

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

[LB116 LB167 LB168 LB207]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Wednesday, January 28, 2009, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB116, LB167, LB168, and LB207. Senators present: Bill Avery, Chairperson; Pete Pirsch, Vice Chairperson; Robert Giese; Charlie Janssen; Russ Karpisek; Rich Pahls; and Kate Sullivan. Senators absent: Scott Price. []

SENATOR AVERY: Good afternoon, folks. I want to welcome you to the Government, Military and Veterans Affairs Committee hearing today. My name is Bill Avery from District 28, and I am going to first introduce the members of the committee who are here. I think we are going to have two members who will not be here today. Senator Karpisek will be here in a few minutes, I think. Starting on my extreme right, Senator Pahls from Omaha; he is sitting next to Senator Charlie Janssen from Fremont. He is sitting next to Senator Robert Giese from South Sioux City, and to his left is the Vice Chair of this committee from Omaha, Senator Pete Pirsch. Christy Abraham, the legal counsel is next to me. I am Bill Avery. Karpisek will be here. Senators Sullivan and Price have pressing matters, and they cannot be here today. Before we hear our first bill, I want to just inform you of a few of the rules of the game here. The order of business is posted on the door outside. We will be taking the bills up in the following order: LB116 introduced by Senator Fischer; the next three bills are mine, and they are LB167, LB168, and LB207. The interns...pages, excuse me; not interns, but pages. They are Nick Bussey from Lincoln, Nick; and Courtney Lyons from Plattsmouth. They will be available to hand out copies of your testimony if you have copies to distribute. If you have any exhibits or other handouts, you should give them to the pages, and they will distribute them for you. Sign-in sheets at both entrances. I urge you to use those. If you are a testifier...that, of course, does not apply to the introducers. If you are a testifier, fill out this form and give it to the clerk when you take your seat. Please print the information clearly. If you wish to register your support for or against a bill, but do not wish to testify, this is the form you should fill out, and leave that with the...at the entrance there on the table. Introducers will be given ample time to make initial statements. Then we'll have proponents and followed by opponents and neutral testimony. Closing remarks are reserved for the introducers only. I would ask you to listen carefully so that your testimony is not repetitive, and keep your comments to five minutes or less. We don't have a whole lot of people here, and we probably don't have to enforce that rule. We are pleased again today to have Senator Deb Fischer from Valentine who is going to introduce LB116. Welcome, Senator Fischer. [LB116]

SENATOR FISCHER: Thank you, Chairman Avery, members of the committee. My name is Deb Fischer, F-i-s-c-h-e-r. I am the senator representing the 43rd District here in the Nebraska Unicameral. I come before you today to introduce LB116. LB116 considers volunteer firefighters, emergency responders, and rescue personnel to be

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

state employees for the purpose of purchasing state of Nebraska health insurance. The qualifying volunteer is responsible for paying the total premium which includes the state cost and the cost that is considered to be the employee's portion. This is a very straightforward concept that I am introducing. There is a significant need for volunteer firefighters and EMT services across the state, and this is a reasonable incentive to encourage qualified individuals to volunteer for these emergency services. Consider for a moment that these citizens truly volunteer of their time and efforts to provide immediate care and services during critical moments. While their volunteerism and work is unquestionably noble, these men and women not only volunteer their time, they must also pay for continued training in order to become or remain certified. Therefore, I believe that it is only proper to extend this benefit to the volunteers that truly work for the citizens of Nebraska. I am aware of the concerns that are raised regarding expanding eligibility of state health insurance to approximately 12,000 qualifying volunteers. However, we cannot accurately project how many volunteers will participate in this plan. We also cannot project how many will become volunteer firefighters and EMTs if this benefit is provided to them. Please remember these people fulfill a vital need in Nebraska's communities, currently for no pay and no benefits. Thank you for your time, and I will try to answer any questions. [LB116]

SENATOR AVERY: Senator Fischer, there are a couple of issues here, I think. One is the overall cost. You read the fiscal note. And I'd want you to comment on that. But do you have any idea what effect this might have on bringing down the cost of health care for other employees since they're going to be self-financed? [LB116]

SENATOR FISCHER: I think that will be addressed by some people following me who will be speaking in opposition to the bill? I would point out when we have approximately 12,000 individuals, citizens of this state, who are volunteering their services, that keeps costs down for taxpayers and communities. And I think we need to balance the thought of the costs that are kept down in that manner with also the concerns that are brought forward on what will happen to the state health care plan if you open it up in this way. And I would hope the committee would consider that. [LB116]

SENATOR AVERY: The second part of my question dealt with whether or not this would have an impact on premiums that other people would have to pay. Would it, is there a possibility of a reduction, since you're growing the pool of insured people? [LB116]

SENATOR FISCHER: I'm not qualified to answer that question, Senator Avery. [LB116]

SENATOR AVERY: Yeah, one would expect that might happen. [LB116]

SENATOR FISCHER: That might happen. I don't deal with insurance issues, but I think the opposite might happen, too, when you increase the pool and open it up to other individuals, that needs to be considered, too. [LB116]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR AVERY: Thank you. Any other questions? Senator Janssen. [LB116]

SENATOR JANSSEN: Senator Avery. Senator Fischer, the question I had immediately when I read the intent was being a business owner is how do I extend insurance benefits to somebody that's not working for me. And as I read the bill, I see in the language, it basically makes them an employee for this purpose only. And that says that in the statute. My concern would be, is potentially would the courts see it that way, and I think we have an issue kind of in the state right now where a volunteer is claiming that they should have been paid, that they were actually an employee of the state, not a volunteer. And if this could muddy that water, that all of the sudden somebody gets hurt or whatever to say, well, I'm an employee of the state. And so that's my, I like the concept of it. I'm just afraid that we would do something unintended here. And I don't know if you can speak to that or somebody else can speak to that. [LB116]

SENATOR FISCHER: That's a good point, Senator Janssen. And no, I certainly wouldn't want to open up any liability to the state in any way through this bill. My purpose is, first of all, to recognize the services that these people provide and the savings they provide to their communities and to all of us because they are volunteers. Secondly, we're seeing in many areas of the state, people are not coming forward and volunteering like they used to. I have one county that has two EMTs in the entire county, and they're older people. And how do you replace those services when you don't see younger people stepping forward when, for one reason or another, they're not stepping forward. We need to do something to help, to help volunteers. We need to offer some kind of incentive to step up and perform these services in communities all across the state of Nebraska or in the long run, I truly believe it is going to cost us money, whether at the state level or the local level, because we're going to be paying for those services in order to get people to perform them. [LB116]

SENATOR JANSSEN: Sure. Thank you. And I certainly understand that. That's not the point from which I'm coming from. Maybe we should probably get an opinion as to what that status would change. [LB116]

SENATOR FISCHER: And I would think the committee needs to do that. Very good point. [LB116]

SENATOR JANSSEN: Thank you. [LB116]

SENATOR AVERY: Senator Pirsch. [LB116]

SENATOR PIRSCH: Thank you, Senator. I think...and thank you on the committee, I think those are two good questions raised. So the, and tell me if I'm wrong, the first year of operations under this...if, well, let me strike that and start again. There's two

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

scenarios by which this concept can be financed. The first is that the state picks up the tab, right? And the second is that, well, I mean, and I'm not talking about paying for the premiums, the ongoing premiums, but there's certain administrative costs, let me better phrase it, but with respect to establishing the structure or the administration that would be necessary to administer this program. There's two paradigms apparently that the fiscal note kind of posits, could be utilized. One of which is for the state to pick up the tab, and the other would be that the cost could be internalized to the actual program itself which would mean that the volunteers themselves would also have to pay for the costs of the administration as well of the program. The costs as they're estimated have certain assumptions in the fiscal note. One of which is that there are, there is a pool of 12,000 total individuals eligible. And that approximately a third of those individuals for the purpose of kind of estimating what those administrative costs might be are assumed to participate for the purpose of giving us some guidance in the area. So based upon that assumption then it says that the first year total cost would be \$312,000 and then ongoing costs every year would be about, a little bit over a quarter of a million dollars every year? Correct? And so, um, would, I guess what I'm saying is it, is it your preferred concept to have the state pay for that or are you equally satisfied with putting forward a plan that internalizes the administrative costs to program participants. [LB116]

SENATOR FISCHER: I think that's a fair, that's a fair question and a good question, Senator Pirsch. I hadn't, um, I hadn't thought of that. But I would certainly be open to looking at that and working with the volunteers that are going to be coming up behind me on that concept. The fiscal note, I guess I would point out and say, um, you know, I don't take it lightly. I never take a fiscal note lightly, those of you who know me. But um, this is a principle I guess you're going to have to balance. You know, do you pay it now or do you pay it later? Do you open it up now? Do you keep it closed, you know, there's a lot of questions there. I think some of the people coming up, following me here, testifying today are going to be able to address some of those questions better for you. They can speak from personal experience on a lot of things. [LB116]

SENATOR PIRSCH: Good. And I guess that's where I'd be looking towards, some comment from those who follow as to would this, if somehow it was internalized, would that make the cost for participants so prohibitive that this really wouldn't be a viable option then for them to participate in this program. And so that's one of the things. And then I'd also like to hear a comment... [LB116]

SENATOR FISCHER: I think, if I could comment a minute. [LB116]

SENATOR PIRSCH: Sure. [LB116]

SENATOR FISCHER: If you look at people that are self-insured or that have no insurance, this is definitely a benefit. The state now for a couple, a married couple charges, I think, it's less, on one plan, it's less than \$1,400 a month. I can tell you that

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

two years ago, my husband and I were paying over \$1,700 a month with a \$2,500 deductible, no copay, and no prescriptions covered. The state plan has a, I believe, some of the plans; there's different ones offered. One has a \$25 copay; prescriptions are covered, I think it's a \$20 or \$25 charge for a prescription that can, as we all know, can be over a hundred dollars easily for a month's supply. So there are benefits there, and I think maybe some of the people following me can address that better for you. That if they would be willing to take over that \$300,000 cost and have that added on somehow to the premiums that they would be paying. My opinion would be it would be a benefit for my husband and myself to be able take the state plan. [LB116]

SENATOR PIRSCH: Um-hum. The second question and I won't ask you for this, but just in terms of future testifiers here perhaps is the concept that you touched on. Are we, when it comes to volunteers, they are obviously providing great benefit to the state. You mentioned that there are 20,000 volunteers throughout the state who are free of charge providing services. [LB116]

SENATOR FISCHER: I think I said 12,000. [LB116]

SENATOR PIRSCH: Oh, I'm sorry, 12,000. I apologize for that. And the question is, are we losing, is the number of volunteers receding such that we would, if we're looking at this extra cost of, you know, a few hundred thousand dollars a year, are we being, in asking them to internalize that, are we being penny-wise and pound-foolish in the larger sense of the word. So that's just something I would be interested in finding out more as the testimony comes along. Thank you. [LB116]

SENATOR AVERY: Any other questions from the committee? Seeing none, are you going to stay and close? [LB116]

SENATOR FISCHER: I will have to waive closing. I have two bills up right now in Natural Resources, but once again, it's always a pleasure to be before your committee. [LB116]

SENATOR AVERY: It's a pleasure having you. [LB116]

