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Transcriber's Office

Appropriations Committee  
February 13, 2008

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[LB1133 LB1165]

The Committee on Appropriations met at 1:30 p.m. on Wednesday, February 13, 2008, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1165, LB1133, Agency 13, Agency 69, Agency 85, and Agency 9. Senators present: Lavon Heidemann, Chairperson; Lowen Kruse, Vice Chairperson; L. Pat Engel; Tony Fulton; John Harms; Danielle Nantkes; John Nelson; John Synowiecki; and John Wightman. Senators absent: None.

SENATOR HEIDEMANN: I think we're going to go ahead and get started. We have a few things before us so that we can finish up, hopefully, a little earlier than we did last night. We'll start by introducing everybody. Over to my right, way down on the far end, is Senator Danielle Nantkes from Lincoln, District 46; then is Senator John Wightman from Lexington, District 36; sitting next to his left is Senator John Synowiecki from Omaha, District 7; then we have Senator Lowen Kruse from Omaha, District 13, who also serves as the Vice Chair of this committee; the committee clerk is Kendra Papenhausen; my name is Senator Lavon Heidemann, from Elk Creek, Nebraska. I serve as Chair of this committee. And we have Senator Pat Engel from South Sioux City, District 17; Tony Fulton, evidently, is going to be joining us just a little bit later, he's from Lincoln, District 29; we have Senator John Nelson from Omaha, District 6, who looks like he's about ready to jump into action; then we have Senator John Harms from Scottsbluff, District 48. Our page, who is actually here right now, his name is Sam, if you need anything. At this time we ask that if you have cell phones that you please shut them off as not to be disruptive. Testifier sheets are on the table near the back doors. We ask you please fill them out completely and put them in the box on the table when you testify. You do not have to fill this form out if you are not publicly testifying. At the beginning of the testimony please state and spell your name for the transcribers following. Nontestifier sheets, near the back door; if you do not want to testify but would like to record your support or opposition, only fill out if you are not publicly testifying. If you have printed materials to distribute, we ask that you please give them to the page at the beginning of your testimony. We will need at least 12 copies. And we ask...also ask that you please keep your testimony concise and on topic, under five minutes would be appreciated. With that, we're going to start today with LB1165, Senator Nelson.

SENATOR NELSON: Thank you, Mr. Chairman and members of the Appropriations Committee. I want to first thank you for changing your agenda to accommodate some of the people that are having to testify here on this bill. My name is John Nelson, spelled J-o-h-n N-e-l-s-o-n. I am a state senator representing District 6 in Omaha. I'm here today to introduce LB1165, which would appropriate \$15 million to the Nebraska Cultural Endowment Fund. The \$15 million appropriation would be matched by a private donor. I am pleased to be joined today by several individuals who will speak in detail about the Nebraska Cultural Endowment Fund and identify the private funding source. Some of you may have been here in 1998, when the Nebraska Legislature set aside \$5

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million to stabilize and enhance the arts and humanities in Nebraska. The income from this fund is available for cultural programs when it is matched with new, private money. Since the inception of the endowment, the state fund and the private fund have created a combined total of \$6.4 million new dollars to fund vital arts and humanities, educational programs, and art organizations now and in the future. Cultural philanthropists have contributed cash gifts and made pledges and planned gifts amounting to over \$3.8 million, including a \$450,000 challenge grant from the National Endowment for the Humanities, and a \$500,000 gift from fellow Nebraskan, Johnny Carson. More than \$3 million from the state fund has gone to the Nebraska Arts Council and the Nebraska Humanities Council for distribution to organizations in Nebraska, increasing basic operating support grants to arts organizations by 20 to 35 percent, and sponsoring educational programs in communities across the state. The arts and humanities are essential to Nebraska's future. And the Nebraska Cultural Endowment provides a good way to support them. Since 1999, the Nebraska Cultural Endowment has enabled the Nebraska Arts Council and the Nebraska Humanities Council to distribute more than \$3.1 million from the state fund and support programs in more than 44 Nebraska communities, including the Lincoln Community Playhouse, West Nebraska Art Center in Scottsbluff, Cozad Historical Society, and the Lydia Bruun Woods Library in Falls City. I strongly encourage you to advance LB1165 to General File. Following me, several speakers will be able to answer in more detail specifics on the Nebraska Cultural Endowment Fund and the processes by which expenditures are made. At this time I would be happy to answer any questions that you might have. [LB1165]

SENATOR HEIDEMANN: Thank you, Senator Nelson, for bringing this before us. Are there any questions at this time? Senator Synowiecki. [LB1165]

SENATOR SYNOWIECKI: John, is this a one-time appropriation? [LB1165]

