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Appropriations Committee
January 24, 2012

[LB968 LB969]

The Committee on Appropriations met at 1:30 p.m. on Tuesday, January 24, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB968 and LB969. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Tony Fulton; Tom Hansen; Heath Mello; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: Danielle Conrad.

SENATOR HEIDEMANN: I think we're going to go ahead and get started. Welcome to the Appropriations Committee. We're going to go ahead and start with self-introductions starting over to my right.

SENATOR NORDQUIST: Senator Jeremy Nordquist, District 7, downtown and south Omaha.

SENATOR HANSEN: I'm Tom Hansen, Lincoln County, District 42.

MICHAEL CALVERT: Michael Calvert, Legislative Fiscal Analyst.

SENATOR HEIDEMANN: State Senator Lavon Heidemann, District 1. Also to my right that will not be with us today is Senator Conrad from Lincoln is home with her newborn child. Senator Wightman is in another committee presenting a bill. To my left:

SENATOR HARMS: John Harms, 48th Legislative District, Scottsbluff, known as God's country.

SENATOR NELSON: State Senator John Nelson, District 6, central Omaha.

SENATOR FULTON: Tony Fulton, District 29, Lincoln.

SENATOR MELLO: Heath Mello, District 5, south Omaha and mid-town.

SENATOR HEIDEMANN: And sitting next to Heath's left is Anne Fargen, who is the committee clerk. Our pages for the day are Christina and Alex. We're blessed with two today. At this time we ask if you have cell phones that you please shut them off as not to be disruptive later. Testifier sheets are on the table near the back door so we ask that you would please fill them out completely and put them in the box on the table when you testify. At the beginning of your testimony, we would ask that you would please state and spell your name. Nontestifier sheets near the back door so if you do not want to publicly testify but would like to record your support or opposition only fill out if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of the testimony. We need 12 copies. We just ask you keep

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your testimony concise and on topic. With that, we are going to open up...that is not the right one, right here...the public hearing on LB...and if this is all right with Gerry, both bills at the same time, LB968 and LB969. We're ready to go if you are.

GERRY OLIGMUELLER: (Exhibits 1 and 2) Okay. Good afternoon. Senator Heidemann and members of the Appropriations Committee, for the record my name is Gerry Oligmueller. My name is spelled G-e-r-r-y O-l-i-g-m-u-e-l-l-e-r. I'm the state budget administrator and administrator of the Administrative Services State Budget Division. I'm appearing here today on behalf of Governor Heineman in support of LB968 and LB969 which contain the Governor's mid-biennium budget adjustments. The contents of this legislation have been summarized and presented to you in a printed publication entitled Mid-Biennium Budget Adjustments 2011-2013 Biennium and dated January 12, 2012. I've provided a copy of that printed publication along with my prepared remarks to the committee clerk for your records. In addition, we have posted this publication on the state budget division Web site. The state of Nebraska ended the most recent fiscal year 2011 with tax receipts in excess of the certified forecast by \$145 million. Those monies were automatically transferred to the state Cash Reserve Fund. In addition, this past October the Economic Forecasting Advisory Board increased its estimate of net General Fund tax receipts for the current biennium by \$113 million, of which \$52 million is credited to the estimated balance of the state Cash Reserve Fund. The difference of \$61 million is credited to the estimated balance of the General Fund. It's quite a departure from the last two or three times I think I've spoken to the committee. But that said, as a consequence the state Cash Reserve Fund estimated biennium ending balance is \$414 million. In addition, prior to consideration of any mid-biennium budget adjustments, the variance from the required minimum balance in the General Fund is \$50 million. The Governor's mid-biennium budget recommendations contained in LB968 and LB969 do not include additional transfers from the state Cash Reserve Fund. The Governor has recommended various adjustments for the 2011-13 biennium General Fund appropriations in LB968 which represent a net reduction of \$29.5 million in General Fund appropriations. On January 12, 2012, the Governor also proposed a middle class tax relief initiative, LB970, which has been referred to the Revenue Committee and scheduled for hearing on Thursday of this week. LB970 is estimated to reduce FY '13 net General Fund tax receipts by \$52 million. The biennium ending balance in the General Fund after the Governor's mid-biennium General Fund appropriation adjustments and his tax relief proposal is \$37 million above the required 3 percent minimum balance. The tax relief proposal also reduces net General Fund tax receipts by \$275 million in the following biennium. Based upon current projections of tax receipts used for planning purposes, this reduction in tax receipts will allow for budget growth of 2.8 percent in the following biennium, not accounting for additional General Fund revenue that will be added by the usual securities, insurance, and tobacco products transfers to the General Fund, which would increase these planning estimates to 3.3 percent. The Governor's January 12 recommendations contained in LB968 address the mid-biennium budget adjustments requested by various state agencies,

