, LB261, and LB264. I will underscore why LB264 should be permanently set aside. LB264 permanently weakens the trust, fundamentally changing its purpose by di-- diverting half of the-- half of its funding to the DNR and Games and Park administration. This is a permanent shift, meaning half of the trust's funding would no longer be available for community-driven conservation projects. Turning a competitive grant-- public grant program into a fund for state agencies defeats the purpose of the trust-- trust and erodes local participation in conservation efforts. The trust was designed to support conservation efforts through a fair, competitive grant process and not to fund agencies unless it's additive. Some state agencies do receive trust funding and other public agencies, but it's always additive. It's never to fulfill its core functions as a state agency. It also changes the purpose of the trust to include outdoor recrea-- LB265 also tra-- changes the purpose of the trust to include outdoor recreation and healthy public infrastructure without taking into consideration the will of the voters who created the trust in the first place. And this further dilutes funding across its core mission. And as you can see with the postcard that I handed out, 30 years later, voters still agree with its core mission of-- and to say that more needs to be done to protect land and water and wildlife habitat. And it's-- fundamentally, these voters are in agreement. Four out of five say this across party lines. We urge lawmakers to reject the bill and project the trust's mission of funding, conservation, education, and restoration projects that benefit all Nebraskans. Each of these bills and our coalition-- our coalition testified against-- LB260, LB261, and LB264-- poses a serious threat to the trust. LB260 shifts trust funds to cover Game and Parks' operations. 261 raids \$15 million from the trust for General Fund use. And although it is proposed-- excuse

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me-- as a one-time taken-- taking, we've seen from the 2014 Legislative Session that these sidesteps often become permanent. LB264 does-- would permanently divert half of the trust funds, weakening its mission and taking from the geographic dispersal of those funds. I was asked earlier if there was 90-- that there is 93 counties all receiving funds. I did a little research-- not every member's district, but I believe-- Senator Dor-- Dover, I sent it to your LA-- \$6 million, I believe, for your district; \$11 million for Senator Strommen's district. And between Senator Clements and Senator Dorn-- not including Lincoln because there's so much that would go to that community-- it was between \$2 million and \$3 million for the parts of your districts that are not in the city proper. So I just wanted to plug that detail as it was asked earlier. In conclusion, we, we urge the Legislature to reject these bills and stand with Nebraskan voters, conservationists, and communities in protecting the integrity of the trust. Any questions are welcome. Thank you.

**CLEMENTS:** Questions? Seeing none. Thank you for your testimony.

**KATIE TORPY:** Appreciate it.

**CLEMENTS:** Additional opponents on LB261 or other-- or LB264. Welcome.

**CAROL BODEEN:** Good afternoon, Chairperson Clements, members of the committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the Director of Policy and Outreach for the Nebraska Housing Developers Association, sometimes shortened as NHDA. I am testifying today on behalf of NHDA as well as the Nebraska Economic Developers Association. NHDA is a membership organization with over 70 members from across Nebraska. Our mission is to champion affordable housing. NHDA is a professional membership organization made up of more than 300 economic development professionals from across Nebraska dedicated to the prosperous growth of Nebraska's business climate. Thank, thank you to each of you as you take on this large and cumbersome task of balancing our state budget. In respect to the request of the committee that the testimony be directed to the overall budget rather than the specific issues and transfers within this bill, we are appearing today to be on record in opposition to LB264. Each of our organizations will appear at the time of the relevant agency hearings to outline in more detail the proposed transfers and issues that are of greatest concern to us. Obvious of these for us are the transfers out of the Affordable Housing Trust Fund and the Rural Workforce Housing Fund. On an overall basis, we feel that many of these actions proposed in LB264 involve attempts at one-time solutions and provide for the movement of dollars

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from funds whose balances are designated for specific purposes and not to be used for small impacts for a much larger general budget. Thank you for your consideration of this testimony.

**CLEMENTS:** Are there questions from the committee? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here today, Carol. Could you maybe speak to-- are there specific transfers or actions within LB264 that you are opposing or that you would want to see differently?

**CAROL BODEEN:** Yeah. Specifically, it's the \$8 million out of the Nebraska Affordable Housing Trust Fund and then \$2 million out of the Rural Workforce Housing Fund.

**SPIVEY:** And would you mind-- just for context, like, what would be the impact of those transfers to the folks that are working on affordable housing in our state?

**CAROL BODEEN:** Yes. Thank you. Well, currently-- well, as of the end of December, there was a \$35 million balance in the Affordable Housing Trust Fund, and \$24 million of that was under contract already. And then that did not take into it-- into account the \$25 million that was allocated from last year's budget to be transferred out into the Rural Workforce Housing Fund and the Middle Income Workforce Housing Fund. So with all of that taken into account and then an estimation of probably about \$7 million or so coming in from the doc stamp before the end of this fiscal year, that would basically-- without taking into account the \$8 million that is proposed here-- that would be a deficit balance of about \$7 million in that account. So it could have the potential to impact future grant cycles.

**SPIVEY:** Thank you.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony.

**CAROL BODEEN:** Al right. Thank you so much.

**CLEMENTS:** Next testifier. Good afternoon.

**BENJAMIN DENNIS:** Good afternoon, Chairman Clements and members of the esteemed Appropriations Committee. My name is Benjamin Dennis, B-e-n-j-a-m-i-n D-e-n-n-i-s. And I am testifying in opposition to LB264 on behalf of the Nebraska Advocacy Group, or NAG, a group of

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rural telecom and broadband providers, which includes the company that I work for, Hamilton Telecommunications, headquartered in Aurora, Nebraska. Our opposition is two-part. First, we are opposed to the outright repeal of the Broadband Bridge Act. The once-expected funding coming through BEAD for broadband buildout is now somewhat perilous. What's more, even if BEAD funding ultimately comes through, there are areas of Nebraska that will remain underserved because not all areas of our state even qualify for BEAD funding. Funding through the Broadband Bridge Act has made an incredible impact on broadband access in Nebraska, and discontinuing the funding now before the work is done is shortsighted. As a side note, even if the program goes unfunded in this biennium, it seems wise to not repeal the Bridge Act. That way, the Legislature can take a wait-and-see approach here to broadband buildout. Second, we are opposed to the taking of dollars from the Nebraska Universal Service Fund. Those of you who have served on this committee are probably feeling some deja vu in that each year the proposed budget includes an attempted sweep of the Nebraska Universal Service Fund and each year groups like ours come in and tell you that it is unconstitutional according to the Nebraska Supreme Court case of Schumacher v. Johanns from 2006, basically to take Universal Service Fund dollars that are meant from-- for-- excuse me-- telecommunications purposes. In the recent past, this committee has already taken what it-- what is permissible to take: the interest from that fund. So it simply cannot be that there is \$3.8 million left in interest to be swept in each of the next two years. In fact, the governor's budget book on page 30 lists that taking as coming from, quote, excess balance in the fund, not interest, which would be impermissible and unconstitutional. We appreciate the hard work this committee must do in creating a budget for our state, but we respectfully ask that the budget you move forward does not include those two provisions. Thank you very much. And I'd be happy to answer any questions.

**CLEMENTS:** Questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you for being here.

**BENJAMIN DENNIS:** Thank you.

**M. CAVANAUGH:** I previously was on Telecommunications Committee, so I'm pretty well familiar with the programs that you're talking about. So the Universal Service Fund-- I have said previously I, I fought that battle twice and lost. So I, I, I hear where you're coming from. I think that we will take care to not sweep the actual cash fund.

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Whether I agree or not with taking the interest is a different issue. But I, I do think that the committee has come to an understanding that that would jeopardize our federal funds. So just wanted to say that if we're going into the broadband program. So the broadband program, the BEAD program is struck in LB264. And can you explain to the committee a little bit how this versus the new Broadband Office in the Department of Transportation, how those two sort of interact with each other?

**BENJAMIN DENNIS:** I can, Senator Cavanaugh. Thank you. So the program I was referring to is called the Broadband Bridge Act, which was created by the Legislature in 2021 to provide grant support to build out unserved and underserved locations.

**M. CAVANAUGH:** Can you explain the difference between unserved and underserved?

**BENJAMIN DENNIS:** Of course.

**M. CAVANAUGH:** Thank you.

**BENJAMIN DENNIS:** So those are, I guess, technical terms that are specific to the broadband industry, industry. An unserved location is a location that is only capable of being served with internet that is 25 megabits per second download by 3 megabits per second upload. So that's 25/3-- or, less than 25/3 service is considered unserved in this state. Now, underserved, Senator, means inter-- broadband internet service is available at a location between 25/3 megabits per second and 100/20. So that, that's-- so-- would you like me to proceed with my answer?

**M. CAVANAUGH:** Yes. [INAUDIBLE].

**BENJAMIN DENNIS:** OK. So ba-- so basically, locations that this Legislature has identified as not being sufficiently served by broadband in the state. So in 2021, the Legislature created the Broadband Bridge Program, which was a 20-- or, is a \$20 million per year grant program that provides build-out support to companies like ours, Hamilton, who has been the recipient between the Broadband Bridge Act and Capital Projects Fund, which this Legislature appropriated additional moneys for that basically rolled through the Bridge Program. Our, our company has received 20 separate grants. But in Bridge, minimum match of 50% unless it's considered to be high cost. Then there's a 25% minimum, minimum match. So it, it's been a



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great program. And, and we've been able to use, use those funds to, to build out areas.