SENATOR NELSON: This is a one-time appropriation, Senator. [LB1165]

SENATOR SYNOWIECKI: Thank you. [LB1165]

SENATOR NELSON: Yes. [LB1165]

SENATOR HEIDEMANN: Is it your intent it would be General Funds? [LB1165]

SENATOR NELSON: It...yes, it would be transferred from the General Fund into the Cultural Endowment Fund. [LB1165]

SENATOR HEIDEMANN: Okay. Are there any other questions? Seeing none at this time... [LB1165]

SENATOR NELSON: Thank you very much. [LB1165]

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SENATOR HEIDEMANN: Is there anyone else wishing to testify on LB1165 in support of? [LB1165]

PAMELA SNOW: (Exhibit 1) Good afternoon, Mr. Chairman, members of the Appropriations Committee. My name is Pamela Snow, that's P-a-m-e-l-a S-n-o-w. I'm the executive director of the Nebraska Cultural Endowment. In front of you, you should have a packet of information. And I draw attention to page 1. There is a graphic of the relationship between the Cultural Endowment and the state of Nebraska Cultural Preservation Endowment Fund. I'm here today to focus on the history and the...what the Cultural Preservation Endowment Fund has meant to Nebraskans in the past and what it could mean to Nebraskans in the future, if the fund were increased. As Senator Nelson said, LB799, in 1998, established the Nebraska Cultural Preservation Endowment Fund, which is a...the income from the public fund is available to the Arts Council and the Humanities Council when a private endowment, excuse me, a private contribution is made to the Nebraska Cultural Endowment. The public/private partnership between the Nebraska Cultural Preservation Endowment Fund and the Nebraska Cultural Endowment is unique and vital to our state for a number of reasons. The impact of the proceeds from the state of Nebraska's Cultural Preservation Fund is statewide. The focus of the programs and projects funded by the Arts Council and Humanities Council is education. The arts and humanities enhance the quality of life in Nebraska. Support of the arts and humanities contributes to economic development and cultural tourism. The public/private partnership has been very successful. And the state of Nebraska's Cultural Preservation Fund encourages private participation. What has the state of Nebraska Cultural Preservation Endowment Fund meant to Nebraskans? Since 2000, the Nebraska Humanities Council has been able to increase support for its statewide programs and projects by 16 percent. Today, 32 percent of the basic support grants awarded by the Nebraska Arts Council has been funded by the state of Nebraska's Cultural Preservation Endowment Fund. However, over the past decade both councils have experienced a significant reduction in state funding; 20 percent in General Fund appropriation for grants programs for the Arts Council, and a 34 percent reduction in state funding for the Humanities Council. At the same time requests for program and support has risen. The net effect is that the pie is being cut into smaller and smaller pieces. This means that worthwhile educational programs and arts organizations are receiving less and less funding or are at risk of simply not being funded at all. An increase in the Cultural Preservation Endowment Fund will increase the basic support grants of arts organizations across the state and restore and possibly expand programs cut short because of lack of funding. I would draw your attention to the charts on pages 4 and 5 that illustrate the trends in grant support. How will an increase in income from the state of Nebraska's Cultural Preservation Endowment Fund be distributed across the state? On page 6 there is a chart that shows a historical view of how the monies have been distributed between the years 2000 and 2007, and there is no reason to think that that will change. On page 12, I would draw your attention to

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the Nebraska Arts Council's statement of need, and the following documentation that illustrates what the effect would be on arts organizations throughout the state of Nebraska should the state Preservation Endowment Fund be increased. Likewise, the Nebraska Humanities Council's statement of need is on page 18, and it, too, includes projections on what an increase in the Preservation Endowment Fund would mean to the humanities in Nebraska. At this time I am available for any questions that you might have concerning the materials presented. [LB1165]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you. [LB1165]

PAMELA SNOW: Thank you. [LB1165]