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boards, and commissions. It also contains recommendations that recognize revisions in the cost estimate of specific programs. LB969, the other bill, proposes three specific adjustments related to fund transfers. The first one in Section 1 corrects an error in LB585 from the 2011 session regarding the fund from which a tort claim should be paid. The second provision, Section 2 and 3, harmonize statutes providing for closeout of the Ethanol Production Incentive Cash Fund so that only the exact amount of General Funds are transferred to EPIC that are necessary to reimburse the Cash Reserve Fund for transfers made from it to the EPIC fund for cash flow purposes this year. And the third element of that bill is that enabling statute of the Department of Administrative Services cash fund is amended to allow it to receipt monies to be used for multicultural or diversity education, training, and events. My understanding is that you've been briefed on these requests and recommendations and have made preliminary decisions. Also you have scheduled hearings for the balance of this week and next week with individual state agencies for further consideration. Thank you and are there any questions? [LB968 LB969]

SENATOR HEIDEMANN: Senator Mello. [LB968 LB969]

SENATOR MELLO: Thank you, Chairman Heidemann. Thank you, Director Oligmueller, for your testimony and for your service to the state. I know this committee appreciates the working relationship we have with your department and with the executive branch when trying to solve the state's problems. Two questions I have. One regarding the information presented in the Governor's proposed budget that involves fiscal years 2013-15. He mentions, in your testimony you also go through the LB970 proposal the Governor put forward, the "middle class tax relief initiative." To accomplish that, you list in the projections that you will keep spending at 2.8 percent the following years. My question is what statutory changes has the administration come up with to ultimately reduce spending from the projected 9.7 percent and 5.1 percent in regards to our legislative fiscal status in comparison to the 2.8 percent? What can you provide this committee as well as the public at large of what changes, what reductions will have to occur in state budget programs and agencies to meet that 2.8 percent? [LB968 LB969]

GERRY OLIGMUELLER: Well, what we've included in our package is for planning purposes an estimate of what growth can occur in '14 and '15, not what reductions or that a reduction needs to occur in the state budget in '14 and '15. Of course, the Governor will make specific recommendations on the '14-15 biennial budget on January 15 of 2013. So what we've done is followed the customary approach on a mid-biennium to lay out what the implications of anything we brought forward mean for planning purposes heading towards '13-15 biennium, for example. That's certainly beyond what's, you know, required of the Governor, but it's done nonetheless for planning purposes. [LB968 LB969]

SENATOR MELLO: Do you...I mean and if you...you do not, I guess, off the top of your

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head if you can get back to us it's fine, what's...to achieve that 2.8 percent planning number, that would require significant amount of statutory changes in regards to our TEEOSA funding formula as well as some other potential changes, such as state employee salaries, state employee health insurance, other programs that we have in statute are required funding increases. Does the...is the administration, the Governor come up with a list of those proposals now that the Legislature can consider as we're starting to consider his other proposal in LB970 to be able to weigh what statutory changes we may have to make to accomplish his goal in LB970? [LB968 LB969]

GERRY OLIGMUELLER: Well, I think it's apparent that with or without the tax relief proposal there will undoubtedly need to be a look at school aid funding in the following biennium that currently would be projected to grow I think in the first year somewhere between 20 and 30 percent. I don't think that's realistic. [LB968 LB969]

SENATOR MELLO: Okay. My only second other question is you mention in your testimony the Governor, quote, unquote, the Governor also proposed a middle class tax relief initiative, LB970. What is the Governor's definition of middle class? [LB968 LB969]