**M. CAVANAUGH:** So eliminating the program, it, it's not really in partnership with the BEAD Office?

**BENJAMIN DENNIS:** Yep. So I'll, I'll finish, I'll fini-- I'll finish the answer to the question. Thank you. I appreciate that. So that, that's a state program, again, created by the Legislature. The BEAD program is a federal program that allocates money for similar type purposes. Basically, there's, I guess, three main objectives to serve unserved locations in the state, then underserved locations, then areas like community anchor institutions-- so your schools, libraries, hospitals, et cetera. So the \$405 million that was allocated to the state of Nebraska, that Nebraska-- the, the Nebraska Broadband Office would-- which was created by the governor-- in fact, I think it was his first executive order, was the creation of the Nebraska Broadband Office. So that money's coming through-- or, the grant cycle's being administered by-- Nebraska Broadband Office, which is part of the Department of Transportation. But the, but the-- that program is separate and distinct from, from Bridge. And really, the programs complement each other, Senator Cavanaugh. And so even if the Legislature decides to wait and see how far the BEAD moneys go, it seems wise to not repeal the act entirely so money can be cycled through it again if, if, if appropriate in future years. We're excited about BEAD. But again, there has been congressman, folks from the administration that have expressed the desire to claw back BEAD moneys. So to sit here and say it's definitely happening is-- it's maybe tough to sit here and testify to that today.

**M. CAVANAUGH:** I have a few more.

**CLEMENTS:** OK. Senator Cavanaugh.

**M. CAVANAUGH:** OK. So the Broadband Bridge Program is outside of that. If we eliminate this program, are there-- the-- did you say-- and I'm sorry if you did-- are there already those funds obligated?

**BENJAMIN DENNIS:** There are.

**M. CAVANAUGH:** OK.

**BENJAMIN DENNIS:** And there has been a, a recent Bridge cycle.

**M. CAVANAUGH:** And who administers the Bridge Program?

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**BENJAMIN DENNIS:** So that's the Public Service Commission, Senator.  
And--

**M. CAVANAUGH:** Previously did the BEAD program as well.

**BENJAMIN DENNIS:** Well--

**M. CAVANAUGH:** Well--

**BENJAMIN DENNIS:** They--

**M. CAVANAUGH:** Inte-- intentionally.

**BENJAMIN DENNIS:** They, they started the process of these, like, community outreach sessions. And some of the things that were condition-- conditions proceeded to the state of Neba-- Nebraska receiving the \$405 million that we are going to receive for BEAD. And so even though the Public Service Commission isn't ultimately administering that program, they certainly were and have been good stewards of the state's resources by doing-- laying some of the groundwork to the state actually getting that money, if, if that, if that makes sense.

**M. CAVANAUGH:** And I know Senator Prokop has a question, so I'll just-- one last question from me is-- and I'd be remiss if I didn't ask this-- has Senator-- former Senator Bruce Bostelman gotten Wi-Fi to his house?

**BENJAMIN DENNIS:** I believe so. And I believe Brian Thompson, who's sitting in this room, would have more information about that. But I don't know if this-- if we have another phone a friend available.

**M. CAVANAUGH:** After six years with Senator Bostelman on Transportation, I just felt like I had to ask on his behalf.

**BENJAMIN DENNIS:** They are very real issues.

**M. CAVANAUGH:** I-- no, I know they are.

**BENJAMIN DENNIS:** And bridging the divi-- digital divide is a very important thing.

**M. CAVANAUGH:** It go-- it goes to his-- end of his driveway is where he has to get internet. So just a little fun fact--

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**BENJAMIN DENNIS:** Really appreciate the questions. And I hope I stumbled through them sufficiently.

**CLEMENTS:** Senator Prokop.

**PROKOP:** I just want to make sure I'm, I'm clear on, on something that you mentioned in the line of questioning that Senator Cavanaugh had. So when you're talking about the Bridge dollars being state dollars and BEAD being federal dollars, different sources, different rules of state versus federal, is there limitations in terms of the kind of projects those dollars can be used for or-- what are, what are the distinctions there?

**BENJAMIN DENNIS:** I think that's a-- I think that's a great question, Senator. So there are some limitations in both programs. And they're-- they do have some similarities and they ha-- have some distinct differences. Now, I talked about the priority for Bridge-- or, really the only eligible locations in Bridge being unserved and underserved locations. BEAD is really the same. However, they're-- to get BEAD funding, this-- every state has to create what is a set-in-stone BEAD map. So if you go to the Nebraska Broadband Office website-- which I would encourage anyone to do so-- there is a map of every eligible location in this entire state. So that has not every underserved location in the state of Nebraska. It doesn't include locations that will be cons-- have been or will be constructed after that map was set in stone. So our group's position is that the Bridge is complementary to BEAD and continues to be so, do-- to be that. And in fact, if it wasn't for all of the work that has been completed pursuant to Bridge Act grants, I don't think-- or, we don't believe that the BEAD money would be sufficient to reach all the locations that we're basically required to serve through BEAD. So I ho-- I hope that answers your question.

**PROKOP:** Thank you.

**BENJAMIN DENNIS:** Thank you.

**CLEMENTS:** Thank you, committee. Thank you for your testimony.

**BENJAMIN DENNIS:** Thank you.

**CLEMENTS:** And I'll point out to the committee that the Department of Transportation, which has of Broadband Office and the Public Service Commission, both of those agencies will be coming in for their hearings on their agencies. So we can get more clarification maybe at

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that time. Are there other proponents regarding LB261 or LB6-- LB264? Whatever you're testifying on, please specify the bill number.

**MEGHAN CHAFFEE:** Absolutely.

**CLEMENTS:** Thank you.

**MEGHAN CHAFFEE:** Thank you. I'm Megan Chaffee, M-e-g-h-a-n C-h-a-f-f-e-e. Testifying on LB261 in opposition. Marty Fattig, CEO of Nemaha County Hospital in Auburn, Nebraska, had wanted to testify today and planned to but unfortunately couldn't make it. Marty has been involved with the Rural Health Advisory Commission since 2004 and is currently chairman of that commission, which selects recipients who qualify for the funds that are distributed through the Rural Health Provider Incentive Program. So NHA opposes the section in LB261 that reduces the funds for this program by \$1.5 million each fiscal year. These funds are used for repayment of qualified educational debt owed by eligible health professionals submitting applications through the act. The Nebraska Loan Repayment Program assists rural communities in recruiting and retaining primary health care professionals by offering state matching funds for repayment of health professionals' educational debt. Applicants have to agree to work in a state-designated shortage area for a period of three years to receive funding. The program calls for the state to match local funds up to a maximum of \$30,000 for doctorate level providers and \$15,000 for full-time master's level providers. The program primarily focuses on rural shortage areas specifically, but specific federally designated sites like tribal and community health centers can also qualify for family medicine or general dentistry loan repayment even if they aren't located in a state-designated shortage area. The state loan repayment program has been very successful. 933 participants have completed this program and practiced for varying lengths of time in Nebraska. Almost every area in the state benefits from this program. The commission reports a 92% success rate. Before the Legislature increased funding in 2021, the commission had applicants-- more applicants than they could fund with available resources. In 2021, they had over 50 applicants on the waiting list, which could not be funded for up to two years. These were medical providers that had already signed agreements to practice in rural, underserved communities. If the state can't maintain the current level of funding, we risk losing those applicants who may move to other states with money to spend on loan repayment. The Nebraska loan repayment program is good for Nebraska. It is an imperative part of recruitment and retention of health care providers to the rural communities, and its

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economic impact is meaningful. Please do not reduce the funding for this program as outlined in LB261. Retain the funding for Program 175 as it exists today. Thank you.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony. Additional opponent testifiers. Welcome.

**BRYAN SLONE:** Thank you. Chairman Clements and, and members of the Appropriations Committee. My name is Bryan Slone, B-r-y-a-n S-l-o-n-e. And I'm President and CEO of the Nebraska Chamber of Commerce and Industry. I'm testifying today on behalf of the State Chamber, the Greater Omaha Chamber, and the Lincoln Chamber in opposing LB264. Our respective organizations and members will appear before the committee at future agency hearings on specifics, but I would like to talk a little bit more generally today. Before I start, first let me thank this committee for the hard work that it does year after year after year. This state for decades has had a reputation for fiscal conservatism and fiscal sustainability and to no small part due to this committee. So thank you for, for your efforts. From an economic standpoint, you've, you've heard me talk about this many times, but the, the greatest challenge that we have as a state is, is brain drain and a decline in, in workforce and workforce population. In my testimony are the figures currently for grades K-12 in this state. And you will see that our largest classes are in senior high and they get smaller after that. The workforce issue that we have today is, is not a today issue. It's not even a two- or three-year issue. This is a "decadal" issue and maybe a generational issue as we look at the number of students in the pipeline. The workforce issue is going to get bigger rather than smaller. And as we look at budgets, how does this affect budgets, the ability of the state to continue to grow top-line revenues and grow our economy is challenged by none other than this ability to grow workforce. With these demographic challenges in mind, looking at that plus our budget structure, we have concerns that we're-- this is leading us and this committee to much tighter margins for error in all our budgets and appropriations at least for the next two bienniums. From a budget structure standpoint, a series of successful legislative efforts to reduce the property tax obligations at the local level have added hundreds of millions of dollars to the General Fund transfer obligations, and more are being proposed. These fixed General Fund transfer obligations are projected to be over 20% of General Fund net receipts going forward. And you can see in the data that I-- is shown in there how those charts align. Given where we've gone, the fastest growing element in the, in the budget has been in fact these General Fund transfers, from a very

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small number to, to 20%. That doesn't mean they're bad or good. It just means this is where we are structurally as a budget. And it, it questions then the sustainability of, of this structure over the long term. Even if government appropriations are held to very small growth levels, the biennial budget recommendations illustrate that over the next two, two biennia we'll-- we will materially deplete our General Fund cash balance and eventually our Cash Reserve Fund. Going forward, it's going to be very important to make very conservative decisions, but at the same time recognize a sustainable property tax relief is an important priority, but equally important will be to focus and support those programs and legislative efforts targeted, attracting, retaining, educating, and connecting young people and young families to our communities and workforce. There are no rev-- top-line revenues growth if we cannot retain, attract, and connect these young people in our state. So as we go forward, we must be balanced and intentional in our state budget dollars, both for tax reduction and economic and workforce growth. So not only this year in this bill but also in next year's sessions of the Legislature, we ask that particularly care be taken with respect to education, economic development, workforce development, housing, and child care dollars. These programs where they're effective are, are incredibly important and will have a significant impact on the ability to grow our state and economy. At the levels that we are going to need to actually sustain sustainable property tax relief, significant growth in our economy needs to continue. I am confident Nebraska can and will compete and be a top-ten state. We just have to focus and be strategic about this workforce issue at a very competitive level in a competition with 49 other states. With that, I'd be happy to answer any questions you have.