DON PEDERSON: (Exhibit 2) Senator Heidemann and members of the Appropriations Committee, my name is Don Pederson, D-o-n P-e-d-e-r-s-o-n, and I live in Lincoln, Nebraska. My reason for being here today is that I am the chair of the Nebraska Humanities Council and I also serve on the Nebraska Educational Art Cultural Endowment. First, I want to thank both Senator Nelson and Senator Kruse for introducing this proposal. I'd like to briefly, I know you'll find that hard to believe, but I would like to briefly give you some ideas about a success story. This has been an unqualified success for the state. When this bill went into effect and \$5 million was allocated for this purpose, we were facing a big problem nationally with a reduction of federal monies to support the arts and humanities. And so they aggressively proceeded to introduce this bill in 1998, and it received almost unanimous success in the Legislature. But then you know that doesn't happen very often. But just as an example, Senator Chambers offered a challenge, Senator Engel I think will remember this, he offered a challenge, \$500 to match whatever the other members of the Legislature would do. So it meant that much to him that this would be done. And it has had great acceptance and it's been utilized very well because let me just explain to you how this works. We have the private funds and we have the public funds. And the public funds is the \$5 million that was put in. Now in order to access the interest off of that \$5 million the arts and humanities have to raise money on the other side to match it. So if they only raise, you know, half of what they could get, they only get the half. But it's been a good program because it's an incentive to actually proceed with the necessary raising of money and so forth. And it's enhanced the awareness of people as to the arts. Both the arts and the humanities serve the whole state. I don't think...there's nobody in this room, I think, that doesn't have some form of that cultural benefit to their district. And it's been a broad reach to do that. Well, so we had the \$5 million, and now we have an offer, a tentative offer as I understand, of \$15 million. And that's the reason for the \$15 million is that there's a proposal by a gentleman who will speak after me that he is willing to put up that much money to match the state, if the state will do that. So that's our guide. I got to thinking, I know you're concerned, as I would be; I've been in that position before, you're concerned about dollars and you're concerned about what the Forecasting Board will do and things of that nature. But you know if you step out of the Norris Chamber and

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back into the Rotunda, you will see very, very beautiful artwork. And you know that artwork was put in by the Legislature during the Depression. So it meant that much to our people that the cultural life of Nebraska remain strong. So that...if you have to look at it in the dollar and cents form, remember that the money that they put into that, at that time, they were getting \$1 million a year, they worked until they used up the \$1 million, and then come back again when they got more...\$1 million more to start working. But they fought that much to set aside that for the culture of our state. And it's remarkable, at that time I think we were the only state that had gone forward with that kind of a program. And it's...a lot of states have somewhat tried to emulate what we did. But I just think that it's important to know that we want money, and why do we want money? We want money because that will allow us to bring programs and entertainment and art to the people of our state. This is something that is just for the benefit of our people. That's the reason why it exists, and that's the reason why I chose to serve on that board because I think it's important that we donate our services for that sort of thing. Now donating services didn't mean...make a whole lot of difference from my previous occupation because there wasn't much of a loss...much of a difference in the pay. But anyway, I just think that this is something that we need to consider. And I think that we don't get offers like this very often, like never. And so I think we have to seriously consider the \$15 million that is being proposed. Now I mentioned the public and the private. This would be allocated along the same lines that it's currently allocated on the public side. So the private money would be used as indicated and as requested by the donor. We do that all the time with other things, anyway. But it will enhance the benefit both to the arts and to the humanities to have this put in, in this fashion. So I would urge you to consider favorably passing this and moving it on. The state of Nebraska needs it. I know the motto of the humanities is "cultivating our understanding of our history and our culture," and this is the purpose why we really exist. And so it's important that our people have these opportunities that we need. So with that, I would urge you to adopt this and I would entertain any question you may have. [LB1165]

SENATOR HEIDEMANN: Senator Engel. [LB1165]

SENATOR ENGEL: Senator Pederson, I was here in 1998, when we allotted that \$5 million and it was the right thing to do then. And, of course, also I was here during the time when the Forecasting Board met and didn't give us the best report. So, I guess, maybe I'd ask you or maybe the person who is following you, is if we cannot get the full \$15 million will there still be a contribution, a private contribution for (inaudible)? [LB1165]

DON PEDERSON: Senator Engel, I would suggest that's probably more appropriate for the proposed "offeror" as to what the view would be in that respect. [LB1165]

SENATOR ENGEL: Well, I assumed that, but what I've known in the past, you've known about everything, and I thought, well, I'd ask you. (Laughter) [LB1165]

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DON PEDERSON: Yeah. I pretend a lot. (Laughter) [LB1165]

SENATOR ENGEL: Thank you, Senator, thank you. [LB1165]

DON PEDERSON: One thing I'd like to mention, though, in light of that and it's following up with Senator Synowiecki's question, this is a one-time proposal. I remember my Dad one time told me, he says, never buy anything that eats. And so (laughter)...so I think you have to remember with this, this is a one-time deal. And it will impact your budget at that time, but it's not going to be a further drain in any respect. And the money is being utilized very well. I think...read the material that Pam Snow has. She's been an excellent director of our Nebraska Cultural Endowment. And it has done very well. If it had not been doing well, and if our humanities and arts hadn't been doing well, Johnny Carson wouldn't have given us a half million dollars. But this opens the door to more opportunities for our citizenry to become involved. And I'm certain that if we hadn't been doing a really good job, Mr. Holland would not be making the proposal he's making. So I'd be glad to answer any other questions. [LB1165]