GERRY OLIGMUELLER: Well, I think if you look at the tax tables that are structured you'll see, you know, a lot of leveraging of larger tax increases to the lower end of the income scale. So you...I don't know what he would specifically pick as the break points for those, but I think if you look at the structure of the tax tables it's pretty evident that it's towards the lower income brackets. [LB968 LB969]

SENATOR MELLO: Okay. So that would...by based on that through his...the book we received here the mid-biennium budget adjustments that the lower brackets would fall in regards what... [LB968 LB969]

GERRY OLIGMUELLER: Yep, the greatest percent. [LB968 LB969]

SENATOR MELLO: ...that the Governor believes that would probably be what he considers to be middle class in regards to discussing his proposal. [LB968 LB969]

GERRY OLIGMUELLER: You know, I haven't spoken to him specifically about what the actual dollar break points are for that definition. But you can see that the tax breaks or tax cuts that are embodied in that proposal affect everyone and towards the lower end of the scale to a greater percent. [LB968 LB969]

SENATOR MELLO: Is the administration devising that component which is based partially on LB968 and LB969 been able to run numbers in regards to the numbers of Nebraskans that would be affected by these changes by the individual tax brackets? [LB968 LB969]

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GERRY OLIGMUELLER: Well, to the extent that's available I suspect it will be presented on Thursday. [LB968 LB969]

SENATOR MELLO: Okay. [LB968 LB969]

GERRY OLIGMUELLER: I don't have that with me today... [LB968 LB969]

SENATOR MELLO: Okay. [LB968 LB969]

GERRY OLIGMUELLER: ...and didn't intend to go into detail on LB970 so. [LB968 LB969]

SENATOR MELLO: I will pay attention then Thursday on that presentation. Thank you, Gerry. [LB968 LB969]

GERRY OLIGMUELLER: Yeah. [LB968 LB969]

SENATOR HEIDEMANN: Out of curiosity, I just got one quick question. Looking at your General Fund financial status for the out years, you arrived at increased spending of 2.8 percent in the first year and 2.8 percent in the second year for the average of 2.8 percent. How did you arrive at those numbers? [LB968 LB969]

GERRY OLIGMUELLER: Well, it's based on what the forecast of available revenue is pursuant to the receipt forecasts that are presented by the Legislative Fiscal Office and the Tax Rate Review report last November. So it's what that spending can support based on...or what those tax receipts can support by way of spending going forward in '14-15 and preserving the 3 percent reserve requirement at the end of that biennium. [LB968 LB969]

SENATOR HEIDEMANN: So it was a number that was plugged in there to make things work. [LB968 LB969]

GERRY OLIGMUELLER: It's what the budget can grow and preserve a 3 percent reserve requirement at the end of the fifth...following biennium. [LB968 LB969]

SENATOR HEIDEMANN: Senator Nordquist. [LB968 LB969]

SENATOR NORDQUIST: Thank you, Senator Heidemann. I guess just follow up there on what the budget can grow. So I guess how is this budget constructed? Did we say we are going to pass a tax cut this size and then we're going to fit our spending growth around that? Or did we say here's the needs of Nebraskans, here's what we need to spend, and here's what we have to afford for tax relief? [LB968 LB969]

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GERRY OLIGMUELLER: There was a considerable look made forward to '14 and '15 and what was projected as potential future spending in '14 and '15 and considerable discussion about what is a reasonable level for the state budget to grow in '14 and '15. [LB968 LB969]

SENATOR NORDQUIST: So following up on that and then a little bit on Senator Mello's question, at this point there's no penciling in of what that, I think you have \$299 million of new spending in the next biennium for growth. In the status sheet, there's nothing really penciled in, in that amount right now for this is the...these are the obligations we have to meet. [LB968 LB969]

GERRY OLIGMUELLER: Could you ask the question again? [LB968 LB969]

SENATOR NORDQUIST: Oh. So in your status sheet you have \$299 million... [LB968 LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR NORDQUIST: \$99 million in the first year; \$200 million in the second year. At this point do you have anything, you know, not set in stone but penciled in saying we have this much required for state employees' health insurance, this much for Medicaid growth? [LB968 LB969]