**CLEMENTS:** Questions from the committee? Senator Spivey.

**SPIVEY:** Thank you, Senator Chair. And thank you, Bryan, for being here today and for your testimony. Can you speak a little bit if, if you have the data around Nebraska's growth in general? Like, are we currently stagnant? Are we declining in our growth? And, and what do you think the overall impact to some of the most complex things that you named, like what-- how does that impact that?

**BRYAN SLONE:** I would say I've got good news and bad news. The good news is perhaps no other state-- maybe Utah-- no other state came out of COVID with a stronger economic growth trajectory. Pound for pound. We're not as big as California or Texas, but pound per pound. We were either number one or two coming out of COVID in terms of the strength

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of our economy. It's continued to be strong. If you look at revenues, corporate income tax revenues continue to be very strong. In fact, they drive the bulk of the, of the revenue growth. The challenges that businesses are having are not necessarily of our own making, but certainly inflation and-- has been a, been a problem. And so we have seen a slowing of the economy. But it's really this workforce issue that, as we look at the long term and think about long-term budget trends, that has the capacity to slow down Nebraska's economy very significantly. We have the most to gain in terms of workforce given our, our labor participation rates and our low unemployment of any state in the country. We do have companies right now who are looking to expand their businesses in other states simply because they can't find the workforce that, that we need in Nebraska right now. So that's the bad news. But the good news is we're coming into this still with a fairly strong economy. But, but the long-term trend lines of workforce are not good.

**SPIVEY:** Thank you.

**CLEMENTS:** Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you for being here. I asked this question of the gentleman from OpenSky and I'd, I'd be interested in your answer as well.

**BRYAN SLONE:** Mm-hmm.

**M. CAVANAUGH:** What recommendations do you have for this committee and for the Legislature on creating a balanced budget this biennium? I understand the long-term needs of, of growing our workforce, but in the, the short and-- the short time frame of the next two years, what, what do you think we should be doing?

**BRYAN SLONE:** And Senator, you'll be interested in, in the second chart that I have there, those, those two lines at the top. The, the orange line is net receipts. And the purple line is, is the commitment of expenditures when you add all these General Fund transfers. Historically, what you will see is that orange line of net receipts was, was in excess of, of what we were spending. We started to deficit spend on that basis a little bit in '24-25. Those lines come together in, in the biennium projections. When I say we're at very narrow margins, you can see we're at very narrow margins. Obviously, this committee and the Legislature is going to have to be very conservative in terms of any new spending this year. And so that's where you start.

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But secondly then, as you look at priorities, you look at priorities that are likely to increase those, those net revenues. And, and so the core of my testimony today is, is the key to long-term revenue growth is, is workforce. There is no close second. And, and be-- beneath that is the questions of housing, affordable housing, affordable child care.

**CLEMENTS:** Are there questions? I had a question.

**BRYAN SLONE:** Yes.

**CLEMENTS:** A worker considering to move to Nebraska. What are their priorities that, that they're looking at?

**BRYAN SLONE:** Yeah. It's a great question, Mr. Chairman. So I have-- you know, I always have my views as a, as a chamber leader, but actually, I, I, I talk quite frequently with the, the researchers at UNO. And, and Dr. Schafer would tell us all that the number one reason that young people move is what they perceive as great jobs and great careers. And so they, they're moving to what they view as expanding economies and, and great careers with, with technology-based companies or technology-based industries. And that could be ag and, and the technology in ag, or it could be manufacturing. But, but the primary motivation is, is great jobs. One of the secondary ones is quality of life and security, which, which-- there is no place like Nebraska. I've heard that somewhere before. But this question of continue to expand our economy and jobs, they are moving to where they think opportunities exist.

**CLEMENTS:** And do we have good-paying jobs, openings?

**BRYAN SLONE:** Yes. In almost every field. We have-- you know, my-- the-- if you look at the Department of Labor's numbers, they will say we have 30,000 jobs open. That-- those are only the ones on the internet being advertised. But, but my best estimate is we're close to 50,000 jobs we can't fill in Nebraska right now simply because we don't have people. And it's every occupation. The number one occupation is nurses. It's the hardest occupation to find. But there is literally no industry and no function where we don't have a workforce shortage, including teachers. Maybe chamber presidents. We have enough of those. But other than that.

**CLEMENTS:** Thank you. Other questions? Senator Cavanaugh.



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**M. CAVANAUGH:** Thank you. So in, in trying to have a balanced budget-- and you talked about the need for housing, affordable housing and child care. We also have child care deserts, and then there's the health care issue. But those things are all going to require state resources. And we also have a deficit that is partially due to the tax cuts that we enacted two years ago for both corporate and income tax, and those are coming to fruition now. And if we don't pass those income taxes, we're going to continue to see that decline. And so from the Chamber's standpoint, how do we-- how do we balance those competing interests and desires to create a balanced budget that doesn't harm low-income families?

**BRYAN SLONE:** Fair, fair question. So when you look again at the chart that I had, that second chart that I have on the orange line, which is our net receipts, even with the income tax cuts, our net receipts are, are increasing and are scheduled to, to increase. All the, all the income tax cuts did was keep us competitive. We have two bordering states have no income tax. We have Iowa that's now at 3.8%. So it will be-- was going to 3.8%, will be lower than us. It's simply to keep us-- and, and so what we see is increasing revenues. What we have to do is keep our costs-- I'm sorry. This is not the committee to be having this conversation. You do as good a job as anybody-- keep our costs within the revenues that we have. When I'm talking about the structural issue, the structural issue is we have to continue to grow the economy, and it will grow. But we have to keep our kids here, attract more young families. And so we need to make investments. To your point, there is not going to be enough government money to sell child care and there's not going to be enough money to, to solve affordable housing. But we need to leverage the, the money and the, the resources that we have here within the Legislature, along with private money and philanthropic money, to really make a difference. Because without affordable housing and child care, as examples, it's going to be very difficult.

**M. CAVANAUGH:** So then what do we cut? Because we have to cut hundreds of millions of dollars from our spending to have a--

**BRYAN SLONE:** Well, I think you start with any new spending.

**M. CAVANAUGH:** And some of that new spending goes to the exact programs that you're talking about are essential for bringing in workforce, they're-- the health care, the child welfare, the housing spending. Those are, those are the new spending.

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**BRYAN SLONE:** Like, when I say new, new in 20-- new in this session that we're just in.

**M. CAVANAUGH:** The one that we're currently in?

**BRYAN SLONE:** Currently in. And, and, and, and any new spending in the budget proposals.

**M. CAVANAUGH:** But even that doesn't--

**BRYAN SLONE:** Including--

**M. CAVANAUGH:** If we don't-- if we just take every bill that has an A bill and, and throw it away, we still have hundreds of millions of dollars in deficit.

**BRYAN SLONE:** And you-- there'll be a new forecast at the end of this month, which I know we're all anxiously awaiting. This will be a year where cuts will be made. I have no doubt that there will be some fund transfers. There's always some fund transfers. What I'm suggesting is that, as we look at priorities, priorities should be around workforce areas. And specifically as we look at programs, those programs that we think have a, a return on investment and are working, we should prioritize those programs over any new spending.