SENATOR FISCHER: Thank you very much. [LB116]

SENATOR AVERY: Thank you for your testimony. We will now hear testimony from those who are in support of this bill, LB116. [LB116]

BRUCE BEINS: Thank you, Senator Avery, and Senators. A heartfelt thanks to Senator Fischer for introducing this bill. My name is Bruce Beins, it's B-e-i-n-s. I'm from Republican City, Nebraska, here representing the Nebraska Emergency Medical Services Association. I've been a fire department rescue squad member for over 20

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

years now in rural Harlan County; Senator Carlson's district. Over the years that I've been doing this, I've had the opportunity to testify with a lot of bills over the last at least 10 years that involve fire and EMS and was one of the principle authors of the EMS Board's report to the Legislature five years ago. Through the ten years, and especially in the last five years, no matter what the bill was, I've always tried to inform the senators or educate the senators that I could on just how tenuous our EMS system is. The system came about through, I guess you would say evolution, from funeral homes to fire department first aid squads to EMS squads and has evolved into the system we have now which is about 85 percent volunteer in the state. Mostly in the rural areas. As society has changed and shifted and evolved, if you will, away from some of the rural areas, we have a huge problem with recruitment retention. And I try to run that flag up every time I get a chance to sit before you, that the system we have now is walking a tight rope. Especially in the rural areas because we cannot get volunteers to commit like they did in our past. You'll find this true whether it be church groups or Red Cross or any other volunteer institution. The recruitment of those volunteers is tougher and tougher. So this bill as it's proposed, gives us a tool that we can use. The issues of volunteer requirement and retention don't have a magic bullet. But there's a lot of things that we could work on to try to improve on that recruitment retention. So this would be a tool that we could use to try to recruit some more people into our ranks to provide these services. It's been estimated that the 85 percent volunteer service provided in the state is over \$200 million, if you had to buy that service. So it's a huge investment in volunteerism in service of the state. And the cost or the fiscal note that's attached to this then, is a small portion considering the investment that you're making then in helping to stabilize this volunteer system. I think the fiscal note probably overstates what the actual costs will be. I don't think you would see the participation that they've estimated into that. In my own case, I don't know exactly what a state plan would cost me because I haven't had that opportunity to look at it. But I am self-employed and Blue Cross Blue Shield for my wife and myself with a \$2,500 deductible costs us between \$1,000 and \$1,100 per month. So whether a state plan would end up being higher than that is going to really depend then on how many people would participate in a system like that. There are a lot of self-employed people that volunteer in rural communities. A lot of those people either don't have health insurance or are self-employed where they have to buy their insurance, you know, for whatever is available. So I think depending upon the area of the state that you live in, what kind of a plan is available, whether or not this would be something that would be a huge benefit to where a lot of people would participate or whether or not it is a stop gap and a way that we can not only insure some of these people that are uninsured now, or provide some savings for them as an incentive to volunteer for their community and participate. With that, I urge your support of this bill, and I'd be happy to answer any questions. [LB116]

SENATOR AVERY: Let me ask you the same question I asked Senator Fischer, and maybe I can rephrase it so that it makes more sense. But when you have a large pool of insured individuals and you expand the pool, you are spreading the risk or spreading

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

the cost out among more participants. But you, of course, you incur some costs too, because some of those people are not as healthy as others. But the whole idea behind a pool of insured people is that you can bring down the cost of the premiums to the participants, the more people you have participating. And you probably can't answer this, but it seems to me that there is some benefit to the current state employees to expanding the pool. If all 12,000 volunteer firefighters got involved, then that would be 12,000 people more in the system over which you could spread the cost of the healthcare program, it seems to me. And since this is no cost to the state in terms of premiums paid; the employer doesn't pay because you're not employed by the state. There ought to be some savings to current policyholders. Do you have any idea what that might be? [LB116]

BRUCE BEINS: I don't, Senator. I have had some experience as a member of a hospital board, also looking at hospitals, at insurance for groups and so forth, and I think your logic is correct, depending upon whether this increase in this pool of people was a healthy population. If that was the case, then there would obviously be a savings to the rest of the people in the program. If it was a not-so-healthy population, there may not be those savings. So I think it really would depend on the mix of people that join that plan. [LB116]

SENATOR AVERY: I don't know if the current state plans has any rules on preexisting conditions, my guess is they do. And I presume that they screen for that. [LB116]

BRUCE BEINS: I assume the same thing. [LB116]

SENATOR AVERY: There's usually a waiting period of a year or so if you have a preexisting condition. Any questions from the other members? Senator Pahls. [LB116]

SENATOR PAHLS: Yes. You did answer part of the question. It's the at risk pools that would be the cost factor in the insurance. It is my understanding you are from Republican City? How large is that community approximately. [LB116]

BRUCE BEINS: About 200. [LB116]

SENATOR PAHLS: Okay, 200. And the county, Harlem County? [LB116]

BRUCE BEINS: Harlan County. [LB116]

SENATOR PAHLS: Harlan, I'm sorry. I'm curious. That town is a little smaller than I thought it was. Do they have city employees there or county employees? [LB116]

BRUCE BEINS: Well, Republican City has one city employee. Okay. I think the Village Clerk is part-time. [LB116]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR PAHLS: Well, right, that would hurt, the point I'm going to is I'm wondering are they, at the county level, do they not have insurance there? Could not the volunteer association group work with like a county association and get involved with their insurance? [LB116]

BRUCE BEINS: I suppose that's always a possibility. I think the county uses health insurance through NACO. That is something you're all probably as aware as we are of the constraints on expenses at the county level. They pinch every penny until it squeals so to speak. I don't know whether or not you would ever be able to convince them to tax their...I mean you're just moving the expenses into the local level whether you could convince the county boards to do it, and if you could, whether you could do it across the state or whether you'd have a hodgepodge of places that maybe did have that available and other places that didn't. Like I say, it seems to me then you're just, you're passing a cost off, a potential cost off. [LB116]

SENATOR PAHLS: Right. And I understand the word volunteer, but if you are losing or you don't have as many, I think in some of those areas, the people, the local taxpayer would need to say to encourage people to volunteer; there may be a, at the local level, to help pay for those health benefits. [LB116]

BRUCE BEINS: Well, what I have envisioned, of course, in my dreaming on my drive up here was that if this bill was enacted, that we could go back to our local governing boards and so forth to try to get them to participate some with the employer portion of the bill. With the way the bill is written now, the volunteer plays both the employer and the employee portion. If we had this in place, like I say, it's a first step then, of them going back to our local governing bodies and saying hey, we really need some help to keep people volunteering and see if we couldn't get them to contribute then to that employer portion. [LB116]

SENATOR PAHLS: Well, just to inform you, we have some people in our body who thinks that the rates at the state are too high, and we ought to reduce them. I'm just being very honest with you, in our body. [LB116]

BRUCE BEINS: I think everybody would agree that no matter what type of health insurance you're talking about, that the rates are too high. [LB116]

SENATOR PAHLS: Yeah, but I mean, they want to reduce the state's helping out is what I'm saying. Okay, thank you. [LB116]

SENATOR AVERY: Senator Pirsch. [LB116]

SENATOR PIRSCH: I think as we go forward, that type of information might be helpful



Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

to the committee as the chairman points out is, would there be some benefit to the overall population, pool, so to speak by "enlargening" the pool. What would that actuarially speaking do for the existing members. The overall group as a result of that. I think that would be very, and maybe it, just as a marginal type of movement or maybe it's a significant movement, but I would be interested in that just to sum up as kind of a statement. And then secondarily with respect to kind of internalizing, going back to my thought that if the costs were internalized, now there is certain assumptions made in this fiscal note that if one out of every three employees would participate and that if it did, again, the ongoing costs that either the state or the group would have to pay would be, it says, about \$252,000. If you break that down between the 4,000 possible participants, we're talking about on a monthly basis either the state or the group members coming up individually with about \$63 per month or \$750 additional per year just for the administration fees. And so having kind of a comment about that, if that is anywhere in the ballpark of being, you know, reasonable, that \$750 or if that seems unreasonable, I'd like to know that. And then secondly, would that, if that is, in fact, somewhere in the ball park, would that be a big, I mean, would that realistically be a barrier to members of the pool deciding to take out insurance. If it was somewhere, give or take, you know, a couple hundred dollars, you know, from \$750. So just something going forward that would be interesting to me. [LB116]

BRUCE BEINS: And those are good points, I believe, again, it's going to depend on the individual and what they have available to them, or if they have coverage at all. I think that's going to be a big deciding factor. My daughter lives here in Lincoln, and she has several different options to choose from for health insurance at different cost levels. In the rural area, we don't have quite the same choices. So I mean, our choices are somewhat limited so whether or not that added administrative cost onto the premium would be a deciding factor is really something that's going to be pretty hard to tell, not knowing what the individual's particular situation is. [LB116]

SENATOR PIRSCH: Do you think this particular bill would have the ability to make a difference in, you also concur that there is a proper, when it comes to volunteers, obviously, a big benefit for the state. Do you think that there's a...and you kind of testified that there's a trend of declining interest in volunteering. Do you think that this could make a substantive difference in, you know, flat-lining at the very least or perhaps even recruiting additional volunteers. [LB116]

BRUCE BEINS: I think it's got a chance. Discussions before the committee hearing here is, you know, we've been looking for a silver bullet for a long time to take care of our problems of recruitment and retention. And this isn't the silver bullet, but it's as close as we've been able to come. I think it does two things. Not only does it potentially provide that health insurance for those that aren't ensured or give a savings to those that are paying real high premiums now; but it also shows those volunteers that the state is concerned and is going to participate in helping to bolster that system. I think that's a

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

piece of it, too, that it's sometimes hard to substantiate, but it's real. One of the things through surveys that have been found for volunteers, a lot of times they don't feel appreciated for what they do. and I think that would show that there's some appreciation out there. That the people of the state realize that this is a valuable service that we're providing. [LB116]

SENATOR PIRSCH: Thank you very much for that testimony. [LB116]

SENATOR AVERY: Senator Karpisek. [LB116]

SENATOR KARPISEK: Thank you, Senator Avery. Mr. Beins. [LB116]

BRUCE BEINS: Yes. [LB116]

SENATOR KARPISEK: I'm sorry, someone that's named Karpisek should be able to pronounce that. Well, we can get health insurance, senators can, but I don't, and I'm, I was self-employed and now I'm unemployed. So that's even worse. But I don't get it through the state because it's so much higher than what I can just get on my own. So I understand what you're saying a hundred percent, and I think that we do need to do something. I don't know if this the answer, like you said, it's not the silver bullet. But I don't know that it's really going to help the firefighters. I know what you're saying, go back and hopefully try to get the board or the city board or county board to pay. But gosh, I can save about \$500 a month for my family by doing it on my own rather than going through the state with the same deductibles and everything. So that's my question is, is it really that good of a deal for you guys? And again, I understand the appreciation and all those things, and I think we're all very glad to try to do something. I don't know if this really helps them that much. [LB116]

BRUCE BEINS: There again, I don't think that's a question that can be easily answered because we don't know of everybody's particular situation and what they're having to pay. [LB116]