GERRY OLIGMUELLER: Nothing has been penciled in specifically, no. In fact, you'll get another shot at a new forecast on February 24. I mean that will dictate your view of what you think the budget might be able to grow or how large you think tax cuts could be. I mean there could have been certainly in this mid-biennium a proposal for a much more significant tax reduction if you're looking at and willing to support a lower level of growth in state spending going forward in '14 and '15 as well so. The proposal that laid in front of you was viewed as what's a reasonable level for the state budget to grow in '14 and '15, and that had the consequence of sizing a tax cut. [LB968 LB969]

SENATOR NORDQUIST: For just I guess I'll walk through kind of a scenario that I've been looking at just numberswise and just express my concern for our ability potentially to afford certainly this tax cut package. And we look at that \$299 million, \$300 million already. Since...and certainly it's no fault of your own, since you guys have put out your budget, we've seen a TEEOSA number respun that's \$15 million more. So we put that in this year and the next two years we hold TEEOSA flat, that's \$45 million so that takes us down from \$300 million to \$255 million. We have...if we factor in the number that the Fiscal Office generated for us on salaries and health, and I know that's yet to be negotiated, that was \$130 million over the biennium. That leaves us \$125 million of new spending in the next biennium. And has the administration in your number, the \$300 million, did any assumptions for healthcare reform implementation yet? [LB968 LB969]

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GERRY OLIGMUELLER: We have not penciled in anything specifically in '14 and '15. And what I'd say maybe to you, you know, put some additional perspective on it is over the last ten years the average annual increase in General Fund appropriations has been 3.2 percent. Okay? Over the last 20 years, 4.1. So this package is clearly in the range of what's possible, the kind of budget growth we've experienced over the last two decades on an average annual basis. You experience some ups and downs, of course, in terms of demands on spending, and you experience some ups and downs, of course, on the receipt side as well. But the mid-biennium package and its implications looking forward to '14 and '15 I think fall within the range of where the Legislature has grown the state budget over the last two decades. And I understand there's, you know, individual things occur that will change something, a number on the spending and receipt side both and, you know, some of that will occur over the next two to three weeks as school aid gets certified and as you get a new revenue forecast. And you have that additional benefit of time that the Governor didn't when he had to present his recommendation on January 15. But that historical context of where this budget has been I think frames this package well in terms of what's possible going forward in '14-15. [LB968 LB969]

SENATOR NORDQUIST: I appreciate your explanation of the historical budget growth. I would say, though, that looking at 2.8 percent versus an average of 3.2 percent I think we need to look at that in perspective of coming off of multiple budget years and making hundreds of millions of dollars worth of spending reductions and our ability to make those investments in key areas going forward. When you come out of a trough, you may need to exceed the average. But...and I just want to get this into the record here as well on...so after I walk through the salaries and health insurance for state employees, we're looking at \$125 million and then if we do look at healthcare reform costs from the Department of Health and Human Services, the study that they funded, it showed a potential cost of \$85 million to \$120 million for healthcare reform costs in the next biennium, which would leave our bottom line anywhere from \$5 million to \$40 million to meet any additional spending for higher education, Medicaid, or child welfare reform. So I just wanted to express my concern about the fiscal situation that we would be in at that point should those scenarios play out. [LB968 LB969]

SENATOR HEIDEMANN: Senator Fulton. [LB968 LB969]

SENATOR FULTON: Thank you, Mr. Chairman. Thanks for being here, Mr. Director. I'd like just philosophically how the budget was crafted, was there any eye toward future revenue? Was there any...generally when budgets are crafted in government one recognizes the receipts to treasury and gauges those disbursements which can be afforded within those receipts. And so is that...how you guys went forward, were you projecting a certain amount of revenue or expecting a certain amount of revenue based on a hysteresis for the previous 20? You talked about the history of the past 20 years of budgeting. There's also the same history of revenues and so I'm curious if that entered

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into the... [LB968 LB969]