**M. CAVANAUGH:** Thank you.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony.

**BRYAN SLONE:** Thank you very much.

**CLEMENTS:** Other opponents for one of these bills? Please come forward. Good afternoon.

**RYAN McINTOSH:** Good afternoon, Chair Clements, members of the Appropriations Committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h. Appearing before you today as a registered lobbyist for the Nebraska Bankers Association in opposition to LB264. Nebraska Bankers Association echoes Mr. Slone's comments and testimony with regard to workforce housing and workforce development programs. We would like to see those protected within the budget. Others testified as well into the Rural, Rural Workforce Housing and Affordable Housing Trust Fund sweeps, and so we would echo those comments as well. I do want to point out specifically NBA's opposition to Section 16 of the bill,

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which would transfer \$3 million from the Financial Institution Assessment Cash Fund to the General Fund. It is our understanding that this fund is currently at about \$5 million. While mindful of the fact that the banking industry is not being singled out here, we do believe that there's ample justification for the committee to refrain from raiding the Financial Institution Assessment Cash Fund. I'll ke-- try and summarize my comments, as you do have my written testimony. There's a couple of reasons why we believe this is artificially high and should not be swept at this time. The fund balance is in part due to the number of mortgage loan originators during the recent low interest rate cycle. The number of new mortgage companies nearly doubled between 2019 and 2022, increasing revenue into the Financial Institution Cash Fund by approximately \$375,000 per year. With interest rates now much, much higher, we have seen a slowdown in the number of mortgage origination companies operating in Nebraska, with more than a 30% decline in 2023 alone. The department is also-- fund is also artificially high as re-- as a result of \$2 million swept into the cash fund from the Securities Cash Fund as part of the Nebraska Financial Innovation Act of 2021. This infusion of funds was designed to hire additional staff for preparing regulations and examinations and supervision of digital asset depository institutions. Earlier, earlier this month, the Department of Banking and Finance approved the first application for a digital asset depository institution, which is not yet operating in the state. These funds are moved to the Financial Institution Assessment Cash Fund due to the regulatory costs of supervising such an institution that does require daily call reports and daily supervision. The Department of Banking has not increased the number of staff examiners since 2011. During this time period, the assets held by state-chartered banks have increased from just under \$28 billion to over \$68 billion. Department could use more funds rather than less to be able to recruit and retain a vibrant staff of examiners. Much like it was asked of Mr. Slone, our Department of Banking and Finance also has workforce challenges. Current salaries for examiners for Department of Banking and Finance are far below what is paid by their peer federal regulators. The Financial Institution Assessment Cash Fund is solely funded by fees, annual fees, and examination fees paid by financial institutions and other entities regulated by the Department of Banking. As a result, raiding the department of these allegedly excess funds will require the industry to replenish the funds. The banking industry desires a sufficiently funded Department of Banking and Finance to ensure robust supervision and examination of our state-chartered banks to promote safety and soundness and consumer protection. Leaving the fund intact will help

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achieve these objectives. We are also mindful that the cash fund transfers being proposed by the governor are part of a grander plan to close the budget gap and to provide property tax relief to Nebraska taxpayers, hopefully. However, there are a lot of moving pieces here, namely the forecast that's due at the end of the month. So we would urge the committee to exercise caution in moving forward until we have that and know what the actual shortfall truly is. For these reasons, we respectfully request the committee remove Section 16 of LB264 and not advance the bill for the time being. Thank you.

**CLEMENTS:** Any questions? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here today and your testimony. You talk about how the fund is really funded through fees and what were charged out to the industry that comes back. And I'm just wondering, fundamentally-- and we've had this discussion and I think [INAUDIBLE] as a committee, but do you think funds that are funded by fees and are charged should go to offset General Fund cost or shortfalls?

**RYAN McINTOSH:** That, that, that's a, a, you know, a larger policy question. I think it-- for the most part, I would say no. These, these cash-funded agencies that are not taking general funds but are funded by those that they're regulating and, and supporting, I, I do not believe that those should be transferred to the General Fund.

**SPIVEY:** Thank you. And then my just last question, Chair. You mentioned that there are already commitments, it sounds like, from the digital depository structure now. So it sounds like even though the funds have been sitting there, they have an intended purpose and that purpose is moving forward through that RFP process.

**RYAN McINTOSH:** Yeah. So that-- again, that-- LB649 from 2021 was when the-- those funds initially went in there and you saw a jump in the-- in this fund. It took until this month for us to finally have an application approved by the Department of Banking and Finance that is not yet operating. It's a whole new-- first in the nation, and it's going to require a lot of staff, time, and input. And so I think there's, there's good reason to, to leave those funds as is, namely for consumer protection.

**SPIVEY:** And then they-- it sounds like there is a plan to be utilized even though that they've been sitting there. It's just because of the process and what it takes.

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**RYAN McINTOSH:** I-- yes, I would agree with that, Senator. And, and we will be here for the Department of Banking and Finance Agency hearing as well to discuss that.

**SPIVEY:** Mm-hmm. Thank you.

**CLEMENTS:** Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thanks for being here. So this, this fund, the Financial Institute Assessment Cash Fund, and you-- it's funded by fees and something else and-- oh, and for inspection-- examination fees and annual fees. So the fact that there's \$5 million sitting in there, do you think that perhaps we are assessing too high of fees?

**RYAN McINTOSH:** You know, that's a great question. So there's-- and it-- and there's a lot of different entities that are regulated by the Department of Banking and Finance. So within this fund, you have money transmitter fees. You know, L-- Senator Bostar has LB609 that will require all, all crypto kiosks to get a license. So that would cause an infusion. We certainly wouldn't object to those fees remaining the same. Mr. Schrod I know who-- with the Independent Community Bankers does have a sheet that shows the annual expenditures. And, and from reviewing that with him, it looks like our, our current expenditures are pretty close to our current revenues. And so it looks like we do have a, a, a decent balance right now. And, you know, what, what's in my written testimony that I didn't mention is if you look back at the last several years, there have been very, very limited travel costs and training costs for the Department of Banking and Finance post-COVID-- during the pandemic and after. Much of their examinations were done remotely. It works a lot better for the face-to-face interactions the partnership we have with the Department of Banking and Finance for those to occur at least in part in person, and that has returned. And so we do believe that those funds will be spent down without changing anything.

**M. CAVANAUGH:** And who administers the fund?

**RYAN McINTOSH:** Well, Director Kelly Lammers is who will be here to, to talk about their budget.

**M. CAVANAUGH:** OK. Thank you.

**CLEMENTS:** Are there questions? Seeing none. Thank you.

**RYAN McINTOSH:** Thank you.

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**CLEMENTS:** Next testifier. Welcome.

**ANSLEY FELLERS:** Thank you. Thank you, Chairman Clements and members of the committee. My name is Ansley Fellers, A-n-s-l-e-y F-e-l-l-e-r-s. And I'm here on behalf of the Nebraska Grocery Industry Association. Testifying in opposition to LB264. Our prime-- our primary concern in the proposed budget as we have faced the last couple years are sweeps from programs and funds into which we pay fees for specific purposes, the state taking that money and placing it in the General Fund for nonspecific use. The key to many cash funds-- cash-funded programs-- like those related to food inspection or weights and measures-- is that they were created to help industry pay for federal and state mandates. Acknowledging that these are for public good, like-- things like consumer protection, these programs were 50/50 splits. So the industry was paying 50%, the General Fund was 50-- paying 50%. And now with the proposed budget, that, that cost will be borne entirely by the industry. This translates into fee increases of 100%-- at least 100%. In one authorizing committee we were in this year, we were told it would be at least 100% on the food inspection side, but the proposed fee increases were as much as 200% or more. And that could take place over the course of several years. Like other increasing costs, these fee increases are going to hit our small establishments the hardest. Last year, we fought sweeps of the Unemployment Trust Fund and we oppose the continued proposed changes to the Unemployment Trust Fund without just an elimination of the tax, which is something the governor can actually do. Retailers, you know, we, we pay all, all kinds of taxes and fees, and I think we're starting to feel like this is just a death by a thousand cuts. And this is kind of the latest installment of that. Additionally, the budget as proposed does not work without, as stated, tax increases like those on certain types of food and beverages, tobacco and hemp products, spirits and skill games. The preliminary report also mentions the inclusions of bills like the one to roll back the increased reimbursement to retailers for sales tax collection and remittance. In 2022, Senator Moser brought and the State Legislature passed an increase in our sales tax collection allowance to go from 2.5% on the first \$3,000 collected to 3% on the first \$5,000 collected. It doesn't translate to much, but it's helpful, especially to small retailers when you consider that, in 2023, Nebraska retailers paid \$63 million in credit card fees on the sales tax portion of a transaction. So that is not the portion of a transaction that a retailer keeps. It's the portion of the transaction the retailer is turning over to the state. And our Nebraska retailers paid nearly 2% of what we turned into the state that year of \$3.4

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billion in credit card fees. So we're just here to say, you know, thanks for your time. I'm not used to being in the Appropriations Committee, but it's important for this committee, along with our other authorizing committees, to hear these concerns. And I appreciate your time.

**CLEMENTS:** Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thanks for being here. I was trying to follow that math.

**ANSLEY FELLERS:** Yeah.

**M. CAVANAUGH:** So the cre-- and-- just bear with me. So the credit card fees-- not, not the tax that you remit to the state, but--

**ANSLEY FELLERS:** Correct.

**M. CAVANAUGH:** --you actually have to pay a portion of fees to the state for credit card transactions?

**ANSLEY FELLERS:** Pay the credit card companies and banks the fee, the fee on the sales tax portion. So we're remitting the sales tax portion to the state, but we pay the transaction fee. So--

**M. CAVANAUGH:** Oh, OK.

**ANSLEY FELLERS:** --the-- yeah. So we pay-- we still pay just like on the rest of the transaction the fee, and a couple of years ago we made that argument when Senator Moser brought an increase in the collection allowance. So it doesn't offset the costs by any means. It's much lower than that. [INAUDIBLE], like, \$4.5 million, probably \$14 million total, and we paid \$63 million. So it doesn't exactly offset, but it helps.

**M. CAVANAUGH:** And those, those fees are going to the credit card processing companies, not to the state.

**ANSLEY FELLERS:** Yeah. Not to the state. Yeah.

**M. CAVANAUGH:** Just trying to trying to--

**ANSLEY FELLERS:** Not to the state, yes.

**M. CAVANAUGH:** OK.

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**ANSLEY FELLERS:** Thank you.