SENATOR KARPISEK: And I would just like to say, too, Senator Avery brings up a good point that you make a bigger pool, but you also get some sick people in that pool, too. I mean, there's the percentages are probably about the same so, again, I'm all for trying to do something. We've all got the same problem. I don't know that this is the answer. And I'd be more than happy to try to do something that really would help. So thank you for being here. [LB116]

BRUCE BEINS: Thank you. [LB116]

SENATOR AVERY: Any more questions from the committee? Thank you, Mr. Beins. [LB116]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

BRUCE BEINS: Thank you. [LB116]

SENATOR AVERY: Any additional supporters? [LB116]

GEORGE TEIXEIRA: Good afternoon, Senator Avery, committee members. Thank you for allowing me to speak today. My name is George Teixeira. I'll spell that. T-e-i-x-e-i-r-a. And I'm president of the Nebraska State Volunteer Firefighters Association. And on behalf of the 7,500 members and the approximately 12,000 volunteers across the state, we appreciate Senator Fischer presenting this bill, and we ask that it gets approved. You heard Mr. Beins' testimony and Senator Fischer's testimony, so I really, she kind of...they both took kind of my little blurb here that I wanted to say. But it was, some very good points have been brought up by Senator Karpisek. You know, we can probably get it cheaper. We don't know that. Will it cost based on more people or less people. What are the administrative costs? You know, those are the questions I can't answer. But I will say that the membership in this association and the volunteers are looking for something. And they've asked that we come support this bill. And then once, and if, it's passed; we'll have numbers hopefully, and we can address that to the membership, and then it will be up to the volunteers whether they want to join the bandwagon or not. But until we get something or we show them that we appreciate what they do and try working to get them something; that's where we stand right now. And recruit and retention is a big thing. Approximately, about five years ago, Nebraska Forest Service did a survey to the volunteer fire departments and started checking the age of the volunteers and the length of the service and so forth and so on. And what they found was the average age was about 42 years old, and they spent 10 years on the fire department. And then a lot of it was time commitment that they couldn't do it any more, families, and then in some cases, having to work more than one job to pay for insurance and those types of things. So there is some things out there and we're trying to work with, and we just need a stepping ground to start out with. So thank you for your time and if there's any questions, I can answer. [LB116]

SENATOR AVERY: Thank you. Senator Pirsch. [LB116]

SENATOR PIRSCH: Well, not just, not so much a question as a comment. I really appreciate all the hard volunteer work, you know, doing all that work for nothing just to make sure that your community is improved. So I know you don't probably hear that enough, and so. [LB116]

GEORGE TEIXEIRA: Well, Senator, we do hear that a lot and stuff. You know, but sometimes, I spent 20 years in the military and I remember something way back when as I was going through the leadership ranks and it always taught me, deeds not words. And that kind of stuck with me. So all due respect, that's kind of where I go. Deeds not words. [LB116]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR PIRSCH: Very good. [LB116]

SENATOR AVERY: Any more questions? Senator Giese. [LB116]

SENATOR GIESE: Thank you, Senator Avery. And I too would like to commend you on the work that you do or volunteerism that you do, Mr. Teixeira. But I see the direction that we're headed, the volunteer folks, the numbers are dwindling. I can say that and I can speak from my past experiences in South Sioux City, 20 years ago, we had 50 volunteers. Last year, I think the count was 23. I'm not so sure that offering somebody the opportunity to receive health insurance is going to be enough to make people want to volunteer. But I think it is a step in the right direction. And unfortunately, I think the path that we're headed down as a state is that the cities are going to be forced to, as South Sioux City was, going to be forced to hire full-time firefighters, EMT people because they aren't volunteers. They can't cover the shifts in the middle of the day. People have jobs and the commitment, they just can't do that any more. So I appreciate all that you do and just want to offer that comment to the board that I think that that's, I don't know, that that's even enough that we're talking about doing today is to offer somebody the chance to buy insurance. So I just wanted to thank you and just share that with the committee. [LB116]

GEORGE TEIXEIRA: Well, thank you, Senator and I appreciate it. And maybe that's not, you know, enough, but you know, we're here to work to get something because quite honestly, what's it going to cost the community to ask to pay a fire department. The community I live in, and we did a survey and stuff, and we serve 1,800 people. We're one square mile, we have 32 firefighters and stuff, and if the city was to pay for a paid fire department, it was going to cost us a little over \$2 million. And we're operating right now on a \$35,000 a year budget. So you know, can communities go and afford, you know, to pay a department. We don't know that. But if we can work toward getting other things, not just this, but other things go to volunteers, you know, maybe we can help keep the cost down for everybody. [LB116]

SENATOR GIESE: Well, some communities can't afford to pay and some, and some do, and it is very costly. [LB116]

GEORGE TEIXEIRA: And some can, exactly. Yeah, very costly, I know that. And just, we're trying. [LB116]

SENATOR GIESE: Thank you. [LB116]

SENATOR AVERY: Any more questions. Seeing none, thank you, Mr. Teixeira, is that how you pronounce your name? [LB116]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

GEORGE TEIXEIRA: Yes, sir. Thank you. [LB116]

SENATOR AVERY: Welcome. [LB116]

TOM HAMERNIK: (Exhibit 1) Thank you. My name is Tom Hamernik, H-a-m-e-r-n-i-k. And I'm glad to be here today to testify in support of LB116. And you're getting a copy of my testimony, but I'm going to kind of bypass that and try and go to some of the points that individual members of the committee have talked about if I can. I am a 30 year volunteer fireman and EMT from Clarkson, and I've been an officer in our local department ever since I started, and I'm proud to say that I've made over a thousand volunteer rescue calls. And this morning we had one at five in the morning, a cardiac call and, that I was on. So I am very familiar with the situation especially in rural Nebraska. And with that said, I'd like to go to individual comments that we've heard so far this afternoon. Senator Giese, as far as your comment about communities hiring fire protection and EMS, many communities might be able to afford it. Clarkson, a community of 650, will not. And not only do the costs go up for that service, but the response times will increase. Maybe Columbus could afford it, Norfolk can afford it. That's 35 minutes. We've seen some weather in the previous couple of weeks where our squad couldn't go. And we had people in our fire station until the weather got better. So the response times especially in accident calls, cardiac calls, is critical. And so it's not simply a matter of cost. Senator Pahls, I believe that Senator Pahls is gone now, but one of his questions was the contribution that the state makes towards employees' insurance, and I believe I was told that the state contributes 79 percent of family. If this proposal became law, we would have the opportunity to go talk to our governing boards to see if we could fund a portion of the insurance. And we would no where come close to that 79 percent. That's a very healthy contribution. I run a family business with my two brothers, and we provide single insurance to our employees. And we allow them to purchase family insurance and run their premiums and some other out-of-pocket expenses through an IRS 125 plan which makes it more affordable. But we couldn't afford to come anywhere near 80 percent of family coverage. That just wouldn't be possible. And I don't think we would...we would...that wouldn't be possible with our governing boards either for us. I mean, it would be a small contribution. It might be maybe 25 percent, but I think that would be realistic. Senator Janssen, your question was, if we were considered employees for insurance purposes, how would that affect other liability. We are considered employees for worker's comp and vehicle insurance, driving government-owned vehicles. So in that respect, we are covered by those types of rules. And I don't think that this would necessarily change that. Senator Avery, I had the opportunity to sit as a director on the Educator's Health Alliance Insurance Group that covers K-12 teachers, administrators and community college staff. And I don't place any claim on being an insurance expert, but it has exposed me to a large group. We have 35,000 participants in our EHA group. And Blue Cross Blue Shield happens to be our carrier just like it is for the state's insurance. And we are, we have, with 35,000 participants, that gives you more bargaining power with your carrier to try and get the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

best deal that you can, and they negotiate with the actual health care providers for the discounts that they receive. And the discounts that our members receive as EHA members are about 60 percent of what the published fees are for different procedures and things like that. So the larger your group, the more negotiating power you have. Now whether or not 4,000 new participants in the state pool would make a big difference, I can't say. I'm not familiar with their group. You do have the possibility of being exposed to adverse selection. That's a possibility, but that can happen within the state's group, too. It only takes a few members with serious health concerns to drive the costs way up. That's why it's insurance. Let's see if I got everything. Senator Pirsch, I think the numbers I had kind of worked out, worked out a little bit differently on the cost. I think it's more like \$5 a month for...if we were talking about 4,000 participants. I think it's about \$5 per month, and if we're at 2,000 which I think is more realistic, we're talking about \$120 annually. And with that, I'll try and answer any questions that I might be able to. [LB116]

SENATOR AVERY: Thank you very much, Mr. Hamernik. Senator Janssen. [LB116]

SENATOR JANSSEN: Thank you, Senator Avery. I'm sorry, I didn't catch your name? [LB116]

TOM HAMERNIK: Tom Hamernik. [LB116]

SENATOR JANSSEN: Hamernik. Okay. I got Teixeira because that's a baseball player that I follow so I can understand that one. You talked about employees, and I want to be clear that, and I was aware of the worker's comp and whatnot, but the question that I still have, and I will have after this, for clarification is we have a case that's before us right now. Not us, but the, it's out there; somebody that volunteered for a number of years. They knew they were a volunteer for a number of years, and then they came back and said, well, I was actually an employee, so I should have gotten paid minimum wage all these years. So that's the thing, that's what I'm looking out for. That's my red light that's flashing right now as far as that goes. I don't want you in any way to think that it's out of a lack of respect for the firefighters and EMTs and what they do. [LB116]

TOM HAMERNIK: Oh, I understand. [LB116]

SENATOR JANSSEN: I can speak to the cost of a paid fire department. I live in Fremont. Well, we're probably one of the smaller cities that has a completely paid fire fighting staff, but Dodge County, which you probably do serve parts of from Clarkson. [LB116]

TOM HAMERNIK: They're our neighbor. We're in Colfax. [LB116]

SENATOR JANSSEN: So we do have several volunteer fire departments, and echo the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

exact same things that I'm hearing here today, so I appreciate it and I just wanted to make those comments. [LB116]

SENATOR AVERY: Senator Pirsch. [LB116]

SENATOR PIRSCH: Just a quick question. You said you...and I guess you said that you would estimate about \$5 a month or \$120 a year; do you mean the administrative, what you're estimating in extra administrative costs? [LB116]

TOM HAMERNIK: Yeah, the ongoing. Ongoing. [LB116]

SENATOR PIRSCH: On an ongoing basis. Okay, so it's the fiscal note that, I mean, you think that that vastly overstates the, and it's based on an assumption. They have, in the fiscal note, assumed one out of every three eligible, if in fact, there's 12,000 potential volunteers and 4,000 sign up for it, then it says the ongoing costs were about \$252,900, it estimates. And when you divide that by the 4,000 participants than that would be, I guess the \$63 per month that I got. But you, if it would work out to be \$5 a month, then we're talking about vastly lower administrative costs. Is that what you, I mean, you think that that might be a possibility that we're talking about maybe a twelfth of the ongoing monthly administrative costs that's imbedded in the fiscal note. [LB116]

TOM HAMERNIK: Yes, it would certainly be...it'd be worth considering. [LB116]

SENATOR PIRSCH: Yeah, we'll if we're talking about a twelfth instead of \$252,000 or \$253,000 ongoing, and rather a twelfth of that, you know, \$20,000; that's a vastly different ball game we're talking here. So thank you. [LB116]