SENATOR HEIDEMANN: Senator Nantkes. [LB1165]

SENATOR NANTKES: Thank you for being here, Senator Pederson. And your commitment to the arts is well established. [LB1165]

DON PEDERSON: Thank you. [LB1165]

SENATOR NANTKES: And we really appreciate all that good work. I'm wondering, you mentioned briefly that there have been changing dynamics over time with how the federal government has contributed to the arts and humanities. And being a new senator, I was wondering if you could provide some context or information as to how other states have reacted to that changing dynamic? And do they have similar endowments in place? And what are the sizes of those endowments? I'm sure it probably varies, but... [LB1165]

DON PEDERSON: Yes, well, thank you for the question, Senator. And we do have a breakdown of the states that we're aware of at this moment, that have that sort of thing. Nobody has the same kind of a program. I mean they try to emulate, but they just can't emulate ours, it's so good. But anyway, there are many times that, for example, I'll pass this around to you. But Wyoming is given \$10 million for their cultural benefit, and Montana the same. And, Sam, if you want to pass these around to the members of the committee, appreciate that. Our neighbor, well, New Jersey is just given a lot of money. Last report we had in New Jersey \$24 million has been put in. So they do it a different way. Nobody follows this. I had the privilege of being in Washington, D.C., for a meeting of the National Humanities and they asked me to speak on our cultural trust. And they

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thought that was such a good idea. And it came out in these various forms that people are using. But I think people in the states are being aware of the fact that it's a responsibility of the state to help participate in this sort of thing. And so that's the benefit. I hope that answers your question. [LB1165]

SENATOR NANTKES: Okay, very well. Thank you. [LB1165]

DON PEDERSON: Are there any other questions? [LB1165]

SENATOR HEIDEMANN: Senator Engel. [LB1165]

SENATOR ENGEL: I see where Iowa requested \$10 million, which is twice what we did, and they have \$500 million given annually, depending on the economic forecast. So the way they do it over there...but they already started out twice as high as we are, too. [LB1165]

DON PEDERSON: Yeah, they were a bit more cautious in their approach to things, which is certainly their privilege. [LB1165]

SENATOR ENGEL: Well, I can tell you a quick story though. LaVon Crosby was on the Exec Board, I mean the fiscal committee at that time. And she had always been a real big promoter of the arts, as you know. [LB1165]

DON PEDERSON: I noticed that, yes. [LB1165]

SENATOR ENGEL: And a great lady. She had mentioned when she married Bob, as far as culture, he thought a Beethoven Fifth was a quart of Kentucky whiskey. (Laughter) You know, and some of us are the same way. [LB1165]

DON PEDERSON: Now Bob was from North Platte, and that wouldn't ever be the case from somebody from North Platte. [LB1165]

SENATOR HEIDEMANN: Thank you. Was that a question or... (Laughter) [LB1165]

SENATOR ENGEL: No, it was a statement. [LB1165]

DON PEDERSON: We never know, do we? [LB1165]

SENATOR HEIDEMANN: Are there any other questions? [LB1165]

SENATOR ENGEL: I thought it was something everybody should know. [LB1165]

SENATOR HEIDEMANN: Seeing none, thank you. [LB1165]

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DON PEDERSON: Thank you very much, appreciate your attention. [LB1165]