GERRY OLIGMUELLER: Yeah. You know, and the information put together on revenue would suggest historically we've experienced about 5 percent historical on an average annual basis growth in tax receipts. We're coming off a, I mean we're in a very good period right now I think, even though, you know, the expectation is for stronger growth. We've had I think six quarters on a...quarter over prior year quarter of increase in tax receipts now so we're seeing continual growth, not an erratic performance on tax receipts. They're looking better than forecasted month to date. The current forecast that you're using for planning purposes are driven to a conservative side to some respect because they're part of a five-year moving average that has some high growth years on the front end of that average. So '14 and '15 are, you know, not unreasonable, not an unreasonable view of tax receipts, maybe leaning in the direction of a possibility to show improvement. We'll get a better idea on the 24th when the Forecast Board meets. But in preparing the '14 and '15 budget, we'll have that look again in October. The econometric services point to improved performance of the economy in those years compared to the current. So we've looked at that, taken into consideration what was presented to the Forecast Board, took a look at the numbers that are included in the Tax Rate Review Committee report, have a general positive attitude about how Nebraska is performing. BLS issued its state and regional report on employment today and that shows more people employed and certainly more people employed in Nebraska than a year ago so we're seeing some positive economic signs; got a good message going nationally as far as the business climate here. So, yeah, we have those discussions. We take a look at those numbers, get a general sense of what seems reasonable and what fits the capacity of Nebraska state government as it goes through its budgeting process looking forward. [LB968 LB969]

SENATOR FULTON: Okay. In the event and we knew the answer to the question, but it's important to have the conversation because I think Nebraskans, at least when I first got here, didn't...I didn't...the way I set budgets in my home is we decide what it is we need and then hopefully we can stand underneath what we earn. It's a little bit different here. We in government will tend to adjust our expenditure based on the amount of revenue coming in. And so it's reasonable to expect that that is what happened in the executive branch and that leads to my second question. In the event that there is a decline in revenues or at least in the foreseeable future there could be perceived a precipitous decline in revenues, would there be a congruent proposal to come out, a follow-up from the executive branch? [LB968 LB969]

GERRY OLIGMUELLER: Well, I think part of the current proposal tries to mitigate some of the risk of that occurrence by not reaching into the Cash Reserve Fund, beginning to use it or spend it on various things. So our view is we still need to exercise some caution in that regard. Our view of that was to continue to move in a direction of replenishing the Cash Reserve. It was just about a little bit over \$500 million heading

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into the so-called Great Recession. And we're about \$137 or so million short of being there, but we're reasonably close. And, you know, that's part of the equation, I guess, as you look forward to '14 and '15. And you're wondering whether or not the current view with regards to where tax receipts might go in the future is going to hold. And if you have any question in that regard, you try and maintain an adequate Cash Reserve so you can smooth any bumps you hit along the way so. [LB968 LB969]

SENATOR FULTON: Okay. [LB968 LB969]

SENATOR HEIDEMANN: You talked about the February forecast. You talked about next October's forecast and we're going to have a better picture of it and a better view of what's going to happen as far as revenue. I was...my first year was 2007 as Chair, been on the committee since 2005, but I was part of Appropriations Committee that left a lot of...we budgeted, we thought we budgeted for what was needed and left a lot of money on the table for major, the most major tax cut proposal that the state of Nebraska has ever seen. We did that during a budgeting year. Wouldn't it be wiser to wait one year to get that...find out what February and what October forecast does for us and then budget and then find out what we can do for tax relief? Wouldn't that be a little bit more responsible? [LB968 LB969]

GERRY OLIGMUELLER: You know, I don't think there's any reason you cannot during the 2012 Session decide the kind of and size of budget you're willing to allow for '14 and '15. The Governor has a strong interest in providing tax relief to Nebraskans who've experienced some very difficult personal times and continue to improve our economic climate. So we are in a better...continue to be in a better position relative to other states to grow our economy. [LB968 LB969]

SENATOR HEIDEMANN: But if we waited until next year, you would have a better idea of how it's all going to unfold at the same time. [LB968 LB969]

GERRY OLIGMUELLER: You know, you can always wait. You can always wait another five years and another ten years or you can make a decision regarding what you want to build as future years. And I think the Governor is basically trying to create an attractive business climate for Nebraska, provide tax relief to its citizens who are struggling, you know, in their own ways to allow for a state budget in '14 and '15 that is reasonable--3.3 percent, not two times that. There isn't really any reason you can't make a decision today based on the information that's available to you. And there's risk associated with decisions we make on both the spending and receipt side always. And, you know, it's a process. [LB968 LB969]