SENATOR AVERY: Any other questions. Seeing none, thank you, Mr. Hamernik. [LB116]

TOM HAMERNIK: Thank you for your time and what you do for the state of Nebraska. I do appreciate it. [LB116]

SENATOR AVERY: Thank you. We're still on the proponents to LB116. [LB116]

GARY KRUMLAND: Senator Avery, members of the committee, my name is Gary Krumland. It's spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities and appearing in support of LB116. Recruiting and retention has been an issue that cities across the state and villages have been raising recently. And you've heard that already. Just to give you a little, some detail, there are 530 cities and villages in Nebraska. Lincoln and Omaha both have full-time paid fire departments. Outside of Lincoln and Omaha, there's probably 8 to 10 other cities that also have paid full-time departments. So the vast majority of the cities and villages in the state who have fire

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

departments are served by volunteers. Maybe the smaller cities are part of the rural fire districts so they may not have their own department, but they still are served by volunteers. And we've been hearing as you've been hearing that recruitment and retention is becoming an increasing problem. So I guess we are looking at and will be working with others to see what we can do to recruit volunteers to retain them. They're facing additional training time and everything else, so it's more of a burden to be a volunteer than it was maybe 20 years ago. So we, there's a lot of things we need to look at, but any program that will help, we'd be supportive of. So I'd be happy to answer any questions. [LB116]

SENATOR AVERY: Senator Janssen. [LB116]

SENATOR JANSSEN: I wrote your name down. Thank you, Senator Avery. Mr. Krumland, the question I have, would you, if this were an active, and I heard, I don't recall, maybe it was Mr. Beins said that he would envision going back to counties or maybe cities and asking for some help on that. Would you be sitting in the proponent's chair for that? [LB116]

GARY KRUMLAND: It would probably be...I mean, I wouldn't reject that. It would depend on the individual city and village and what they can afford. Right now, they're under lids and levy limits, you know, there's just some, the ability to contribute may not be there for everyone. Some of them probably would be able to do it and be willing to do it. I just don't know that everybody would be. [LB116]

SENATOR JANSSEN: Okay, thank you. [LB116]

SENATOR AVERY: I have a question. One number in this fiscal note which is giving all of us heartburn is \$182 million. And that's I think a worse case assumption where they assume that new participants would receive or 4,000 of the eligible 12,000 would elect coverage and would cost \$45,500 a year. Then that would be a pretty heavy cost. I don't know how they come up with these numbers. My experience with fiscal notes is that I don't like them, usually they're wrong. And I used to argue with the Fiscal Office all the time about them. But I mean, knowing what you know with the League, you work with people all the time, what do you think is a reasonable expectation if we were to add up to 12,000 more people. Would you expect that the overall cost to all participants in the pool might come down? Might go up? I mean, what do you think? [LB116]

GARY KRUMLAND: I don't know that I'm...have enough expertise or information to answer that. I mean, generally I think it would depend on the type of people that would join the system. If they were younger, more healthy, had fewer costs, the risks may be spread out so the costs, you know, would go lower for everybody else. If it's... [LB116]

SENATOR AVERY: Did I hear the average age is 42? [LB116]



Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

GARY KRUMLAND: Yeah, I think that's what somebody said. And... [LB116]

SENATOR AVERY: That's pretty young. Young to me. [LB116]

GARY KRUMLAND: Yeah. If, though, if it's the; yes, I understand, I think so. But if the people who actually participated were older and had greater health, you know, problems, and you know, took advantage of the insurance more, then the cost might go up, so. [LB116]

SENATOR AVERY: Well, I mean, if the only people who sign up are people with catastrophic illnesses, then you would expect the worst case scenario. My guess is that's not what would happen. On the other hand, I'm not that familiar with the state insurance program, but they probably do have a preexisting condition clause there so that as I mentioned before, if somebody does have a preexisting condition, you probably would have to wait a year or two before your benefits would kick in. [LB116]

GARY KRUMLAND: Yeah, and I'm just not familiar enough with that to answer that point. [LB116]

SENATOR AVERY: I hope somebody here is going to testify who can answer these questions, because these are important. Let me take Senator Pirsch next. [LB116]

SENATOR PIRSCH: Well, I just wanted to say that in looking at this fiscal note more closely, I think that the figure I was quoting before is clearly wrong. I think the gentleman who just talked about the \$5 a month, \$120 a year is correct insofar as that's not an annual monthly cost, that's the yearly cost. So I think that the, we are talking about an administrative fee, approximately, if this fiscal note is correct, \$120 per year or \$5 a month. At that rate, that seems to be, well, I don't know, would that, in your opinion cause a hardship to those who might otherwise take advantage of the insurance if given that, would they tend not to, do you think? [LB116]

GARY KRUMLAND: I think the lower the administrative costs, the more help it would be. I don't know if it would, it would have to depend on what's available to them now, what that cost is. And so it, I just don't know that I can answer that directly. But yeah, the lower the administrative costs, I think the more helpful, the more incentive it would be. [LB116]

SENATOR PIRSCH: Yeah. [LB116]

SENATOR AVERY: Senator Janssen. [LB116]

SENATOR JANSSEN: Thank you, Senator Avery. Mr. Krumland, again, I've got some

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

comments to make. First off, I've, having just gone through an insurance review for my own company, I can tell you that there...yes, there is a lot of merit to spreading the costs out, but you do come into a greater risk, and how they come up with those numbers. I think we'll have to talk to somebody that's really in the insurance industry. I've got, you know, stories of, you know, we've got people coming in that...my CFO, I won't try to rat him out, I think he's in his mid-50s and he had a previous heart attack and he came in, and he thought our...my company's insurance was great. You know, the 28-year-old guys didn't like it, and our prices really went out the roof with just a few people. And one of our reasons for our premiums being so high was not only that, but also we had a low participation rate. So I'd get worried, you know, I think this number is extreme. I don't think that many people would take advantage of it once they saw the program. I really don't. It's just not that great of insurance. So then I wonder will we...will our premiums go up because we have such a low participation rate of the number of people that could potentially qualify for it. And then another concern and if you're going to insure people, you're going to insure them. But you could have a case where...and maybe this would be the fire departments and maybe it would be a good problem to have. But maybe somebody wanted to, maybe they're a little bit older. They can't get health insurance, they decide, I want to be, I want to become a volunteer firefighter and maybe you don't get such a motivated volunteer firefighter down there that are there for the insurance benefits and, if I want to call it a benefit. I don't think that's a real problem, I just kind of wanted to throw it out as something that could happen. So there's not really a question in there for you either. [LB116]

GARY KRUMLAND: And I guess we would view this too as just one of what probably needs to be a large package of incentives and ideas to help with recruitment and retention. [LB116]

SENATOR AVERY: I want to welcome Senator Kate Sullivan. [LB116]

SENATOR SULLIVAN: Thank you, and I apologize for being late. [LB116]

SENATOR AVERY: She had, I believe, a funeral? [LB116]

SENATOR SULLIVAN: Yes. [LB116]

SENATOR AVERY: Yeah. Any other questions for our testifier? Senator Karpisek. [LB116]

SENATOR KARPISEK: Thank you, Senator Avery. Mr. Krumland, we're talking about going back and asking the municipalities to kick some in. Is there any way that the municipality can just do what we're trying to do here? [LB116]

GARY KRUMLAND: I don't know the answer to that, the fact that they're volunteers. I

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

mean, there are specific state laws like was mentioned that says for purposes of workers' comp and some other things, they can be on it. The other thing, especially in some of the smaller communities; they're having a real hard time finding their own health insurance for their own employees. I don't know if...so it just may not be available for everybody. [LB116]

SENATOR KARPISEK: Does the League not have a pool? [LB116]

GARY KRUMLAND: Not for health insurance. It's one thing, actually we have a meeting this week, we're looking at different options. [LB116]

SENATOR KARPISEK: Well, I couldn't remember that, I wasn't that involved. But anyway I, again, understand what we're doing here, but I'm just trying to think of other ways that... [LB116]

GARY KRUMLAND: And we're continuing to look at those, too, to see what other things that can be done. [LB116]

SENATOR KARPISEK: All right. Thank you, Mr. Krumland. Thank you, Senator Avery. [LB116]

SENATOR AVERY: Any other questions? Thank you sir. We're still on proponents. Any other testifiers who wish to speak on behalf of this bill? All right, we'll now move to the opponents. [LB116]

LAURA PETERSON: Good afternoon, Senator Avery, members of the Government, Military and Veterans Affairs Committee. My name is Laura Peterson, P-e-t-e-r-s-o-n. I'm general counsel for the Department of Administrative Services. I'm here on behalf of the department in opposition to LB116. The bill would allow volunteer emergency responders, firefighters, and rescue squad personnel to participate in the state employee health insurance plan. We understand from Senator Fischer that there could be as many as 12,000 individuals who would be eligible to join the state's plan under this bill. A number that almost equals current state employees who participate in the plan. Of course, they have dependents also; but actual employees. We have four specific concerns about this bill that I want to cover with you. First, the state is self-insured for health insurance and prescription drug coverage. That means to the extent that any individual plan members' healthcare costs exceed the premium that they've paid on behalf of that member, the difference comes from state funds and funds of the other participants within the plan. Any time the state adds individuals to the plan, there's a risk of increased cost to the state and to the state employees who are funding the plan. Second, there are a number of individuals and organizations with worthy causes in the state that work on a volunteer or not-for-profit basis. Once individuals, other than state employees, are allowed to participate in the state's health insurance

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

plans, it's likely that other individuals and organizations will request similar privileges. We are opposed to starting down a path where the state employee health plan becomes a health plan for anyone other than state employees. Third, because our plan is heavily subsidized by the state, with the state paying 79 percent of the premium and the employee paying 21 percent of the premium; there's a very high participation rate. This means that there's a good mix of individuals who are healthy along with individuals who may be moderately to extremely unhealthy. In a population where the participants have no subsidy, and therefore, pay 100 percent of the premium, as the volunteers who would be covered by this bill would do, there is likely to be significant adverse selection. These volunteers will likely spend time investigating what is available to them in the market before deciding to purchase the state's coverage. Those who are healthy are often able to purchase coverage in the market at a more competitive price. And those who are not will decide to participate in the state's plan. This is commonly referred to as adverse selection, and we would expect this to occur in relatively significant numbers should LB116 pass. Finally, the state's plan is set up so that a great deal of the administration is done electronically through NIS, the state's automatic, automated accounting and HR system. Employees elect benefits electronically, employee premiums are automatically deducted from their paychecks, and changes to their status are updated either by the employee or the agency HR personnel in the electronic system. Agency HR staff also assist the state benefits personnel who reside in administrative services in various functions including communication to employees, assisting employees with benefit enrollment, processing their terminations, and other activities. When we add groups like the volunteer firefighters, many of the administrative functions will have to be done manually which will require additional employees in the benefits area. We also have several questions that would need to be answered and are not clear from the bill; such as how we would determine eligibility, whether dependents of the volunteers are eligible for coverage, whether occupational injuries or injuries incurred during emergency response are covered or excluded, how payments will be collected, when eligibility begins and ends, and those are just a few of our questions in order to administer the program. While we certainly recognize the important work volunteer firefighters and EMTs do for our citizens, the department opposes adding individuals other than state employees to the state employee health insurance and drug coverage plans. And I'd be happy to try to answer some of your questions. [LB116]