**M. CAVANAUGH:** Thank you.

**ANSLEY FELLERS:** Yeah.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony. Next opponent. Welcome.

**DEXTER SCHRODT:** Good afternoon, Chairman Clements, members of the Appropriations Committee. My name's Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. President and CEO of the Nebraska Independent Community Banker Association. Here to testify in opposition to LB264, and specifically, as previous testifiers mentioned, the provisions on the sweeps of housing funds, workforce development funds, et cetera, but I will save most of that commentary for-- I know we have some bills on housing coming up, so I'll save most of that commentary for that time. And I also am here to oppose the sweeps from the Financial Institution Assessment Cash Fund of \$3 million and the \$1 million from the Department of Banking Settlement Cash Fund, both going to the General Fund. And as Mr. McIntosh alluded to, Senator Cavanaugh, I do have the-- I pulled this from the Department of Banking and Finances' annual report. So this is their numbers as of the last budget year. You'll have to forgive me. I was running out of toner, so I didn't bring enough, but I can email it to you. But it is available-- publicly available on their annual report. So the total revenues that came in from the assessments were \$6.76 million. And the total expenditures to carry out the purpose of those assessments was \$6.139 million. So you asked if they're too high, too low, I'd say they're about right. You know, the department is, is covering their costs there. And there's a few things I'd like to add to the cost because, as Mr. McIntosh alluded to, travel is just starting to come back for the department to go to, you know, national trainings, things of that nature. He mentioned that, that the department has had hiring troubles as well. And as I understand it, the salaries to our neighboring states are comparable to the banking regulator, but we are behind the federal regulators naturally. So there is a little disadvantage there. And the department is full of young, bright people working to enforce the banking laws in this state. But practically, what does that mean when I say young and bright? That means they're all coming in at junior status, mostly junior status. So that means they have room to grow in their salaries as well, especially if we want them to stay long term and be good cil-- civil servants. They will eventually go up to senior status, which will cost more in salaries. So right now, as I



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mentioned, there's only about \$600,000 gap. So that's why the, the cushion in the fund is, is worthwhile in keeping. And if you note, Mr. McIntosh said there's about \$5 million in there right now. That's about a million short of their entire year expenses. And if we sweep three out, you know, obviously, that's-- puts them less than six months of expenses still remaining in that fund. So that is primarily why we do oppose that sweep. One other item I'll add that just-- I was reading the news today, and I notice that currently federal agencies are prohibited from doing community outreach, things like senior, senior financial awareness, scam awareness, that sort of thing. The FBI and our favor-- federal regulators have been put on hold in getting that message out to the population. And that is a function that our Department of Banking does too. So there may be an increased need to do more community outreach, financial literacy, like I said, senior financial crime prevention, things of that nature for the citizens of the state. It might be needed to make up for the lack coming from our federal partners. So for all those reasons, we, we do ask you to oppose those cash sweeps.

**CLEMENTS:** Are there questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you for your testimony and for highlighting that I wasn't aware of-- I mean, I was aware of many pauses in federal government but that specific outreach. So with these funds, you currently do that kind of outreach or is this something that-- a gap you might have to fill?

**DEXTER SCHRODT:** I can't answer those specifics because I don't know how much the department currently spends on outreach, but they do do outreach. So it would come from their, their funds. And the department is almost fully self-funded by the assessments and fees they raise. So it would be coming from one of these funds.

**M. CAVANAUGH:** OK. Thank you.

**DEXTER SCHRODT:** Yep.

**CLEMENTS:** Are there questions? Seeing none. Thank you for your testimony. Next opponent. Welcome.

**KORBY GILBERTSON:** Good afternoon, Chairman Clements, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. Appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association, the Nebraska

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State Home Builders Association, the Home Builders Association of Lincoln, and Metro Omaha Home Builders Association Coalition in opposition to LB264 and LB261. You've heard several times before me about the concern of the transfer of the housing fund, so I'm going to try to look at this from a slightly different angle. And after reading the hearing notice, took note of the request to talk generally about the budget instead of just specific transfers, and so we will be back to talk about those specific transfers at a later time. But what I wanted to talk about was, in general, not just what the folks that do homebuilding and affordable homebuilding, but across the board with clients that are consi-- that have-- are interested in what happens with the budget process here in Nebraska, I took some time to go back and do just a little bit of research looking at the budget book and to caution the committee and hope that the committee pays extra attention to the budget, looking at things that have a true return on investment, and that look at how we are depending on different funds than we have before in the past. And when you look at the actual expenditures from 2022-2023 fiscal year to the governor's recommendation for the 2025-2026 fiscal year, our cash expenditures, our cash fund expenditures will more than double. So a 200% increase just since '22-23. Federal dollars that we spend, if you compare those to 2022-2023-- which was all-- obviously at an all-time high of the state receiving federal dollars because of the ARPA funds, we have also increased those by 123%. So a 23% increase. And then when you look at the overall increase, that-- when you look at the total amount of state resources-- so all funds-- it's a 130% increase. And the question remains is whether or not that is a sustainable model. We know we heard before session started that we were looking to shake the couch cushions this year to find all the rest of the money that's sitting around so that we can use it for the budget. The concern is that, what cuts will you have to make if the federal government decides to quit funding certain programs in Nebraska? What happens if something else happens with our economy? Obviously, we're waiting till the 28th of February to see the next Forecasting Board forecast, but the concern is, what do we do then next year if those dollars are gone, those cash funds are gone? You will then have to look at-- in LB264. When you look at-- I think there's about 25 or 30 different funds that are currently earmarked for other uses that would be then allowed to be swept into the General Fund and whether or not that's an appropriate use of those moneys. So those are all questions that are-- have been brought up. And I hope that all of you are considering those. And we'll be back to talk about specifics during those other budget hearings. Thank you.

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**CLEMENTS:** Are there questions? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here and your testimony. I think-- I mean, that's the philosophical questions, right, in front of this committee and what we're wrestling with. And I think resources have always been finite and we always have to figure out what our priorities-- and Senator Cavanaugh asked this question to a couple of other testifiers, like, what would you do as you think about what grows our state? What's important that we must continue to support for Nebraska residents? And you look at the, the budget picture holistically. I know you're here representing some of your clients, but, like, what does that look like for you or what comes to top of mind?

**KORBY GILBERTSON:** So unfortunately, I was here back in 2008. I was here again in 2017. I was here before all those times. And-- so this isn't the first time we've seen-- and we're not even in a downturn right now. I mean, Nebraska's done an amazing job of keeping our economy positive. I'm going to give you the least popular answer you're going to get, because-- I think that when you look at Nebraska, we do-- a lot of people want to compare us to what other states do. And we say, well, South Dakota doesn't have this sort of tax and then another state doesn't have this sort of tax. We can't compare our economy to other states because we don't have the same economy as those states. We don't have the same population as those states. So we've seen efforts in the past to change our taxing system from what we have right now to a consumption tax. And that has been proven or shown through different studies to not work because we don't have a population growth. We don't have a, a forward-looking population even if you look at best-case scenario to be able to do those things. So what do people look at? They look at quality of life. And when people come here and you look at national surveys, it's not what is the tax rate that you're paying here. And yes, we have high property taxes. I pay them too. Yes, I would love my property taxes to go down. I would love my income taxes to go down. But in Nebraska, our cost of living is still lower than when you compare us to other states. When you look at Colorado and the housing that's going on there and the cost of housing there compared to here is much different. And so I think, unfortunately, we have to take a step back and say, is our overall picture really that out of whack? When we look at property taxes, yes, they are very high, but usually that's on the assessed property taxes, not on the actual amount that's paid. So when you whittle that down and look at what are we actually paying, that three-legged stool

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becomes a little more even and things start making-- having a little different picture. So I think it's all in the way that you look at it.

**SPIVEY:** Yeah. Thank you. And I appreciate you being candid.

**KORBY GILBERTSON:** Sure.

**CLEMENTS:** Other questions? Seeing none. Thank you for your testimony. Next testifier.

**BRENT SMOYER:** Good afternoon.

**CLEMENTS:** Welcome.

**BRENT SMOYER:** Chair Clements, members of the committee. My name is Brent Smoyer, B-r-e-n-t S-m-o-y-e-r. And I'm here as a registered lobbyist for NorthWestern Energy, the Nebraska Rural Broadband Alliance and the Nebraska Travel Association. Got three different pieces to touch on very quickly and we'll kind of move on to the complexity of each. I know the nec-- the request was to avoid individual fund sweeps, those citations, but I think our clients felt it was very appropriate to at least put it out there initially as a seed of growth and understanding before those individual agency hearings would happen. So you could have a chance to dig a little deeper before that comes in and, you know, have some great questions, I'm sure. First off is NorthWestern Energy opposes LB264 because Section 33 would sweep \$250,000 from the Public Service Commission Regulation Fund. Currently, NorthWestern-- who represents areas in Alda, Grand Island, Kearney, and North Platte are negotiating its first general rate case in 17 years in the cities it serves. These cities contract with consultant experts as permitted by law. And if negotiations are unsuccessful, the PSC will have to step in and contract for its own experts. Utility experts are not cheap. And so this, this is essentially a, a potentially dangerous and uns-- in-- unsensible sweep. And the timing could just really not be worse, given the fact that these negotiations are going on with these major communities out west. Next, the Nebraska Rural Broadband Alliance agrees with our friend from Hamilton Communication, who was up earlier, about Section 129, sweeping all future interest from the Nebraska Universal Service Fund, as it's critical to sustaining the rural broadband networks the governor and federal BEAD is building. And according to NAB legal counsel, the sweep would be ruled unconstitutional. I do appreciate Senator Cavanaugh noting that the committee is going to take every effort to not touch the principle. I