SENATOR HEIDEMANN: The one other thing that concerns me, we've talked about revenues in the out years and how much money we're going to spend. I watch what's happening in Washington and as an American I hope they get their act together. [LB968

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LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR HEIDEMANN: And I'm convinced if they get their act together it's going to affect the states and how much money flows through Medicare or Medicaid and other programs that the state's involved with the federal government. So I'm convinced if they ever get their fiscal house in order, which I want them to, it's going to affect us. Have you thought about that part of it? [LB968 LB969]

GERRY OLIGMUELLER: Well, you know, I've monitored what the federal government has been doing obviously for a long time. And while much of their discussion is focused on making reductions, they're really talking about reductions to a baseline growth in the federal budget. The FY '12 appropriations adopted by the federal government that affect the bulk of the programs that come to the state of Nebraska actually was a 2.5 percent increase. Now there were reductions on the discretionary side on some of the discretionary programs coming to the state of Nebraska. And there were some pretty significant increases on what are termed mandatory programs. So it's an interesting discussion and I think it argues for instead making a decision about how much can, you know, where do we want to be positioned vis-a-vis taxes and how we tax Nebraskans and what kind of a budget do we want to plan for in the future and decide how much we can afford in that regard as opposed to determine how much you want to spend and, you know, make sure we have the revenues there to spend. So, yeah, it's...I mean it's a little bit different paradigm than is currently being exercised in Congress. They're talking cuts and reducing growth. The conversation today is how much do we want to grow? [LB968 LB969]

SENATOR HEIDEMANN: I just have concerns that, you know, we're still getting you said 2.5 percent more than we got last year. But I'm talking about if they ever wipe out the trillion dollar deficit it's going to affect us, I would have to think, monetarily in a pretty good fashion. [LB968 LB969]

GERRY OLIGMUELLER: I would think it would affect everybody. I mean I...not just programs that the state government has agreed to administer on behalf of the federal government or that we cost-share in. But, you know, there is a considerable amount of federal money that comes into every state in the United States outside of its state government. So, yeah, I would expect that if they ever move in a direction where they're gaining some balance, if you will, with regards to spending and receipts that we'll notice it. [LB968 LB969]

SENATOR HEIDEMANN: Senator Mello. [LB968 LB969]

SENATOR MELLO: Thank you, Senator Heidemann, and thank you, Gerry. Just looking

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at some of the numbers here, I mean I guess it could only...one could only ask that the administration provide this committee any preliminary planning that may be done or has been done in regards to the \$600-plus million in reduction that would come next biennial budget based off of the existing state statutes and the potential adoption of LB970, which would leave, as Senator Nordquist mentioned earlier, the \$299 million of projected new spending for the next biennial budget. So I would make that request of any planning documents that have been provided, any budget preparations have been made in regards to the reductions of property taxpaying entities, K-12 districts, the homestead exemption, things that we as a Legislature will make policy decisions where that would seem as more of a property tax shift from the state to try to reduce property or would try to reduce income or corporate taxes to simply cut spending that ultimately would increase local property taxes. Any documents or research you have I know I would prefer to see that or I would appreciate seeing that and some of my other colleagues might as well. But the one thing I guess I'm trying to get my hands wrapped around and Senator Heidemann mentioned, I wasn't here when the Legislature passed the 2007 tax cuts is planningwise, if it's been traditionally done that a tax proposal has been passed in a budget year, not a deficit appropriation year, essentially is the administration willing to come out and explain or willing to state that they would be willing to call a special session, maybe multiple special sessions--the Governor has already mentioned he will call one on the implementation of state, the health insurance exchanges--but call another special session if needed this year to deal with any potential revenue shortfalls we may have come the October Forecast Board since it seems to be the priority or the policy preference of the administration to pass tax relief this year instead of waiting a year to do it? Is that a position the administration is willing to make in regard to moving forward on LB970 is be willing to call a special session or at least let us know now that we can potentially plan on that if forecasts come back below in February and below in October? [LB968 LB969]

GERRY OLIGMUELLER: I certainly don't have the constitutional authority to answer that question, Senator Mello. [LB968 LB969]

SENATOR MELLO: I can appreciate that, Gerry, (laugh) as I imagine the Governor would appreciate that as well. [LB968 LB969]