DICK HOLLAND: (Exhibit 3) Good afternoon. My name is Dick Holland, D-i-c-k H-o-l-l-a-n-d. I'm an old man of well past my eighties. I've lived in Nebraska all my life. I went to the public schools in Omaha, and the public high school, and the University of Nebraska in Omaha, when it was called University of Omaha. For about 50 years I've been heavily involved in the arts. I don't know whether it comes naturally, but I sure enjoy them and I sure love them and I try to help them. Everybody wants to know how I got rich. I invested in Warren Buffet and I didn't sell. Warren always told me that that was the...I'd say to him, you know, I want to thank you for making me rich. He said, don't thank me, he'd say, thank God you didn't sell. (Laughter) I want to talk first about the fact that I believe that the arts are seriously underestimated as to their value in this state. We forget all the time that the arts pay taxes. They pay taxes on their tickets, they pay taxes on their homes, they pay taxes on their work. They contribute dollars to the various funds that are necessary to keep the state in solvency. They add to the employment. I have an estimate of the state's tax payments of \$8 million just from the arts alone, not from the cultural arts. And I point that out to you because they are part of the infrastructure of this state and a serious thing, a serious group in the advancement of this state. The arts are the joy of the hotel industry, the joy of the restaurant business, because they are often in the evening and so on. The retailers of a town, where you have good arts, are...they are part of that infrastructure and in some cases, like Omaha or Lincoln, are highly dependent upon the arts. Last year we did a serious study of the effect of the performing arts in Omaha, Nebraska. And we came to the conclusion that this...they came to with regard to its effect upon the arts in Omaha was the economic effect was \$138 million a year in those kinds of things that I just enumerated. And I want to put that in perspective too. You know, we're having a controversy in Omaha about the College World Series where some people are proposing that we build \$125 million stadium for the College World Series. Well, the College World Series economic effect in Omaha is only one-fifth as large as that of the arts in Omaha. And I'm talking about the performing arts. We're not talking about the museums, we're not talking about the other kind of art that has existed. The point I'm really trying to make about this is that this is happening all the time, and it's largely publicly funded. Even in the smallest town in Nebraska almost everything that is done is publicly funded for the arts. And that has got to change, in my opinion, or the arts are going to slowly be less and less. And the future of this state, in part, I think, is more dependent upon the arts than you've ever thought before because people come to cities and towns and places where they have access to the arts. And we have enough jobs in Nebraska that are minimum wage things. We need jobs in this state where the jobs in the high tech, futuristic, research kinds of businesses where wages are high. We cannot continue to exist on a \$10 an hour economy. And why do I say the arts are so important? Did you ever think about why people go to New York? Some of them go there to borrow money. Some go there to pay more for clothes, but the biggest reason is they go for the arts. Up north, we have a city



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called Minneapolis which is significantly better off in terms of support and help for the arts. Did you ever think about living in Minneapolis? I mean, you want to play freeze-out, why, you go there, you know. (Laughter) But Minneapolis has a number and an amount of money per capita for the arts in Minneapolis is far larger than Omaha. And I have a...I brought a copy of this. I didn't realize you had to bring 12, but you can make copies of this for your entire committee. But it will show you what Minneapolis is like and all the other cities that are surrounding us in terms of their support just for the performing arts. To give you an idea, you know, I call it the great big classic ideas. We had one show called Lion King that came to Omaha, and it came to Omaha because we had spent \$10 million improving the Orpheum Theater. It could only come because we had improved that theater. During the period that it was there 92,000 people went through that theater. And upon examination, 40 percent of those people were not from around here, they were outside the greater Omaha marketing area. You know, roughly, you know, something like 35,000 people who came and went, bought, stayed at hotels, went to stores, enjoyed themselves, maybe saw a ball game, went to our famous zoo and all that kind of stuff. But any company of a large size and large quality who has employees that are being paid large salaries and who are the kind of people that enjoy the good things of life and are seeking those kinds of things don't want to come to cities where the arts are a blank, or they don't want to come to cities where the arts are relatively modest. And we...and what I...the point I am really making about this is that my interest is seeing the future of this state and the future of the kind of business that we have is based upon the ideas that people want to come here. And I regard building the arts is no less the same kind of job as building a factory or building a store or building something else for us. This is a value that we just can't sit around in the modern era and ignore. It sits there and it's there and everybody knows it who's in business. I know of cases where a wife declined to take the presidency at a large company in Omaha for the simple reason that she didn't think the arts were that good. This was a long time ago. They're a little better now, maybe she would change her mind. What we are proposing is a significant increase in cultural art support, bringing it up to a maximum of \$20 million. Now everybody says that I'm going to come up with the \$20 million. I'm not going to come up with the \$20 million, I'm going to come up with a large part of it. And I'm going to see by my matching that we make that goal. I think it will cost me something or my foundation something like \$7.5 million to bring in the \$15 that we need or little more than that. And I'm perfectly willing to say that we'll do that. And in saying that to you, I'm saying it against the background of what I've just said. If we're going to build this state and make it a more attractive place to live, it can't be done with football teams and it can't be done with College World Series, you know. There is an appeal in the arts that is distinct in itself, and people want to come places where they are. I think it's just a smart way to go. I think it's not a cost like...it's not in essence...in the final analysis it's not a cost to this state. When all the other things occur that result from building an art structure that is first class, it will pay for itself ten times over. Thank you very much.