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think the question's always just going to be the interest, right, how much really those numbers are. Section 136, of course, eliminates the Bridge Program. This program has been successful deploying fiber in areas and has worked especially well for small local providers, and it complements the BEAD program coming from the federal government, which will soon receive over \$400 million, ideally-- again, provided that is not clawed back in any way, shape, or form by the federal government. Finally, we bring in the 800-pound gorilla in the room. The Nebraska Travel Association opposes both LB261 and LB264 because of multiple sweeps that don't just touch on tourism directly but on ancillary functions of tourism, including Section 2, the Water Recreational Enhancement Fund of \$65 million; Section 11, the State Visitors Promotion Fund of \$4 million; Section 9, the Recreational Road Fund; Section 38, Main Street Revitalization Program; Section 42, the Historical Society; and Section 44, Nebraska History. It's worth noting that LB261 would actually cut \$1.5 million in spending authority from the State Visitors Promotion Fund that the Tourism Commission has had thanks actually to the wisdom of this committee two years ago. You granted that additional \$1.5 million in spending. And it is worth noting that tourism, Nebraska's third largest industry-- I love citing that on a regular basis-- saw in 2023-- we don't have the 2024 numbers just yet as they are being calculated-- but in 2023, saw nearly 20 million visitors, 12 million overnight and 7 million daytrippers, give or take. Also saw visitor expenditures in 2023 hit the \$4.54 billion mark-- billion with a B-- which is up 5.3% from 2022, which has been steadily growing ever since the Tourism Commission became separate from DED. We've seen constant growth in the tourism sector. It is also worth noting that, in 2023, of that \$4.54 billion in expenditures, Nebraska business earnings from those expenditures or associated with those hit \$994 million, up 12% from 2022. So nearly \$1 billion in extra revenue coming in to the state from folks from out of state that was not taxpayer funded. So-- and that's why they would, of course, oppose the sweep of the Visitors Promotion Fund. I think ultimately what we see here is tourism is a sleeping giant. We actually spend more-- less on tourism in terms of promotion and grants than our surrounding states. And I think that reinvestment is very important, especially when the funding-- most of the funding that comes to tourism is from state lodging tax, which is not a property tax, it's not an income tax, and it's actually a tax on folks who do come in and visit and a way to essentially bring money in from out of state to create that, that economic development across the board. With that, I will close and happily take any questions, comments, or insults.

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**CLEMENTS:** Senator Dover.

**DOVER:** Yeah. Can you just comment on Section 38, Main Street Revitalization Program with \$150 million?

**BRENT SMOYER:** Yes. Well-- again, the Travel Association, like I said, goes beyond just tourism and they want to make sure that these communities are the very thing that people seek to visit, these, these small, idyllic areas. And of course, in addition, I know particularly thinking of, thinking of Norfolk and the idea of a entertainment district there, I think that's also a big piece. So the money is vitally important across the board, I think.

**DOVER:** And it's \$150 million?

**BRENT SMOYER:** \$150 million.

**DOVER:** OK. Thank you.

**CLEMENTS:** Are there questions? Could you detail what was \$150 million-- you're saying there's \$150 million reduction in the budget?

**BRENT SMOYER:** At least that's what's been cited, cited to me by our researchers, was that \$150 million would be removed from the Main Street Revitalization Program under Section 38.

**CLEMENTS:** OK. Thank you for pointing that out. We'll look into that. Other questions? Senator Cavanaugh.

**M. CAVANAUGH:** Just to follow up on that, it's \$150,000.

**BRENT SMOYER:** \$150,000. I am sorry. This--

**DOVER:** Yeah.

**BRENT SMOYER:** I, I apologize. I, I only have what's in front of me and that-- that's why I went to law school and not accounting. I apologize. Thanks-- thank you, Senator.

**CLEMENTS:** I, I didn't think I'd see a number that big.

**BRENT SMOYER:** Yes. And, and my sincere apologies. Again, that's-- misprints. A victim of misprint here, so.

**CLEMENTS:** OK. Our, our fiscal analyst confirms it's \$150,000.

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**BRENT SMOYER:** Thousand. Thank you. I will say-- Senator, the handouts we have do cite the millions, so scratch that out, please.

**DORN:** I do like his 100-- thank you. Thank you for-- thank you for being here. I do like your \$150 million better because then if we pulled that all back, we would--

**BRENT SMOYER:** That's, that's fair, Senator.

**DORN:** Sorry.

**BRENT SMOYER:** That's all right-- no, I'm sorry. Thank you for, for fixing that.

**CLEMENTS:** All right. Well, I'm glad we got, we got that clarified. Any other questions? Seeing none. Thank you for your testimony.

**BRENT SMOYER:** Thank you.

**CLEMENTS:** Next testifier, please. Welcome.

**JEN GOETTEMOELLER WENDL:** Thank you. Good afternoon. Chairman Clements and members of the committee. My name is Jen Gottemoeller Wendl. That's spelled J-e-n G-o-e-t-t-e-m-o-e-l-l-e-r W-e-n-d-l. I'm here on behalf of First Five Nebraska, a statewide organization focused on policies that promote quality early care and education for our state's youngest children. Thank you for the opportunity to testify today and for all the hard work this committee does every year. I understand and appreciate that you are balancing a lot of dynamics. However, I am here to oppose LB264. I think it is perhaps misinformed and needs some adjusting. So first Section 13, which is on page 5, lines 1 through 5 of the introduced copy, proposes a transfer of \$3.25 million from the Early Childhood Education Endowment Cash Fund. This cash fund was created in 2006 with LB1256. That bill also created a public-private partnership that today is commonly known as Sixpence. The partnership was built on a two-to-one private match, establishing a \$60 million endowment. \$40 million came from public funds and \$20 million from private funds. The public funds are invested by the State Investment Council and the private funds are invested by a private investment advisory group. The earnings from each of these investments are deposited into the Early Childhood Education Cash Fund, which is, again, mentioned on Section 16 there. It is important to note that the moneys in this cash fund are both public and private. It's problematic, possibly not legally permissible-- given Article VII, Sections 7 through 9 of the Nebraska Constitution-- to remove money

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from this cash fund and transfer these dollars to a different fund. I did include those sections of the constitution in a separate handout so you can find them quickly. At its core, transferring funds from the Early Childhood Education Endowment Cash Fund destroys the trust of the private donors whose very dollars are invested. Eroding trust in public-private partnerships is not in the state's best interest. In this case, the wise thing would be not only to remove the Sixpence elements from LB264, but to invest more funds into the Early Childhood Education Endowment Cash Fund and ask the private community to increase their investments as well. Second, Section 101, which is on pages 56 and 57 of the introduced copy, proposes a change to statute to allow the Legislature to transfunds-- transfer funds from that Early Childhood Education Endowment Cash Fund to the Education Future Fund in the future. This is problematic for the same reasons I just mentioned. Namely, the cash fund is comprised of both public and private dollars. We request you remove this proposed statutory change-- page 57, lines 6 through 9-- prior to advancing the proposal. Finally, Section 31, starting on page 7, line 30, proposes a transfer of \$250,000 from the Early Childhood Program Training Fund. These funds are utilized for efforts to assist parents who need and use child care for specialized training regarding the care of children with special needs and for the training of child care providers on health, safety, and child development. We do see occasional grants and donations into this fund, but primarily this fund is comprised of fees that child care providers pay when they take a training. So for example, any training that they're taking that's not free, they may pay \$25 to attend that training. So this is essentially a pass-through fund. And the Department of Education uses the funds there to pay for the trainers and to put on the next set of trainings. I think it sends the wrong message to child care providers across the state that the money they pay for trainings will be directed away from their training needs and spent elsewhere. Related to that fund, Section 71 of the bill on pages 18 and 19 proposes to change statute that would allow the Legislature to transfer funds from the Early Childhood Program Training Fund in the future. Please do not include the transfer in the budget package and don't advance the proposed statute change on page 19, lines 4 and 5 as well. Thank you.

**CLEMENTS:** Thank you. Are there questions? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you for being here today. Just a quick question around the fund. Is, is Sixpence the only organization that is accessing some of the grants to implement the services or do



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you have partners with other providers that are working with and receiving that funding?