GERRY OLIGMUELLER: (Laugh) I enjoyed the question though. [LB968 LB969]

SENATOR MELLO: Well, that will be a question that probably I will follow up then with the Governor at a later date then to see if he'd be willing to make that commitment to the Legislature and Nebraskans as we start to wrestle with these projected fiscal numbers. Thank you. [LB968 LB969]

GERRY OLIGMUELLER: Yeah. [LB968 LB969]

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SENATOR HEIDEMANN: Are there any other, oh, Senator Hansen. [LB968 LB969]

SENATOR HANSEN: Thank you. Gerry, I looked at some of the job statistics this morning from the Department of Labor that came out. It looked to like if you looked through the whole entire documents county by county or areas by areas, at least in the west; I couldn't get the numbers for the more populated areas, but it looked like the job growth or job creation was recorded in the private sector in the local, state, and federal employees even, the number of employees by the public side was down considerably. I thought that was a really good sign and did you take that into effect at all, I mean, in the long range? It only came out today so. [LB968 LB969]

GERRY OLIGMUELLER: Yeah. I didn't have a chance to look at the complete report, but one of my staff did give me a quick synopsis and it was exactly what you related. So, yeah. [LB968 LB969]

SENATOR HANSEN: And I think that's a good sign where the private sector is growing and the public is not so. [LB968 LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR HANSEN: Thank you. [LB968 LB969]

SENATOR HEIDEMANN: Senator Nordquist. [LB968 LB969]

SENATOR NORDQUIST: Thank you, Mr. Chairman. You mentioned that...you said six quarters, is that of revenue growth, is that the? [LB968 LB969]

GERRY OLIGMUELLER: Six quarters compared to a year ago, all positive on the tax receipt side for sales and income. [LB968 LB969]

SENATOR NORDQUIST: Okay. Based on your experience, expertise, what's the cyclical pattern of that? So we start heading out for six quarters historically I've heard four to five years we start heading back in. Is that...I mean it's probably tough to put your finger on it exactly, but is it cyclical like that? [LB968 LB969]

GERRY OLIGMUELLER: Everything seems cyclical at some point I guess. [LB968 LB969]

SENATOR NORDQUIST: Okay. [LB968 LB969]

GERRY OLIGMUELLER: But there's no way to know... [LB969 LB968]

SENATOR NORDQUIST: Yeah, yeah. Sure. [LB968 LB969]

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GERRY OLIGMUELLER: ...exactly where any breakpoint might occur. But I mean the general sense is one of continued economic improvement... [LB968 LB969]

SENATOR NORDQUIST: Sure, sure. [LB968 LB969]

GERRY OLIGMUELLER: ...perhaps slower than we'd appreciate but with some stronger growth later on. I think the eight quarters prior to that were negative if I remember correctly so, through that period of the Great Recession. [LB968 LB969]

SENATOR NORDQUIST: Yeah. I guess I'm just kind of on your words too of the importance of building up the Cash Reserve, you know. And we know that at some point, probably not too far off, we will be, you know, heading back down. Hopefully it won't be for several years, but we need to work at this point as we see revenues come back to build up our Cash Reserve to that level. And you mention the importance of it, the Governor has mentioned it on the radio and then through the media, but I don't see anything in this proposal that shows an increase in the Cash Reserve. Is that right? [LB968 LB969]

GERRY OLIGMUELLER: For when? [LB968 LB969]

SENATOR NORDQUIST: For into the next biennium it's still showed at \$413 million. [LB968 LB969]

GERRY OLIGMUELLER: Yeah, I mean it's dependent a little bit on how tax receipts perform certainly. [LB968 LB969]

SENATOR NORDQUIST: Okay. But he didn't do anything...he didn't budget and say we're going to set this amount aside to make sure we can...we have that in our Cash Reserve account going forward. [LB968 LB969]

GERRY OLIGMUELLER: It is at least 414 going forward. [LB968 LB969]

SENATOR NORDQUIST: Okay, thank you. [LB968 LB969]

GERRY OLIGMUELLER: You know, there have been a lot of media reports, for example, this week about university proposals... [LB968 LB969]

SENATOR NORDQUIST: Um-hum. [LB968 LB969]