SENATOR AVERY: Thank you, Miss Peterson. Is it a general principle, an accepted principle of insurance that the bigger the pool, the lower the cost to participants? [LB116]

LAURA PETERSON: I don't know that I would say that's generally accepted. I think a great deal of that depends on the type of pool that you're creating. I mean, that would not be the case, for example, in some of our higher risk pools that the state establishes. And one of our particular concerns about this bill is that it would not be the case because, for example, there's no employer subsidy. What we're likely to get is those

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

folks who can't qualify for coverage that is less than ours. And you may have heard some comment, ours is not an inherently cheap plan, so if you're healthy, you likely can purchase equivalent coverage elsewhere at a better price. So we would expect that those who are having difficulty for whatever reason, if it's their health or some other reason, to select this kind of coverage. I think additionally one of the questions you asked, and I'll just go ahead and answer it because it's relevant, the state has some benefits within its plan that make it more expensive. One of those is we do not exclude preexisting conditions. So if you have a preexisting condition, many of which are costly, you're going to be allowed into the plan at the cost that we have. Additionally, because we're self-insured and because we're a state employee pool, we are really establishing actuarially our premiums will need to cover the administrative costs of the plan, and the costs that we project for claims. We're not building in a profit, we're really not...other than just what's fiscally responsible, building in additional premiums for risk. [LB116]

SENATOR AVERY: What if somebody came in with a proposal to bring in small business owners in the state. They have a terrific problem trying to get insurance for their employees. Say every, every small business, defined as a business employing fewer than 20 people, that would expand by probably to a power of 10 your pool. Would you have the same objections to that large expansion of the state program? [LB116]

LAURA PETERSON: Well, I think then you're really moving through a different kind of program than what the state employee health insurance was set up to be. I mean, there are several examples of different types of insurance pools within the state although, and most of them have been created because someone is having a problem obtaining insurance. The one I'm sort of familiar with related to my work at the Department of Administrative Services is the Department of Insurance has a high-risk work comp pool for businesses who cannot obtain workers' compensation insurance in the market. And I'm not sure that Administrative Services, which is set up to create a benefit for state employees, is the right place for that. I'm also, I don't know, I haven't talked to anyone about that, but I also think that in this case, this plan was set up so that the state as an employer could share in the cost of benefits for its employees and as you start to shift this plan from being significantly less and less about state employees, then you wonder how much burden are we putting on state employees who are also participating in the cost of that plan. So I don't know if it's right or not to combine those things. [LB116]

SENATOR AVERY: Yes. What would be your position if this bill were admitted so that preexisting conditions were not covered? [LB116]

LAURA PETERSON: You know, one of the things we really can't do very well and you can see that in our fiscal note is price the claims cost expectations for this group. And part of the reason for that is because we don't know anything about the population although, I mean, we heard today the average age. We've heard that there are about 12,000. But we have limited information, and generally, you know, when you're pricing

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

insurance, you need to know things like age and health history and what they're doing with the rest of their time. Here we know state employees are working at state jobs, and we have a pretty good idea of what kinds of jobs those are and that kind of thing, and the age of our population and all of those things. But with anybody, you know, certainly if you exclude preexisting conditions, you reduce the risk to the plan. But you also create then different administration requirements and presumably we would then be changing our contract with our health administrator, because we would have some people in the pool who are state employees who are not subject to preexisting condition exclusions and volunteers under the bill who are. And so then our administrator has to keep track of which set of rules apply to which portion of the pool. Again, in some ways, that argues for setting up a separate pool, if we're going to have different rules that apply to the different participants. [LB116]

SENATOR AVERY: So you said though that the current number of enrollees in the state plan is about the same as we were talking about with the volunteer firefighters? [LB116]

LAURA PETERSON: Actually the number of enrollees is...the number of participants is much higher. Yes. [LB116]

SENATOR AVERY: Employees who are...it doesn't count the dependents. [LB116]

LAURA PETERSON: But the number of employees, but then when you add on their dependents and retirees and COBRA folks, it's much higher. [LB116]

SENATOR AVERY: So we could be talking about a pool here of about the same size as you already have, because many of these firefighters also have dependents. [LB116]

LAURA PETERSON: Absolutely. Absolutely. [LB116]

SENATOR AVERY: All right, this is all I have. Any other questions? Senator Giese. [LB116]

SENATOR GIESE: Thank you, Senator Avery. I apologize, I didn't catch your name? [LB116]

LAURA PETERSON: Laura Peterson. [LB116]

SENATOR GIESE: Peterson. Miss Peterson, then under what scenario then would these...would you suggest that these volunteers would be, be able to participate in the program? Is there no scenario that would be available for them to do so? [LB116]

LAURA PETERSON: I think certainly in our position is that it would be better to leave the state employee plan a plan for state employees. Not to suggest we wouldn't be in

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

favor of you finding a way to help the folks who would be covered by this bill. But I think, from our position, it's better for us to have a state employee plan that covers state employees. I didn't answer your question, but I'm not aware of one that would cover them as part of a state employee plan that we would support. I mean, obviously, we're always open to talking with you. But I think our fundamental belief is that it's better to keep them separate. [LB116]

SENATOR GIESE: Okay, thank you. [LB116]

SENATOR AVERY: Senator Sullivan. [LB116]

SENATOR SULLIVAN: Thank you, Senator Avery. Miss Peterson, is any other group other than the state employees now included in the health insurance plan? [LB116]

LAURA PETERSON: No. As a matter of fact, there have been several bills in the past to add other types of groups to the state employee health plan, but there are no other folks, other than people who were employees and have retired are eligible to stay on until they turn 65, and of course, people who have left employment of state government and are eligible for COBRA, but they have all, at one time, been a state employee. [LB116]

SENATOR AVERY: Anyone else have questions? Seeing none, thank you, Miss Peterson. Anyone else wish to speak in opposition? Anyone wish to speak in neutral capacity? Seeing none, that closes the hearing on LB116. We will now move to LB167. Senator Pirsch will take over. [LB116]

SENATOR PIRSCH: Thank you very much, Chairman Avery. And you are the sponsor of LB167, so whenever you are ready. []

SENATOR AVERY: Thank you, Senator Pirsch. My name is Bill Avery, spelled A-v-e-r-y. I represent District 28. I bring before you LB167 which is a bill that I was requested to sponsor by the Department of Administrative Services. This bill has two main provisions. The first one provides that notwithstanding any other provision of law, any state employee may participate in an employee discount program administered by the Department of Administrative Services, which hereafter I will refer to as DAS, if you don't mind. The Department is currently working on a discount program for state employees. It will collect and assemble information on discounts available for state employees by local and national businesses, and provide that information to the employees. Currently, many state employees such as the Department of Corrections, the Material Division employees are barred from statute, or barred by statute from receiving a gift of any kind including any sort of discount program. This bill, LB167, would make it possible for these employees to participate in discount programs administered by DAS. They would still be prohibited, however, from receiving other

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

types of gifts. That's the first portion of the bill. The second portion of the bill allows the department to pay wages and reimbursable expenses to state employees by electronic funds transfer or similar means of direct deposit. Currently, DAS can only make electronic fund transfers for wages. This change is likely to save the department money because of the elimination of paper and postage. It's an efficiency issue as well because certain efficiencies would be achieved because it would reduce the need for issuing new checks when the employee loses a check or if they fail to deposit their checks. In the past, there have been arguments against the idea of electronic payments because some state employees do not have bank accounts. So the department indicates that employees who do not have bank accounts would be given a debit card containing their wages and expenses which I think is a pretty good idea. We do have a representative from DAS here to testify, and be able to answer some technical questions that you might have. And with that, I will end my testimony on LB167. Any questions you would like to ask me, I would be happy to try to answer them. [LB167]

SENATOR PIRSCH: Very good. Thank you, Senator Avery. And now we'll move on, seeing none, to our first proponent. [LB167]

LAURA PETERSON: (Exhibit 1) Good afternoon, Senator Pirsch, members of the committee. My name is Laura Peterson, P-e-t-e-r-s-o-n, general counsel for the Department of Administrative Services, here in support of LB167 which was, as you heard, introduced at the Department's request. Administrative Services personnel division provides for various employee benefit and recognition programs. The division, as you heard, is currently in the process of rolling out an employee discount program as an opportunity for state employees to save at various businesses with no cost to the state and no cost to the employees. Currently, there are local and national businesses that will provide discounts to individuals because they are government or state employees. However, information about these discounts is not currently gathered or published in any one place. Under the program the State Personnel Division is working on, personnel will find a no cost contract with a vendor. That vendor collects information about available discounts, recruits companies that provide discounts, publishes available discounts, and handles all the enrollment and eligibility administration. Several states already have similar programs, and I have asked that they pass around samples of materials designed for other states to provide you an idea of how the program works. In working on the implementation about this exciting opportunity for employees, the department found that there are some state employees, such as employees of the Department of Corrections, Department of Revenue, our own department, Materiel Division, and Building Division and others who would be prohibited from participation because of statutes specific to their work which prohibits them from taking any item of value. As a result, we're asking you, through section 1 of LB167 to authorize their participation in this particular employee program which will soon be available to other state employees. The approach in the LB167 would retain the prohibition on accepting anything of value except when it is given through the employee discount program



Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

designed by state personnel. This way, it retains several degrees of separation and any ability for real or perceived influence over these state employees, but still allows them to participate in the same savings opportunities that other employees will have. Section 2 of the bill also relates to state employees, but addresses the way we issue payments for salary and expenses. We're asking you to allow us to issue payments electronically. As you can see from the fiscal note, this would save the state money in printing, postage, and other costs. Additionally, it saves time by eliminating the need to issue duplicate warrants when checks are lost or not deposited in a timely manner. And it provides employees with faster access to their funds. Electronic payments can be made either to a bank account of the employee's choosing or to a payroll card which works much like a debit card, and does not require it to be tied to a bank account. In the case of the payroll card, the funds are transferred to the card and the employee may spend the funds either by using the card as a debit card or a Visa card or by withdrawing the cash. This allows us to capture the efficiencies of electronic payments while accommodating employees who do not wish to obtain a bank account. I would be happy to answer any questions you have? [LB167]

SENATOR PIRSCH: Are there any questions for Miss Peterson? Yes, Senator. [LB167]

SENATOR JANSSEN: Would this, I've gotten one of these, a reimbursement check from the state. It's still sitting on my counter somewhere because I don't go to the bank very often. Would this cover that? [LB167]

LAURA PETERSON: Absolutely. It would go to your bank account instead. And if you didn't, if you don't cash that for one year, then you actually have to file a claim in my office to get it reissued. So, or if you drop it behind the refrigerator, yes. [LB167]

SENATOR JANSSEN: Okay, I like this. Okay. And I love the fiscal note on it as well. Okay, great. Thank you. [LB167]

SENATOR PIRSCH: Are there any other? Oh, let's start with Senator Sullivan. [LB167]

SENATOR SULLIVAN: Thank you, Senator Pirsch. Miss Peterson, a couple of questions. You said the fiscal note though actually would be a savings to the state? [LB167]