**JEN GOETTEMOELLER WENDL:** So the Sixpence funds actually go out across the state. You have a map in front of you that show where those dollars are going this year. And I think-- if I'm interpreting you-- if I'm hearing your question, you're asking, are others involved in-- so Sixpence is that public-private partnership. It is comprised of a six-member, governor-appointed board. That board is also public-private. Two members are from the public sector, the CEO of HHS and the Commissioner of the Department of Education. Two members are from the private sector. And then two members are early childhood specialists, one who represents an urban area of the state with a high concentration of poverty and the other from a rural area of the state with a high concentration in poverty. They are the ones who decide where the dollars go. They set the parameters for the requirements, the standards that have to be met. And they, they do make decisions. They have actually chosen to not continue funding when programs do not meet the standards that they set. Those are difficult decisions and they do not make them lightly. But that board is the one making decisions. Is that--

**SPIVEY:** Yep. That answered my question. Yes. Thank you.

**JEN GOETTEMOELLER WENDL:** Yeah. Thank you.

**CLEMENTS:** Are there questions? Seeing none. Thank you--

**JEN GOETTEMOELLER WENDL:** Thank you.

**CLEMENTS:** --for your testimony. Additional opponents. Welcome.

**KEN SCHILZ:** Thank you, Chairman Clements and members of the Appropriations Committee. My name is Ken Schilz, spelled K-e-n S-c-h-i-l-z. And I come before you today representing-- as a registered lobbyist for Keith County Area Development. Today, I am here to speak in opposition to LB264. But even, even more than that, what I'd like to do is just explain to you a little bit about what's happened at Lake McConaughy and how, and how looking at the funds that have been allocated for that has, has meant to the community. So back in, like, 2015, 2016, when the master plan that was developed by Game and Parks and members of the community around Lake McConaughy came together, that, that-- they started working down that path. And then in, in 2017, '18, when we started to talk about, OK. We've got too

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many people out there. Law enforcement is, is a problem. We implemented the reservation system and reduced the number of people that could come in and camp at night probably by about half. So we took that on. And, and honestly, it was one of the best things we ever did. And it showed a maturity from Keith County that we had not seen before. And what it showed was that the people of Keith County and, and folks understand what it takes to develop and understand now what it takes to develop as a whole. Because when you look at Lake McConaughy-- as an interesting thing. So it sits within Keith County. It's taken 35,000 acres. That's how many surface acres that lake is. Then it is owned by Central Nebraska Public Power and Irrigation District. And it is managed by Game and Parks. And the state of Nebraska has a play in that as well. So when you look at that, it's kind of a different situation than you have anywhere across the state where you've got so many stakeholders that have to come together to make everything work. And that's why it's so important to have state leadership on that and why we were so excited when the STAR WARS funds were pointed our direction because what that meant was that we've-- we have a partnership with the state of Nebraska and a real ability to grow now. So we, we really appreciate that. And what we were asking today is for you to please consider those funds and making as many of those funds available to us as possible so that we can continue our work. Thank you very much. Any questions?

**CLEMENTS:** Questions from the committee? Seeing none. Thank you for your testimony.

**KEN SCHILZ:** Thank you. Have a good night.

**CLEMENTS:** Next testifier, please. Welcome.

**NATALIE PEETZ:** Mr. Chairman, members of the Appropriations Committee. Natalie Peetz, N-a-t-a-l-i-e P-e-e-t-z. Registered lobbyist for Friends of Knox County. I can't let my friend from Keith County come up here and not testify and tell you a little bit about Knox County. Here to oppose LB264, specifically as it is about the sweep of funds from the STAR WARS funding that would impact the Weigand Marina in Knox County. For those of you that are not aware or were not a part of the STAR WARS process, there was a priority project designated-- two, actually-- for Knox County, one along Lewis and Clark Lake, the other one near Niobrara, both in Senator DeKay's district. Chairman Clements, I think you made the trip. And I think we have a deal that when that marina gets done, you're going to show how you can hop off the dock on your slalom ski and show us what it's really about. But I

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bring that up because there was one-time money available back in 2021, which is when the discussion started. Speaker Hilgers, Mike Flood, Wishart, Brandt, there was a number of senators that got behind an effort: how do we invest one-time money from the state of Nebraska to spur private investment and specifically focus on retention and attraction of young people? How do we do that in rural Nebraska in particular? Because a lot of us have worked on a number of economic development projects over the years focused on Lincoln and Omaha, but rarely do we see things that are able to be invested in, in rural Nebraska that will return a great-- have a great return on investment for the state. Two counties popped out. One is Keith, largest reservoir in the state: Big Mac. Attracts, as Senator Strommen knows, millions-- over a million people, especially from Colorado. The other little lake-- not so small, 18 miles long, 2 miles wide-- is located between Nebraska and South Dakota. It's called Lewis and Clark Lake. Interestingly enough-- and Ken Schilz is not going to like this-- but I just looked at the South Dakota tourism numbers-- which happened to be a little better than Nebraska's-- South Dakota gets tourism. It's their third large-- actually, it's their first or second largest industry. They have the number of visitors to Lewis and Clark Lake at over 2 million a year. 2 million a year. If you look at what the state of Nebraska reports, they're not even in the top ten on the list. So there is a problem. But I bring that up because of the potential. If you haven't been to the area-- and Senator Dover, you need to invite your friends up this summer-- you will know that it attracts from a four-state region: Minnesota, South Dakota, Iowa, and Nebraska. They're young people. They want to be where water is. They love hiking. They like biking. They like hunting. And so in reality, they're, they're already coming to the area. If you go on Zillow and you put in Crofton, Nebraska, you'll only be able to find three properties for sale. There's a shortage of properties for sale. As a result of the decisions made by the Legislature and approved by the governor in 2022, based on a promise of investment of state resources in Knox County, there's been an amazing amount of private investment that's happened: land development, cabin development, storage facilities, restaurant expansions. Those private investors are counting on that marina project happening. And they're excited about it. And it has really had the effect of what you hope investing in rural Nebraska will do. We're seeing people from other states buying properties, investing in land in Nebraska. COVID changed everything. It was a great opportunity for our state. People can work from anywhere. We are seeing an influx of people that want to be near water. And so a majority of those people that are investing in little

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Knox County are not from Nebraska. They are from Iowa and South Dakota. If you don't believe me, ask Senator Dover or Senator DeKay, but I would ask that you would fully restun-- restore the STAR WARS funding. We won't let you down. The project is 90% complete. You'll hear more from Game and Parks in a week here. And with that, you'll hear more from Knox County then too. But I'd be happy to try to answer any questions. Thanks for your time today.

**CLEMENTS:** Any questions from the committee? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you, Natalie, for being here and your testimony. It made me-- I'm a city girl and it made me want to go and make me glamp, not camp, but-- if you add the GL to it, I would be there.

**NATALIE PEETZ:** You have an open invitation. And I appreciate you saying that because what's really interesting about Lewis and Clark Lake is it's only 2.5 hours from Omaha. It's only three hours from Lincoln. It's only an hour from Sioux Falls and Sioux City. So the draw of a metropolitan area and population base is real. I want to see more cabins on the Nebraska side. There's too many on the South Dakota side. So it's kind of a race, but come on out.

**SPIVEY:** Yeah. Well, thank you for that. And I think-- I have less of a question, but more of a comment of something that you said around the commitment that was made to Knox County. And I think, for me, that's one of the biggest things that we as a committee need to honor, is that there have been commitments in investment that seem to be being pulled back, which have economic impact to some of our communities that are planning around that and what does that look like. And so I appreciate you uplifting that the Legislature made an additional-- an intentional commitment at that time and how do we continue to honor that knowing that we will see the fruition and that communities will not let the state down. So thank you for that.

**NATALIE PEETZ:** Absolutely. There are a lot of rural communities that, that unfortunately are on hospice, to put it bluntly. And there's-- you've got to find opportunities. And water, water in Keith County and Knox County are just tremendous opportunities. And so the other thing I would leave you with is there is-- and I'm sure I'm not the only one that said this-- there's a tremendous amount of wealth that will turn over in Nebraska over the next five years. Those folks have a lot of people knocking on their doors on where they make those investments. It's exciting of some of the projects they're willing to invest in in

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Nebraska. We need to keep that money here. So going back on a commitment that was made, frankly and bluntly, in 2022 sends a horrible message to the private sector who's willing to invest in Nebraska. And I, I think that's a real issue. It's concerning. We hear it from a number of clients. And I would just ask you, please restore those funds. Send the right message. We will generate people and investment. And it's a way to find money for tax cuts. Because if we don't grow the economy, I'm going to be sitting here in a year or two and we're going to be having a worse conversation, unfortunately. So thank you.

**SPIVEY:** Thank you.

**CLEMENTS:** Any other questions? Seeing none. Thank you for your testimony.

**NATALIE PEETZ:** Sure. Thanks. I'm, I'm going to hold you to the slalom skating.

**CLEMENTS:** We'll see how the knee is then. Are there other testifiers in opposition? Seeing none. Anyone wants-- wanting to testify in the neutral capacity on LB260 through LB264? Welcome.

**MARK MCHARGUE:** Good afternoon. I am Mark McHargue. I am President of Nebraska Farm Bureau. M-a-r-k M-c-H-a-r-g-u-e. I apologize. I was tied up in the Ag Committee and I did not get over here in time when all the bills were put together in support. So I'm testifying in the neutral position, but my testimony might sound strongly in support.

**CLEMENTS:** All right. Well, welcome, welcome.

**MARK MCHARGUE:** Well, we certainly appreciate Speaker, Speaker Arch for introducing LB264 and the governor, Pillen, for delivering really a strong and very conservative budget that overcomes \$432 million budget gap that is facing the state. It also calls for additional property tax relief in the amount of \$302 million in '25-26, \$370 million in '26-27. That will come through a Property Tax Credit Fund, the School District Tax Credit Fund, and the Homestead Exemption Program. And really, the, the primary reason that we are here today in the supportive/neutral position of the governor's budget is that it does prioritize more property tax relief. We appreciate the work that's been done over the last number of years and the state's overreliance on property tax, yet the one thing that really stands out, is crystal clear that Nebraska's property tax burden will continue to grow \$300

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million per year. If the governor's budget or something like it were to become reality, it would go a long ways in making sure the recent gains are not lost. Again, if we do nothing, we will have additional \$300 million in property tax burden. Governor Pillen's budget reduction spending by-- reduces spending by an average of 0.5% per year over the biennium, provides an adequate cash reserve. It reserves spending increases and reevaluates incentive programs for businesses and agriculture. But considering the historic income tax redate-- income tax rate reduction enacted two years ago. We realize that there are wins and, and losses here, as will be with a number of the conversations around the budget. But when faced with the state's current financial status and the rate of property tax growth, that should be expected. When the times come, we will testify before you on the merits of some of the specific issues within the budget. But in closing, I hope that you understand that this testimony is not necessarily a blanket endorsement of the budget but is intended to say that if we can and if this committee can carve together a budget that produces as much property tax relief as the budget has outlined, we are more than willing to be at the table to talk about the pains we and others may need to endure to achieve really the greater good relative to the state. Thank you for obliging me today. Be happy to answer any questions that you might have.