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SENATOR HEIDEMANN: Thank you. Senator Harms. [LB1165]

DICK HOLLAND: Oh, I did want to read one little thing. [LB1165]

SENATOR HEIDEMANN: Okay. [LB1165]

DICK HOLLAND: Many of you don't...you think of arts as people that play violins and sing and act and so on. I want to...my brother, John, is at Johns Hopkins University and is an expert in the field of careers, in which the careers are divided up into categories where a person is enterprising, or realistic, or investigative, or artistic, or conventional, or social. And I want to read you the kind of people who actually have some artistic nature. I started making a list, and it goes into the hundreds or even thousands because it's a dictionary of the Holland careers, something like 12,000 different types of careers. But I just wrote these down as people that have some artistic feelings that determine their career: teachers, playwrights, biographers, some engineers, highway engineers for example, mimes, housing project manager, arbitrator, camp director, foreign service officer, clergy, an aeronautics commissioner, a lobbyist, (laugh)...I know you won't believe that. [LB1165]

SENATOR HARMS: That is hard to believe. (Laughter) [LB1165]

DICK HOLLAND: ...a game preserve manager, an interpreter, a dispatcher, a fire lookout, a risk manager, and those are just a few that I wrote down that I...and I know that ballet dancers, of course, are. But thank you very much. [LB1165]

SENATOR HEIDEMANN: Would you take a question? [LB1165]

DICK HOLLAND: Sure. Oh, I'd love to. [LB1165]

SENATOR HEIDEMANN: Senator Harms. [LB1165]

SENATOR HARMS: First, I'd like to say thank you very much for your very kind generosity and your support to the arts or to the humanities world. I think that's very important. Where I live, in western Nebraska, we have...I'd had a lot, in my previous life, a lot of experience with the Arts and Humanities Council. And I will tell you that in rural America it plays an extremely valuable role. You referred a lot to urban America. But I'm here to tell you we have children who come from first generation families that just would never have this exposure. Our public schools are truly limited, where I live, to be able to give children the true experience and the beauty that you get from the whole arts world. It's just staggering. And what I found as I got more involved in this aspect of encouraging more of us to have exposure to rural America, is that it in fact saved children. You know, I think we don't understand a lot of people talk about, like you said, athletics and other things, it picks kids up. I'll tell you what, the arts and humanities

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world pick up more children, give kids more hope, give them a greater opportunity to truly understand that there is more to life than just athletics. It keeps them in school. And many children that I have watched come up in my community have moved in the direction of the arts world. They found themselves. Not only that, because they found a whole new thrust and truly a whole new interest they stayed out of drugs, they stayed out of all the sorts of things that these kids turn to because they have no hope. And I think we happen to, in this state, we happen to ignore that. But it's very important for where I come from, in the heart of rural America to have it, because I think it's part of the key to true cultural development. And I just want to thank you very much for your great kindness. [LB1165]

DICK HOLLAND: Well, you know, I listened to you rather carefully, and I was thinking you ought to be here. (Laughter) Well, you know, in Omaha I'm chairman of what they call the Building Bright Futures Program. And one of the major concerns is the education of children, particularly from 0 to 5, so that they are even ready to enter kindergarten. You cannot believe the effects of poverty and how much the arts contribute to helping overcome that gap. And this is one of the big areas where we're going to do an awful lot of work. And I couldn't agree with you more. The trouble is that the sports people have got, you know, on Sunday they got 16 pages, and 28,000 trees cut down, you know, and we get a little thing over here. But the truth is the value of the arts is one of the most underestimated things in American life. When you were talking about the government's cutback, I hate to say this, but the Republicans (laugh) did not like funding the National Endowment for the Arts. And they held it at \$100 million. And I think, \$100 million for a period of about 20 years; it's increased a bit this year. City of Berlin, last year, its opera program got \$40 million for one opera company, it gave a grant of \$40 million for a second opera company, it gave a grant of \$30 million for another opera company. Now that's valuing the arts. And that represents as much as we gave in Washington for the entire United States. I mean, something to think about. Thank you. [LB1165]

SENATOR HEIDEMANN: Senator Kruse. [LB1165]

SENATOR KRUSE: Don't have a chance to do this publicly very often. I just want to say that your interests have benefited Building Bright Futures, north Omaha community that I represent, which doesn't often get to say this, and myself, and I thank you. [LB1165]

DICK HOLLAND: Well, appreciate that. [LB1165]

SENATOR HEIDEMANN: Any other questions or comments? Seeing none, thank you. [LB1165]

DICK HOLLAND: Thanks very much. [LB1165]

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SENATOR HEIDEMANN: Does anyone else wish to testify on LB1165 in support of? Does anybody wish to testify on LB1165 in opposition to? Does anybody want to testify in the neutral position on LB1165? Seeing none, we will close the public hearing on LB1165...did you want to close? Excuse me. [LB1165]