GERRY OLIGMUELLER: ...that are dependent upon financing out of the Cash Reserve Fund. And I think an important thing for the committee to remember in that regard is that we have \$107 million worth of debt financing to address with the university over the next

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several years for renovation. [LB968 LB969]

SENATOR NORDQUIST: What was that number, sorry? [LB968 LB969]

GERRY OLIGMUELLER: About \$107 million or \$108 million, I forget the exact number, but it represents that annual commitment you have in your capital budget going forward with regards to the university. And that's something you always have to take note of as well when you've got your... [LB968 LB969]

SENATOR NORDQUIST: Sure. But could the Governor, I mean, has the Governor or anyone in the past, I mean I can't remember if we have, but specifically said in the budget I'm going to take \$50 million of revenue and devote it straight off the top, I mean I guess you wouldn't earmark it like that, but you would leave that much cushion to go to the Cash Reserve? [LB968 LB969]

GERRY OLIGMUELLER: It's been done in the past by governors to take that money at least in terms of a recommendation for future planning off the table. [LB968 LB969]

SENATOR NORDQUIST: Yeah, okay. [LB968 LB969]

GERRY OLIGMUELLER: So. [LB968 LB969]

SENATOR NORDQUIST: Thank you. [LB968 LB969]

SENATOR HEIDEMANN: Senator Nelson. [LB968 LB969]

SENATOR NELSON: Thank you, Senator Heidemann. Thank you, Mr. Oligmueller. I just want to be sure I'm clear in my mind here on you made reference to LB970, which is coming up, and the middle-class tax relief initiative. For 2012-13 it would reduce General Fund tax receipts by \$52 million and then in the following biennium by \$275 million that's projected. Part of LB970 is to do away with the inheritance tax. [LB968 LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR NELSON: And I think I've seen figures like that would mean \$60 million. I don't know over what period of time. But is that factored into this \$325 million here? [LB968 LB969]

GERRY OLIGMUELLER: No. [LB968 LB969]

SENATOR NELSON: It's not. [LB968 LB969]

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GERRY OLIGMUELLER: No. [LB968 LB969]

SENATOR NELSON: That's a separate thing altogether. [LB968 LB969]

GERRY OLIGMUELLER: Yeah. The inheritance tax would not affect state tax receipts. [LB968 LB969]

SENATOR NELSON: Is that because it goes directly to the counties? [LB968 LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR NELSON: It doesn't come into the state at all. [LB968 LB969]

GERRY OLIGMUELLER: Right. [LB968 LB969]

SENATOR NELSON: But it's not considered part of the tax relief package. [LB968 LB969]

GERRY OLIGMUELLER: It's part of the Governor's recommendation. [LB968 LB969]

SENATOR NELSON: It is part of the (inaudible). Okay. [LB968 LB969]

GERRY OLIGMUELLER: Yeah. [LB968 LB969]

SENATOR NELSON: So... [LB968 LB969]

GERRY OLIGMUELLER: It's part of LB970. [LB968 LB969]

SENATOR NELSON: But it's not part of the \$325 million. [LB968 LB969]

GERRY OLIGMUELLER: No, it's not. [LB968 LB969]

SENATOR NELSON: Okay, thank you. [LB968 LB969]

GERRY OLIGMUELLER: And the exact loss in terms of county revenue is sort of an unknown number. [LB968 LB969]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you for coming in and testifying today... [LB968 LB969]

GERRY OLIGMUELLER: Appreciate it. [LB968 LB969]

SENATOR HEIDEMANN: ...and for everything you do down in your shop. [LB968

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LB969]

GERRY OLIGMUELLER: Appreciate your work, always willing to answer questions, most of them anyway. (Laughter) [LB968 LB969]

SENATOR HEIDEMANN: (Exhibit 3) Is anybody wishing to testify in support of LB968 or LB969? Seeing none, is anybody wanting to testify in opposition of LB968 or LB969? Seeing none, is anybody wishing to testify in the neutral position on LB968 or LB969? Seeing none, just for public record we have a letter from Voices for Children that wanted to put something in the public record in the neutral position and that is so noted. With that, we are going to close the public hearing on LB968 and LB969. [LB968 LB969]