LAURA PETERSON: Yes. Well, there are two parts of the bill, and the savings comes from the part about depositing more info electronically. Or depositing new payroll and expense reimbursements electronically. [LB167]

SENATOR SULLIVAN: But won't there, okay is the debit card...do you have to work with Visa or someone like that? [LB167]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

LAURA PETERSON: The state actually already has a contract, and I can't tell you which bank it's with, because that, that option is already available for employees if they happen to want that option. [LB167]

SENATOR SULLIVAN: Okay, very good. And then it will be across the board full-time as well as part-time people, but will it be required? [LB167]

LAURA PETERSON: Well, actually the bill does not mandate that we pay every employee that way. What it does is it gives our department through our accounting division to make a policy that would mandate it. There probably would be some exceptions. Sometimes the first paycheck can't be set up fast enough. Sometimes if someone is terminating their employment and going somewhere, they may want it mailed. There are probably some exceptions so it wouldn't be just a flat across-the-board mandate. But I would anticipate that almost every payment would--through our policy then that you would authorize in the bill--would be to make all those payments that we can reasonably electronically. [LB167]

SENATOR SULLIVAN: And then the third and final question. The bill specifies that you're including individuals who've, I assume, worked for some departments or agencies who have been not allowed to accept gifts. I mean, can you elaborate on that? I mean, what? [LB167]

LAURA PETERSON: I can. I'll give you an example. For example, in our own agency, we have Materiel Division and one of their responsibilities is to do purchasing statewide, and so there's a prohibition against anyone who works in that division from accepting a gift. And I think the intent really is that if they're deciding what products the state is going to buy, they shouldn't be allowed to have a vendor come in and say, well, I'll give you personally a discount on Dell computers if you buy Dell computers for the state. I mean, even if they weren't doing that, it gives the sort of appearance of something going on. And I think the intent here is that because this program is going to be statewide for every employee, and it's going to be set up by a completely separate division, but for them to participate in that program that's for every state employee really doesn't have that kind of, lend itself to that kind of influence or appearance of influence. And so we think it's appropriate for those folks to be able to participate here. Otherwise we'll have to roll out the program and say, this program is for every state employee but you X number who work here, here, and here. And so our thought is better since we're actually setting this program up, there's no way for that vendor to go directly to influence any employee who has decision making over that vendor's dealings with the state. [LB167]

SENATOR SULLIVAN: I see. And then as far as the program, the discount program, do you envision something like this being developed for, so people will know about it and who stands the cost if you were to develop a booklet like this? [LB167]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

LAURA PETERSON: Absolutely. What you can see is there are several different magazines that are from several different states, and in some of them, if you flip; there's an enrollment card in the back. And there are these companies who, there are several companies who do this on an ongoing basis. They recruit the vendors. My assumption is that they're retaining their fee from the vendors who participate. [LB167]

SENATOR SULLIVAN: I see. [LB167]

LAURA PETERSON: But they have Web sites, they have magazines. We would assist them in access to state employees for publication purposes, but they really do all the cost type work. And so there's no actual fee to the state, and there's no fee to the employee who is participating. [LB167]

SENATOR SULLIVAN: Okay. [LB167]

SENATOR PIRSCH: Very good. Senator Karpisek. [LB167]

SENATOR KARPISEK: Thank you, Senator Pirsch. I know you probably answered this with Senator Sullivan, but you people, you can now do the direct deposit. [LB167]

LAURA PETERSON: You can, at the request of the employee. [LB167]

SENATOR KARPISEK: So would this deal with anything other than employees? Like if you're paying the utility bill or? [LB167]

LAURA PETERSON: No. It's only within the scope of the Department of Administrative Services paying employees for payroll or other things that we need to pay employees for which are mostly expense reimbursements. [LB167]

SENATOR KARPISEK: I like to get the check. That way I feel like I actually have something. But, um, and I'm glad for Senator Janssen that he doesn't need to deposit his...mine wouldn't sit around. (Laughter) [LB167]

LAURA PETERSON: Well, and actually, you would still get, I mean, you'd still get information, but it says that it's gone into your account. [LB167]

SENATOR KARPISEK: All right. Thank you. Thank you, Senator Pirsch. [LB167]

SENATOR PIRSCH: Just a quick comment, and I thank you for your testimony. I was deep in thought there. You caught me a little earlier thinking about, we had worked together last year on a bill with respect to electronic funds transferred. This type of substance with respect to the Treasurer's office in disbursements to third, to outside parties. And so I think it is a, you know, I commend you for bringing forward this bill. I

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

think it is, we have to absolutely integrate technology in the way that we interact with the outside world when it brings down our costs so markedly and makes us more efficient. And so I think this is great with respect to the second part of the bill. Just a quick question with respect to the employee discount program. And so there's, essentially what it is, the program calls for access to the government employees by, from vendors, essentially for a discount, right, in the type of services. Is that the basic trade-off or concept here? [LB167]

LAURA PETERSON: Essentially. And just to be clear and this is something we're going to do for most state employees and what we're really asking you to do is help us make it available to every state employee. But yes, our only real role is to make sure employees know about it and have access. [LB167]

SENATOR PIRSCH: And those...in those, the language itself is quite short in what's written here, notwithstanding any other provision of law; any state employee may participate in an employee discount program administered by the personnel division of the Department of Administrative Services. Is this language sufficient and utilized in other states, say I'm in a, one of those departments. The concept here is everyone is on the same footing, every employee, so you can't say that there are certain, you know, certain of our state employees have more sensitive positions whereby they have the power to make deals with outside vendors, and so thus we want to make sure that there's adequate precautions that they're not...they're doing things in the best interest of the state rather than their own personal vested interest. Is the language here, I mean, is the clear notice and listing going to be enough so that say somebody was in the procurement office, has some sort of a deal going on, I mean, and this is clear to them what is permissible and what is not permissible, via this language. [LB167]

LAURA PETERSON: Our hope would be that when we roll it out, that this would have passed already, and so we will do some additional education with those groups of folks who have a prohibition and are well versed in the fact that they have a prohibition. That they are in fact allowed to participate in this. And I can tell you the reason that it's drafted that way is we wanted to be sure to retain the prohibitions that are in statute in those other areas so that outside of this program, they are still prohibited from any of those things that might influence or appear to have influence. And so it seemed to be the most reasonable thing to do; the assumption that it would also go into sections where other employee programs, like recognition programs, and benefit programs are housed in statute. So to the extent as a state employee of looking for all the benefits or programs that are available to them, they would be going into that one section. So I certainly hope so. [LB167]

SENATOR PIRSCH: Yeah, we just want to be clear because if some employee, and I don't think this has, you know, come up very often or ever, but should some employee be doing things in his own personal vested interest in a manner that would otherwise

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

violate law, you know, you would think that then you're going to hang your hat defensewise on I thought it was part of this employee discount program. And you know, it's unclear and so you know, and so just making sure that we have nice tight lines with rules with respect to that, so. [LB167]

LAURA PETERSON: And I think if you look at the program, for example, you have to enroll, you're given a card and it works just like any other discount card you have at a grocery store or whatever, where you have to have that card in order to get that particular discount. And so if they were doing something outside of the program, presumably it would be without that card and the instructions on using that card are relatively clear. So it should be a relatively black and white line, I would hope. [LB167]

SENATOR PIRSCH: And those rules are...will be explained and signed for by each of these employees or is it just? [LB167]

LAURA PETERSON: When they are enrolling, I would assume that there would be; and we haven't gotten quite to the point of having all the documentation, but presumably there would be a clear indication of what you do to participate, to take advantage of a discount that's in the program. [LB167]

SENATOR PIRSCH: Okay. And then quickly, and I don't mean to belabor this, but with respect to privacy concerns, would we, are we...we're not entering into something new where we're revealing certain information about our employees that would not otherwise, has not been in the past been divulged to vendors or anything of that sort, correct? [LB167]

LAURA PETERSON: Absolutely not. We would not be releasing any personal information about the employee beyond information that is already covered about employees in the Public Records Act. So all nonpersonal information, your name, your agency, your job duty, your contact information at work. [LB167]

SENATOR PIRSCH: Very good. Thank you for your answer. Is there any other questions from the committee? Seeing none, are there any other proponents of LB167? Seeing none, are there any opponents to LB167? Seeing none, are there any here interested in testifying in the neutral capacity for LB167? Senator Avery, do you want to close? [LB167]

SENATOR AVERY: I'll waive closing. [LB167]

SENATOR PIRSCH: We'll move on then to LB168. Again, Senator Avery is the sponsor. Whenever you're ready, Senator. [LB168]

SENATOR AVERY: Thank you, Senator Pirsch. My name is Bill Avery, spelled

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

A-v-e-r-y. I am here to introduce LB168 which is a reverse auction proposal, and I'm doing this at the request of the Department of Administrative Services. What LB168 would do is allow the state purchasing bureau to use a reverse auction to acquire certain goods if the bureau determines that it would be advantageous to the state to do so. It applies only to specified goods, not to services. This is a form of auction that's used fairly widely in business-to-business procurement transactions. It's a type of auction in which the role of buyer and seller are reversed. Most of us are familiar with the traditional, ordinary auction which is known as a forward auction where the buyers compete to obtain a good or a service. The primary objective of a reverse auction is to drive down the purchase prices by making, by reversing the auction so that sellers compete to obtain the business. And they do so in an open and interactive environment unlike most of the forward auctions where it's a closed system. This would be an open, interactive environment. Bids are opened and made public immediately. Bidders are given the opportunities to submit revised bids until the process is complete. So this puts the buyer at an advantage situation because the sellers are competing among each other in an open environment to get their product sold so that the buyer then can see, and everybody else can see what the lowest bids are. And if I'm a seller and I see a competitor over there has a lower bid, I can revise my bid and then get lower still. This would be a process whereby the Department of Administrative Services would provide notification of the intent to use reverse auction and awards would be made to the lowest responsible bidder. Now, it is my hope and expectation that responsible bidder means that the state would go with the best value. And I would ask that testifiers that follow me answer that question. I'm not sure if responsible bidder means that, but I think it might. The bureau may contract with a third-party vendor to conduct a reverse auction in this bill. There are currently 13 states that allow reverse auctions including Iowa and Minnesota. The Department of Administrative Services believes that Nebraska will be able to improve our pricing, and the procurement of goods, and the whole process would be enhanced by quickly using a reverse auction. There will be, I think, Miss Peterson will be speaking next to answer any questions you might have. But if you have any of me, I'd be happy to take them. Thank you. [LB168]

SENATOR PIRSCH: Very good. Are there any questions for Chairman Avery? Seeing none. [LB168]

SENATOR AVERY: So all the tough questions go to the people who follow me. I like it that way. Thank you. [LB168]

SENATOR PIRSCH: Then we'll have the first proponent. [LB168]

LAURA PETERSON: Senator Pirsch, members of the committee, my name is Laura Peterson, P-e-t-e-r-s-o-n, general counsel for the Department of Administrative Services in support of LB168, which was introduced at the request of the department. In this bill, like the others you're hearing today that we requested, we're seeking administrative