SENATOR NELSON: Just very briefly. And I will be brief, Mr. Chairman and members of the committee. We had a very rare opportunity today to hear from a person of vision who has made money but is willing to place his money where his interests and passion, both of them are. We also have a rare opportunity to come up for a match of what will amount to \$15 million. And not only will that multiply Senator Chambers' challenge of \$500 by about 30,000, but it will also increase the interest amount that we would have in the endowment fund fourfold. So it will mean a great deal to the humanities and the arts here in Nebraska if the committee will decide to go ahead and move LB1165 out onto the floor. Thank you, Mr. Chairman. [LB1165]

SENATOR HEIDEMANN: Thank you. With that, we will close the public hearing on LB1165. [LB1165]

SENATOR KARPISEK: Thank you, Chairman Heidemann and members of the Appropriations Committee. I think this makes three days in a row that get to see me, and this is the last day. You're lucky. My name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I represent the 32nd Legislative District. I'm here today to present LB1133, which is asking for a \$6,000 appropriation to the Retirement Board to conduct an actuarial study to design a service purchase provision for the plan provided under the Nebraska State Patrol Retirement Act. What I would like to do is provide a buy-out plan for the State Patrol, much the same as the teachers have currently. I've been in contact with a state trooper who will not meet his minimum number of years of service by the time mandatory retirement of age 60. In his scenario, the trooper could buy out a year or two to make it to his maximum benefit. I also feel that the State Patrol would be able to hire more experienced officers, or older, as starting officers within a reasonable numbers of years to work to achieve maximum benefit. The trooper that I have been in contact with started as a trooper when he was younger, quit, and cleared out his retirement. Started again later. Now he won't have the...and I don't know the number of years right off the top of my head. Is it 20 years at age 60? But...so he won't have the maximum retirement available to him. So what I would like is the funds to do an actuarial study for the Retirement Systems to see what this would cost, how many people it would affect or not affect. Are we talking about one person or are we talking about more than one person? The teachers do have some sort of buy-out plan. Herb was going to be here (laugh) and explain that, but maybe you understand that better than I, or maybe Senator Heidemann does. But with that, that is what I am trying to accomplish, and I'd take any questions. [LB1133]

SENATOR HEIDEMANN: Senator Harms. [LB1133]

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SENATOR HARMS: Senator, do you think that \$6,000 is really enough to do that kind of study? How many people are we going to be actually looking at, and...? [LB1133]

SENATOR KARPISEK: Well, we got that from the actuarial service. I did ask for two different studies. One was to increase the maximum age from 60 to 65. The lobby for the state troopers thought that they would rather not go that route, because we just instated the DROP program, those sort of things. But they thought that we could look at this sort of buy-out plan, and I don't know that buy-out plan is the right word, but they could buy years of service. [LB1133]

SENATOR HARMS: We know...do we have any...that's what the study is all about, but would we have any idea to understand how much that would cost and how that would actually work financially? [LB1133]

SENATOR KARPISEK: I really don't know right now, and that is what the study is for. Right now, I only know of one person, but there may be also...the DROP program was instated...I have a friend that is going to have his number of years in but be 50 years old, so he'll actually be working ten more years with no more retirement benefits. But with the DROP program, he can drop that retirement, putting it into the Retirement System and keep that money and put it into his own, but he would still have five years. So I think this plan may help that situation too, that he could maybe buy back five years or buy out five years, retire from the force earlier, and maybe still start another job. I don't know if that scenario is viable or not, but that's what the study would try to determine. [LB1133]

SENATOR HARMS: Thank you. [LB1133]

SENATOR KARPISEK: Thank you. [LB1133]

SENATOR HEIDEMANN: Senator Kruse. [LB1133]

SENATOR KRUSE: I just wanted to check the precise language here, where the funds go. It says appropriate funds to the Public Employees Retirement Board. Is that where that would go? [LB1133]

SENATOR KARPISEK: Yes, sir. And then the retirement would hire the actuaries... [LB1133]

SENATOR KRUSE: That would be who would supervise the use of this money? [LB1133]

SENATOR KARPISEK: Yes. The Retirement Committee. Anything that changes the

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retirement base, as I understand it, needs to have an actuarial study done. [LB1133]

SENATOR KRUSE: Thank you. [LB1133]

SENATOR HEIDEMANN: Are there any other...? Senator Engel. [LB1133]

SENATOR ENGEL: Just a question, maybe you can't answer it. But the thing is, he took his retirement out early, which sometimes we make bad decisions because we don't know about the future. But now, is this so that he could put those funds back in? Or...? [LB1133]

SENATOR KARPISEK: No, sir. He could just buy...we would...the actuarial study hopefully would show us how much per year of his goes into the account to make everybody get their defined benefit. [LB1133]