**CLEMENTS:** Are there questions from the committee? Senator Spivey.

**SPIVEY:** Thank you, Chair. And thank you so much for being here today and your testimony. We've had a conversation with a number of other testifiers just around what do they think. Folks have been around this space for a long time. And you mentioned in your testimony that there will be some wins and losses and some hard conversations and pains. And so from your perspective, looking at the budget collectively, it sounds like you are a fan and support the property tax cuts or relief that are-- that is listed. So what would be the losses? What do you think, as we try to create this balanced budget, your community and the folks that you represent are willing to give up?

**MARK MCHARGUE:** Yeah. I mean, there, there's a number, a number of exem-- exemptions that were pulled back, [INAUDIBLE] exemptions, some other exemptions that we have had. But there were also some biofuel credit exemptions that we felt like were good to stimulate the bioeconomy that we're looking at. That's, that's good for ag. There's been conversations certainly about the housing side and economic development. And I'm, I'm a developer as well. We have a residential housing company. And-- but realize that one of the limitations to

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growth in Nebraska is still the cost of property tax. So when a young family comes and wants to buy a house from our company, they have to calculate-- and that payment, the affordability does come back to property tax relief. And so that's, that's, that's why even though there will be some, some pain, I think long term, in order to really grow Nebraska, we still have to have a continued conversation. We have really made, you know, I think, good progress. What I would really hate to see is in this time period to not continue to advance the ball. And then really, in a matter of-- couple of years go back to where we were a handful of years ago and all the work that we had put in place and this committee had worked on.

**SPIVEY:** Thank you.

**CLEMENTS:** Are there questions? Senator Cavanaugh.

**M. CAVANAUGH:** Thank you. Thank you for being here. So over the last several years-- and I'm-- I usually pride myself on knowing the numbers, but I'm not sure where we landed most recently. Agricultural land is taxed at 30% of its valuation, I believe.

**MARK MCHARGUE:** 75%.

**M. CAVANAUGH:** It's at 75%.

**MARK MCHARGUE:** Yep.

**M. CAVANAUGH:** So we did not change down to 30%. That was a proposal, I think, from Senator Briese. OK. And res--

**MARK MCHARGUE:** Wouldn't argue against that, but.

**M. CAVANAUGH:** --residential is at 100% valuation. So when you're talking about families looking at property taxes, they're not benefiting from property tax relief the way that the group that you are here advocating for do. We still pay 100% property tax valuation. We-- yes, we get the Property Tax Relief Fund, but we still are paying proportionally more than agricultural land. And so my question to you is, and following up on Senator Spivey's, what are the pains? I'll give you some specific pains and see if those are things that are tolerable. Would your group be comfortable with eliminating all of the tax exemptions that benefit the ag community?

**MARK MCHARGUE:** Meaning?

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**M. CAVANAUGH:** Any tax exemptions on inputs and anything that the ag community currently has a benefit of tax exemptions. There's lots I could go through that-- there's twine. There's inputs. There's machines. There's depreciation, all of those things. If we eliminated those exemptions in the name of property tax relief, is that a pain that your community could live with?

**MARK MCHARGUE:** Yeah. I mean, to answer that, going back to your-- some of your original comments that agriculture benefits uniquely from a lower taxing on property-- actually, I-- last year, I testified a number of times that when you look at all the property tax conversations that we've had over the last couple of years, agriculture only receives less than 30% of that. So, so the bulk of it, 70%, is both residential and other business that actually receives those, those tax cuts. So it's not just agriculture. Agriculture talks a lot about it because when you look at our--

**M. CAVANAUGH:** I'm talking about the specific tax exemptions that we have enacted for agriculture.

**MARK MCHARGUE:** Yeah. And I would-- yeah. I would say that, that's off the table because that's bad tax policy. So when we start taxing everything that goes into building, whether it's a, a combine or whether it's building corn or whether it's building a livestock, if you tax all the way through the lifecycle of that building, whatever that widget is-- so whether it's business or it's agriculture-- and we've have lobbied that neither one should, should-- we shouldn't tax either one; tax on the input.

**M. CAVANAUGH:** So--

**MARK MCHARGUE:** And so we would, we would advocate for-- if they're going to be taxed, tax the end product. Because we feel like-- I'm not sure the consumers in Nebraska would really want their food to continue to go up in price because we have taxed it all the way through.

**M. CAVANAUGH:** So then would you also oppose a tax on services? Like, legal services that's been proposed in multiple budgets? Would you pro-- oppose those types of tax exemptions?

**MARK MCHARGUE:** Yeah. There was-- last year, if you looked it up-- and they're not-- again, they're not a part of this bill. And so we're commenting on something that's really not a part of this, this, this



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proposal. But to answer your questions, we were in favor of a whole bunch of, of, of taxing a whole bunch of sales tax that included services and a number of things. The only thing that we really held strong on was taxing business inputs, and that's largely because what I outlined, but also all of our surrounding states doesn't do that. But there was a-- we had, we had a real broad spectrum of which we were OK taxing.

**M. CAVANAUGH:** So you, you mentioned the bottle fuel credit.

**MARK MCHARGUE:** Bio, biofuels.

**M. CAVANAUGH:** Biofuel fuel credit. And is that something that is specific-- I'm not familiar with it-- is that something that is specific to the ag community?

**MARK MCHARGUE:** I would say it would be a part of the ag community, but it'd be a-- it'd be really an economic driver. And so in the, in the bioeconomy, really anything that we can do with petroleum, we can actually do by growing a product from the ground, whether it be corn or soybeans. And we can take that and we can make it into nylon, acrylic, fuel, all those things.

**M. CAVANAUGH:** So eliminating that biofuel credit, that is something that the ag community can live with?

**MARK MCHARGUE:** Yeah. There were some dollars put to help, help promote that.

**M. CAVANAUGH:** And you know how much that is?

**MARK MCHARGUE:** I, I don't offhand.

**M. CAVANAUGH:** Do you know-- I mean, ballpark. Like, \$1 million, a, a billion.

**MARK MCHARGUE:** I feel like it was a couple million dollars, but I don't have that.

**M. CAVANAUGH:** OK. So-- oh. It is \$5 million. Thanks. So I-- what I'm trying to get at is you, you made very clearly a statement that there's going to be pain across the board. I'm not hearing from you what the ag community can bring to the table to help us balance the budget in the name of property tax relief. If all tax exemptions for

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inputs are off the table, then what is on the table? What can we-- oh. \$500,000 to \$1.5 million, for the record.

**MARK MCHARGUE:** 500. [INAUDIBLE].

**M. CAVANAUGH:** Sorry. So what, what is on the table for the ag community to help us get to a balanced budget while also maintaining this property tax relief program? Because I'm not, I'm not hearing anything, though you've said that there are things. But the things that you've said are outside of directly impacting the pockets of our ag community. They're only directly impacting the pockets of everyone else.

**MARK MCHARGUE:** Right. And I, and I would, I would say to that question there's a misnomer that all these other things that, whether it's a tax on certain consumer, consumer goods or services that that doesn't affect agriculture. Well, the thing that people forget is that everybody that's involved in agriculture is also a consumer. So whether it's pop or candy or whatever the conversation was or is, we, we still, as a family, consume all the same goods, use the same services, have the same vehicles.

**M. CAVANAUGH:** But you're getting a greater benefit of the property tax relief by having already the 75% taxation and then having the property tax relief and also the land that you own is going to receive more dollars back proportionally. And so, yes, you will be impacted by tax exemptions or tax increases being closed, but that's not specific to your industry, whereas these other things are specific to programs and industries.

**MARK MCHARGUE:** Right. But a lot of things-- and, and we will-- and we'll--

**M. CAVANAUGH:** I think I'm taking us down a road that we probably-- the chair would appreciate me to stop, so I will. Thank you.

**CLEMENTS:** OK. We'll wrap up that. Back-- just back to the 100% question. Does a farm family pay 100% valuation on the house they live in?

**MARK MCHARGUE:** Yes. 100%. Yeah.

**CLEMENTS:** I thought so. Thank you. Any other questions?

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**STROMMEN:** I just wanted to comment. May-- maybe you could just talk about how that ag land is actually the business.

**MARK MCHARGUE:** Yeah. I mean, so, you know, a lot of things we can do without in, in agriculture, good or bad. We can't be in the business of farming if, if the land's not available. And so really, whether we, we make a profit or not, that's just the true cost of doing business, is the, is the tax on the land. It's, it's not like probably some other things. But we, we can't be in the business without property. And so the property gets taxed regardless whether we make money or not, then that's the reason it's just a true cost to the bottom line.

**CLEMENTS:** All right. Thank you. Thank you for your testimony.

**MARK MCHARGUE:** Appreciate it.

**CLEMENTS:** Are there additional neutral testifiers? Seeing none. That concludes the hearing on LB260, LB261, LB262, LB263, and LB264. Except I've got some online comments to mention. We have-- LB260, 2 opponents, no proponents, no neutral. LB261, 1 proponent, 30 opponents, none neutral. LB264, 2 proponents, 103 opponents, 0 neutral. That concludes our hearing today.