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

flexibility through an additional tool to be utilized in the procurement process for the state. The bill relates to procurement of goods and in it, we are seeking authority to utilize the reverse auction process when it is deemed appropriate by the purchasing bureau. Reverse auction, as Senator Avery really covered, is the process whereby the state would indicate its desire to purchase a specified good. Bidders would bid usually using the internet in a real-time open atmosphere. In this process, each bidder sees the current bid, has an opportunity to bid to supply the good at a lower price than the current bid price until the predetermined big closing time. The process is utilized, as you heard, by 13 states. They include Texas, Oklahoma, Iowa, Utah, and others. I did provide to Senator Avery and to committee counsel a summary of the reverse auction statutes in those 13 states, and if you're interested in reading that information, I'd be happy to provide additional copies. This process is not appropriate for all procurements, but can increase competition and improve the pricing the state receives on certain goods. It can also decrease the time for procurement in certain instances. Authorizing its use allows the department an additional tool to use as we attempt to do the state's business as efficiently and effectively as possible. I'll also try to answer the question about the best value. The language of the bill requires us to purchase from the lowest responsible bidder, and when we're procuring things, the key word there for value is responsible. So there are, it's sort of a two-pronged test. The first being, is it the value that we desire? Therefore, is it a responsive and responsible bid? And then so we've essentially thrown out those that are not good value, not responsive to our request, and those that remain, then we're taking the least expensive price. So lowest and responsible bidder. So I think that question of value is pretty well covered in the process that we would anticipate and in our current process for that matter. I'd be happy to try to answer any other questions you have about it. [LB168]

SENATOR PIRSCH: Yes, Senator Giese. [LB168]

SENATOR GIESE: Thank you, Miss Peterson. Um, so, devil's advocate, worst case scenario, Senator Pahls and myself have an item that we put, that we're going to bid on, and we are the only two bidding. How do we then arrive at the best value if, if we're together and we're bidding on an item. [LB168]

LAURA PETERSON: Well, I mean, I think when you get down to a certain number of bidders, there are some provisions within the goods statutes that say that we should attempt to have three bidders on any product. And if we don't have at least three, then we need to step back before making an award and review the specifications that were put out and say, you know, were our specifications broad enough and clear enough and good enough that we obtained the maximum competition? And if the answer to that is no, then we would pull that bit and we would rewrite the specifications and reissue it and do it over. If the answer is yes, but we still only have one or two bidders, then I guess I'm not as certain about your question, that you would be bidding together? Or you would be bidding against each other, but that there are only two of you? [LB168]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR GIESE: Well and I'm just saying that if we were together, working together, and we have the same product which we want to sell and we know what, obviously we know what each other bids are, but that's it, you know, we put one bid in and Senator Pahls's is a dollar lower and I know that he's going to get it, but it's not a good value, how do we ascertain? [LB168]

LAURA PETERSON: Well, I think the other thing is generally if we're procuring and we would have an idea of what we would expect to spend on that, either from looking at purchases in other states or whatever. And if we're not getting the value that we think that we should or if the bid is way over what we would have projected for that good, then we would again pull the specifications, look for, you know, can we go out and recruit additional folks to bid. There is never an occasion where we are required, just because we put something out for bid, to purchase the product. And I suspect that in those kinds of cases where we think there's something questionable about the value, that we would then look to do something else. Either we would pull that bid from reverse auction and we would do a formal sealed bid in the hopes of getting someone else or we would start contacting vendors to try to find out what kind of pricing they're getting or contact our counterparts in, you know, states around here to find out what they're getting and try to go about it that way. And that's really the same process when we do the regular sealed bidding or quote bidding that we do now. And I don't, I would anticipate that to change under a reverse auction scenario. [LB168]

SENATOR GIESE: Thank you. [LB168]

SENATOR PIRSCH: Very good. Any other questions? Senator Sullivan. [LB168]

SENATOR SULLIVAN: Thank you. Miss Peterson, how often do you think, if this bill were enacted, you would be using reverse auctions? [LB168]

LAURA PETERSON: That's a good question, and I don't know for sure the answer to that. I would anticipate that it would start out relatively slowly and on goods that really there's no subjectivity to them, and you know, you can truly specify them with a great amount of detail until we saw how the process worked and could feel comfortable with which goods are ideal with this. I anticipate, too, that we would be talking to other states about how frequently they use it, the types of goods that they use it on, and what their success and failure has been on types of goods. But I don't know numberswise or even percentagewise what we would anticipate. [LB168]

SENATOR SULLIVAN: And I would guess I would ask you and maybe even members of the committee that are, have been around longer than I have, if there is any history when we're initiating a new, what do I want to say, practice like this, do we try it for one year and then revisit it? [LB168]



Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

LAURA PETERSON: My experience here and you can ask others is that generally in this kind of thing where we know that other folks are doing it and we're not the first one out of the gate, that we go ahead and authorize it. But if the committee is interested in knowing what the results are, we're always happy to provide you, you know, reports, even just at the request of counsel. If you are really, really interested in it, you know, there's always an interim study kind of process where you could ask us for, more formally, for information about, you know, we passed this law and you've had it for a year; tell us what you've used it on, that kind of thing. We're always happy to provide information to the committee in any one of those kinds of settings. [LB168]

SENATOR PIRSCH: Senator Karpisek. [LB168]

SENATOR KARPISEK: Thank you, Senator Pirsch. Sorry I missed out...is this kind of like an eBay type of thing? [LB168]

LAURA PETERSON: Exactly. Except that... [LB168]

SENATOR KARPISEK: You put it out there, and they just keep... [LB168]

LAURA PETERSON: Except instead of bidding the price up like you would on eBay, we say we want to buy this and vendors would bid down. I can provide it to you for at \$5 per or at \$4 per. [LB168]

SENATOR KARPISEK: And then you set a stop date, end of the month or something? [LB168]

LAURA PETERSON: Exactly. We're going to have this out for X number days. It ends at midnight on this date. And then you would look at whoever the lowest, who the lowest price is, and you would determine if they were responsive. If it meets the qualifications and all of that, and then you would make the award. If it did not, then you would go to the next highest, you know, the next lowest, I guess. Not the next highest, but the next lowest and look to make sure that they met all the value criteria that the specifications and in that way award it to the most responsive, but lowest bidder. [LB168]

SENATOR KARPISEK: And would this all be computerized? [LB168]

LAURA PETERSON: Presumably, yes. [LB168]

SENATOR KARPISEK: Okay, thank you. Thank you, Senator Pirsch. [LB168]

SENATOR PIRSCH: Senator Pahls. [LB168]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office  
Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR PAHLS: Thank you, Senator Pirsch. Does this sound like something like in the past that Senator Preister always tried to do with the DSA (sic) and you guys fought this? Am I thinking of something else? He always looked for a clarification of something and it just, I can't just can't grab it right now. [LB168]

LAURA PETERSON: I know he, I mean, the bills I'm most recently familiar with of his were really related to conducting a cost benefit analysis. But his general interest has been in service contracts. And this applies only to goods. [LB168]

SENATOR PAHLS: Right. But that's what I was looking for, the cost benefit analysis and you guys always sort of fought that concept. [LB168]

LAURA PETERSON: I think that particular issue relates to if you are going to, whether you should do a service, not a good, but whether you should hire state employees to do it, or whether you should hire a contractor to do it. And what he was looking for is--and there's actually a bill that you'll be hearing later this session on that same, that's pretty much the same bill--but where you would be required to determine the cost of hiring the state employee to do it and the cost of hiring a contractor to do it, and then compare the two before you would purchase the service. I'm not aware that we ever had a bill from him related to this, but I could be wrong. [LB168]

SENATOR PAHLS: No, what you're talking about, that just is... [LB168]

LAURA PETERSON: We'll be talking about that later in the session, I think. [LB168]

SENATOR PAHLS: Well, then I won't ask any more questions. [LB168]

SENATOR PIRSCH: Any other questions. I just have one quick, and it kind of follows up on Senator Sullivan's. Is it possible to, as we're making this determination, you know, I applaud the Department of Administrative Services coming down and saying there's a method that's utilized in other states that have experienced savings. Can we reduce that statistically? Is there any way to achieve...do any of the other states have some sort of empirical analysis of the cost savings or the methods in which it's been, so that we have a little bit more confidence in installing that. That's the first question, and you don't need to answer that, but if you do that would be helpful to me at least. [LB168]

LAURA PETERSON: We don't have that, but I'd certainly be able to, to ask. [LB168]

SENATOR PIRSCH: And would the, I take it not every, it would be up to the DAS to determine what types of goods purchases would be, seem to make sense in utilizing this new system? Not all of them will be utilized. And so knowing, is there any kind of determinants or factors that weigh heavily with you in saying this is the type of thing that we would employ or at least in other states they have employed that and seemed to be

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

successful. Obviously, would it be the fewer the number of vendors tends to mitigate away from using this type of a system? Or you want, if you have a lot of vendors, then this type of an auction tends to work a little bit better? Is that a true statement? [LB168]

LAURA PETERSON: I think there are a couple of things. I think the number of competitors is certainly important, and really it is with any kind of procurement, but we would have a little more opportunity with this to broaden hopefully the base of people who are interested in bidding. But the other thing is, I think, how subjective the analysis of the good and how it meets the needs of the procuring, the agency who is going to use it. So if it's something that has some subjectivity, it's going to be very hard to do using this kind of methodology. But you know, if you need this specific part and there are ten vendors who provide this part, then there's really no question. Either it's that part or it's not, then it's, it's very much a good model for this because really then you're looking at price. [LB168]

SENATOR PIRSCH: This tends to work with commodity type of purchases a little bit better than perhaps things that may vary slightly. [LB168]

LAURA PETERSON: And the bill is limited to goods. To commodities and not to services. [LB168]

SENATOR PIRSCH: Yeah, and I think Senator Sullivan's point is well taken as well as if, if this were to be accepted, maybe we'd look at...we would want to have some sort of analysis about the way, I would think, at least in my mind, how this has had an effect upon actual purchases. So any other questions, other than that? Thank you very much. Are there any other proponents of this LB168? Seeing none, we'll move to opponents. Are there any opponents of LB168? Any individuals here to testify in a neutral capacity with respect to LB168? Very good. Well, we'll, Senator Avery is going to waive closing. We will then proceed to our fourth bill of the day. That's LB207 and again Senator Avery is the sponsor. Take it away, Senator. [LB168]

SENATOR AVERY: Thank you, Senator Pirsch. My name is Bill Avery, spelled A-v-e-r-y. This is a bill that will deal...that deals with state buildings and properties. LB207 has three provisions. The first one deals with the Governor's residence. I did not know, and I don't know whether you did, that the Governor's residence is inspected every year in the month of June. And this is something that the Governor's Residence Advisory Commission is in charge of. This provision simply would allow the commission more flexibility as to when to conduct the inspection. The inspection would still take place, but it wouldn't necessarily have to be completed in June. The second provision would allow DAS to lease state property to a private entity to provide necessary services when the space is not needed for public use. Currently, the Capitol Commission has the authority to lease space to private entities so this bill provides some consistency in allowing the Department of Administrative Services to also have

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office  
Government, Military and Veterans Affairs Committee  
January 28, 2009