SENATOR ENGEL: So he would get so much funding out, even with retiring but it would be a reduced amount then? [LB1133]

SENATOR KARPISEK: I think he would get a reduced amount, and remember that the State Patrol does not pay into Social Security. So this would be actually his only form of retirement. And if you don't hit that, that golden level, then you're not going to be fully appropriated. Yes, it was a bad decision on his part to withdraw that, but he was probably...I don't know what his age was. Didn't plan on ever going back in. Now he's mainly a DARE officer, and just wants to...I think he's going to turn 60 next September. So he's going to be very close. He only needs maybe one year. So it's very close, but it means a lot of money. [LB1133]

SENATOR HEIDEMANN: Did you say his name? Now that you said DARE officers. [LB1133]

SENATOR KARPISEK: No, I did not say his name, Senator. He did not want to testify today for fear of someone not appreciating what he's trying to do. [LB1133]

SENATOR HEIDEMANN: Okay. [LB1133]

SENATOR KARPISEK: But I'd be willing to tell you later. [LB1133]

SENATOR HEIDEMANN: Well, you just said DARE office and that just got my interest, but. Are there any other questions? Seeing none, thank you for bringing this. Are you going to close? [LB1133]

SENATOR KARPISEK: Well, I may. I don't know that we'll have anyone... [LB1133]

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SENATOR HEIDEMANN: Well, we'll see what happens here. Is there anyone else wishing to testify on LB1133, in support of? Is there anyone wishing to testify in opposition of LB1133? Is there anyone wishing to testify in the neutral position on LB1133? [LB1133]

JOE SCHAEFER: Good afternoon, Senator Heidemann and members of the committee. My name is Joe Schaefer, S-c-h-a-e-f-e-r. I'm legal counsel to the Public Employees Retirement Board, and I'm appearing in that capacity to testify in a neutral capacity on LB1133. Even though this bill does not explicitly lay out duties for NPERS, we are concerned that it perhaps implicitly does and that it expressly provides if there are to be no expenditures for personal services. I would note that the actuary does not ordinarily design programs or procedures for NPERS, and this bill apparently provides for that. So we have questions as to whether we are expected to be a part of that process. We also appear to have a role in presenting or assuring that a presentation of the results is made to the Legislature before December 1, 2008. If this is not the case, we would ask that the bill clarify that NPERS or the PERB has no duties under the bill. On the other hand, if there are duties assigned to NPERS or the PERB, we would ask for an amendment delineating what those duties are, and would further ask that the last paragraph which provides no expenditures for personal services be stricken. As you know, we operate on a cash-funded basis, and if there's not money provided for one thing that we do, we have to bill it to somebody else. And in pension law, that's a no-no. The people that receive the benefit should pay for the benefit, or their employer. So that's what I wanted to make clear. I would also like to note that if a service purchase provision for the State Patrol Retirement System were to be adopted, there likely would be other costs, including programming costs. And some of those might be fairly significant. I just want you to be aware of that. If there are questions I'd try to answer them. [LB1133]

SENATOR HEIDEMANN: Senator Harms. [LB1133]

SENATOR HARMS: What kind of program costs are you referring to? [LB1133]

JOE SCHAEFER: Well, because the bill doesn't explicitly provide for that we haven't made an analysis of that. [LB1133]

SENATOR HARMS: Thank you. [LB1133]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you for testifying today. [LB1133]

JOE SCHAEFER: Thank you. [LB1133]

SENATOR HEIDEMANN: Is there anyone else wishing to testify in the neutral position?

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Would Senator Karpisek like to close? [LB1133]

SENATOR KARPISEK: I would just real quickly, and to say that the Retirement System's legal counsel drew the bill up, so I would be willing to make any changes that would need to go into bill to make it so the Retirement System wouldn't have any heartburn over it. Definitely, I guess I don't...I do know that we have to have an actuarial study on anything that changes the way we dole the money out. I don't know the exact way it goes through, because I don't think we did one last year, Senator Heidemann, to...that I realize how that goes. But I would like to do this and do whatever channels we have to do, but I was going to just draw up the bill, but I was told that I could not draw up the bill without an actuarial study. So that's where we're going with this bill. [LB1133]

SENATOR HEIDEMANN: Okay. Thank you. Are there any other questions? Seeing none, thank you. [LB1133]

SENATOR KARPISEK: All right. Thank you. [LB1133]

SENATOR HEIDEMANN: We'll close the public hearing on LB1133, and that's it for today. (See Exhibits 12 and 13) [LB1133]



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Disposition of Bills:

LB1133 - Held in committee.

LB1165 - Advanced to General File as amended.

\_\_\_\_\_  
Chairperson

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Committee Clerk