---

the authority to lease to private entities. DAS currently has to go through the vacant lands and excess property committee procedure in order to lease to private entities, which is a much longer and cumbersome process. This portion of the bill also provides DAS with more flexibility to lease to private entities when state property is not...when it is not needed for public use. The final portion of this bill repeals a section of law 81-1108.40 which allowed the Department of Administrative Services to purchase a building to house the Nebraska Library Commission. This statute was passed in 1973. We still don't have that building. The building was never built. A building was not purchased. We do not foresee that that is going to happen. So we would desire that this part of the bill outright repeal that section of the law. And that...therein lies all the provisions of this bill. [LB207]

SENATOR PIRSCH: Very good. Are there any questions for Chairman Avery? Senator Sullivan. [LB207]

SENATOR SULLIVAN: Thank you, Senator Pirsch. Senator Avery, is this usual to have so many provisions that are in some way not directly related to each other? [LB207]

SENATOR AVERY: We bundled this...these, because they deal with state buildings. And rather than come in with three separate bills, we bundled them into one. [LB207]

SENATOR SULLIVAN: Okay. [LB207]

SENATOR AVERY: It was a parsimonious procedure. Do you like that one, Russ? (Laughter) [LB207]

SENATOR PIRSCH: Any other questions for the Chairman? Senator Giese. [LB207]

SENATOR GIESE: Thank you, Senator Pirsch. Senator Avery, just a quick example, if you would, on what type of buildings we would lease to state, to private entities? [LB207]

SENATOR AVERY: What type of buildings? It wouldn't be this one. You know, I'm going to have to toss that question to Miss Peterson, because I cannot think of one. But I'm sure there are probably many examples that she could come up with. I'm sorry. [LB207]

SENATOR PIRSCH: Very good. Any other questions? Seeing none, we'll move on to our first proponent. Miss Peterson. [LB207]

LAURA PETERSON: (Exhibit 1) I'm passing around, having them pass around my testimony. Oh sorry, my name is Laura Peterson, P-e-t-e-r-s-o-n, general counsel for the Department of Administrative Services here in support of LB207 which also was requested by the Department of Administrative Services. I am passing my testimony to

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

you, and I'm not going to read through it because I think Senator Avery pretty much said everything on this page, so. But I will be happy to answer your questions. And I'll start by answering the question about what type of buildings we would lease. And I want to be clear, I don't think we're intending to lease a whole building, but it's more, for example, right now, in the Capitol, we are leasing the space to the cafeteria and we're leasing the space to the gift shop. And so those kinds of things. Other examples may be part of our employee benefit plan. There has been some interest, some approach by pharmacies who would like to be able to provide prescription drugs as part of our health plan to employees out of like a small space in the State Office Building. So maybe a nurse's station or a pharmacy or something like that for the purposes of state employees. But not an entire facility. It could also be, in a case where an agency is working with a private entity or a nonprofit entity, and we would, they would want to colocate to provide services to the public. It would provide us an easier mechanism to lease out a room or a space in conjunction with an agency for that public-private sort of partnership. [LB207]

SENATOR PIRSCH: Thank you. Are there any other questions? Senator Pahls? [LB207]

SENATOR PAHLS: So--and this may be a little bit off the subject--but where the gift shop is right now it is my assumption, I'm assuming that that's not going to be around much longer? [LB207]

LAURA PETERSON: That's my understanding, although I don't know very much detail about that. [LB207]

SENATOR PAHLS: So if Starbucks would want to come in here, they could? [LB207]

LAURA PETERSON: Well, actually they could already do that. Because the Capitol Commission has this authority, almost word for word, what we're requesting. And if you recall, just a few years ago, the Capitol Commission and Building Division were all together. And when we split those up, the Capitol Commission retained this authority to do the leasing, and it didn't get put into the Building Division section. So we're really just cleaning that up so that we have equal authority. So yes, if you wanted Starbucks to go in there, you could talk to Bob Ripley, and he would have the authority to lease. I don't know if that's a good idea or not, but you could talk. [LB207]

SENATOR PAHLS: Oh, I see a smile on your face. I'm not a Starbucks person, but some, you know, the City of Lincoln has several good coffee shops. [LB207]

LAURA PETERSON: Yeah. And those kinds of things, I mean, I think we're trying to allow flexibility in using that space. [LB207]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office  
Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR PAHLS: Did I hear you'd endorse that, is that what I'm hearing from you? No, I'm just kidding. [LB207]

LAURA PETERSON: Well, I don't know if the downtown Starbucks might be sad to see me go, but. [LB207]

SENATOR PAHLS: Okay. Thank you. [LB207]

SENATOR PIRSCH: Any other questions? I guess I had a question, in the State Office Building there is a cafeteria over there as well. Is that leased or is that state? [LB207]

LAURA PETERSON: It's actually a slightly different arrangement. There's a provision in statute that provides for the blind and visually impaired to do vending and cafeteria work. And that particular space as well as the vending in several of the smaller state office buildings, or state-owned buildings that are right around the Capitol are handled under that provision of statute. [LB207]

SENATOR PIRSCH: Okay. And is, well, let me ask you this. A second question which is different. There's no danger of getting into the game of leasing and having, you know, quarrels or situations where private companies then want access or demand access, right? I mean, this can be a controlled process, correct? [LB207]

LAURA PETERSON: Right. And I think there are a couple of things about that. First of all, even right now, we can do this, but we have to declare that space vacant and excess and in this bill that talks about space that is not needed for a public purpose, and then we would do essentially, probably a bidding kind of process or some sort of selection process where we would decide the type of service that we thought was needed in that space like a cafeteria, for example, and then--like was done with this cafeteria in the Capitol--you go out and you say, we want a cafeteria that serves these kinds of hours and then you allow the private sector to come in and pick the best value. Even though it's not a price thing like the kinds of bids we were talking about with reverse auction, it's, you know, what can they offer and how is that going to be done. So I would anticipate that same kind of selection type of process where we decide what we want in there, and then go looking for it. [LB207]

SENATOR PIRSCH: And would...who would it be up to to decide if there's a...you determine first a need, we'd like to have some sort of food and beverage provider in this space or is it...or are they, I mean, and then you solicit bids, is that how you uniformly do that or can you just make without having, is there a requirement that you publish the need and that all interested vendors then would have a chance to apply, or would that be just you can separately determine the need and contact an independent vendor if you so, just one vendor and contract with them if you have a feeling that that is a company that would meet your need? [LB207]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

LAURA PETERSON: I don't know that the detail of that is spelled out in the bill, but the provisions are provided to the, or the authority for the buildings other than the Capitol, of course, which already has that authority are provided to the State Building Division who has the rules and regulations and policies and procedures regarding a variety of things. And I would anticipate that through that process we would have done it by how we were going to go about that. The experiences that I have with it, like I said, are the things like the Capitol cafeteria. And the process there was essentially a request for proposal process, a bidding process. I don't know that they were mandated to do that, but I think generally because we use that process for most other activities, it's the easiest thing to do and we have some other overarching statutes that require us whenever we're procuring something to do it in the best interest of the state with the maximum competition, and I would think even though it's not spelled out to use a bid process that those overarching, you know, statutes that require access to state government deals and fairness and competition would kick in. [LB207]

SENATOR PIRSCH: Do you see this making sweeping changes, in other words, do you see then if we're leasing space, do you see then all the sudden because there are, in some of these buildings, a large number of state employees work in, so a captured, perhaps, audience is a good term. Do you see then, oh, I don't know, say, a financial institution, a bank or whatnot, saying it's in our... [LB207]

LAURA PETERSON: I actually wouldn't anticipate a huge amount of activity under this particular provision. I think we've only, you know, done a few things. I actually think, in the buildings around here, you maybe could be talking about a little room because there just isn't that much excess space because of the number of employees and state activities. But there are some state office buildings and state-owned properties in other communities where it's a little more, as agencies don't have as much activity there or have, you know, more ability to do things electronically, if we don't need to fill that space, that we want to be able to have the space full. So I, in fact, I don't know that we have any one particular thing waiting for this bill. But when it's come up in the past, we've said, well, if we're going to do that, we need to go through this process where we end up declaring one room of a building vacant and excess. And that process really was intended for whole properties that are excess. And it's just not very conducive to this kind of thing. So I think we're really just bringing this in anticipation of being flexible when an agency needs to partner with a nonprofit to provide benefits or whatever it is; that we have the ability to facilitate those kinds of things. [LB207]

SENATOR PIRSCH: Okay. So you don't see this as like a mechanism to perhaps bring in a great sum of additional, great revenue to the state by seeking out or looking at industries or whatnot that would have value access to state employees and then it would for the purpose; it would just be essentially utilizing--the concept beneath this is utilizing unused office space in the building and so that you're at least breaking even on,

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

in terms of the heating and the lights and space. [LB207]

LAURA PETERSON: Absolutely. And I would anticipate it's more focused on state functions that need to have a connection to the private sector and utilizing space appropriately, and potentially employee benefits like, you know, we want people to have easier access to their pharmacy benefits and less time away from work driving to obtain those services. But that's still a function that is already done by state government, and we're already providing the health plan--as we talked about earlier and the prescription coverage--and likely we would talk to a vendor who had already been selected to provide, you know, pharmacy coverage and work with them that way. So no, I don't anticipate that all of the sudden we start farming out our space to every, every private business. [LB207]

SENATOR PIRSCH: Thank you. Any other questions? [LB207]

SENATOR SULLIVAN: One quick question, Senator Pirsch. [LB207]

SENATOR PIRSCH: Senator Sullivan. [LB207]

SENATOR SULLIVAN: Thank you. Miss Peterson, just to make sure all bases are covered, the task force's responsibility is to inspect all state buildings? And is there any, are there any others that are on specific month specified and are you going to eventually want those changed as well? [LB207]

LAURA PETERSON: The Task Force for Building Renewal is responsible for a deferred maintenance fund for state buildings and they do, in fact, inspect every building annually, but I'm not aware of any other ones; but I'm not sure the annual inspection is in statute, and I'm not aware of any others that specify the month. So I would hope that you won't see us back. And it's possible with as many statutes as we have; we've missed one. But I am not aware of any others. I believe this one is the only one, and it's the only one that has an Advisory Commission that is required to meet after the inspection. The way this works, the task force does the inspection in June, and then the Governor's Residence Advisory Committee or Commission is required to meet after that inspection is done. And so I think it's possible that when they were creating that language about the Advisory Commission, that's how the month of June got put in. And I'm not aware of any others. [LB207]

SENATOR PIRSCH: Very good. Any other questions for this testifier? Seeing none, thank you very much for coming down here today. Are there any other proponents of this fourth bill, LB207. No proponents? No other proponents? Are there any opponents? Is there any individual who would like to testify in the neutral capacity here today? Seeing none, Senator or Chairman Avery, would you like to close? I'll take that as a waive. So I'll turn the Chair back over to Chairman Avery then. [LB207]



Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

SENATOR AVERY: Thank you, Senator Pirsch. That closes the hearing on LB207, and that is the end of our work for today. I would ask the committee to stay for a few minutes, however. [LB207]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Government, Military and Veterans Affairs Committee  
January 28, 2009

---

Disposition of Bills:

LB116 - Indefinitely postponed.  
LB167 - Placed on General File.  
LB168 - Placed on General File.  
LB207 - Placed on General File.

---

Chairperson

---

Committee Clerk