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Floor Debate
March 15, 2013

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SENATOR GLOOR PRESIDING

SENATOR GLOOR: Good morning, ladies and gentlemen, and welcome to the George W. Norris Legislative Chamber for the forty-third day of the One Hundred Third Legislature, First Session. Our chaplain for today is Senator Schumacher. Please rise.

SENATOR SCHUMACHER: (Prayer offered.)

SENATOR GLOOR: Thank you, Senator Schumacher. I call to order the forty-third day of the One Hundred Third Legislature, First Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: I have a quorum present, Mr. President.

SENATOR GLOOR: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections.

SENATOR GLOOR: Are there any messages, reports, or announcements?

CLERK: Mr. President, Enrollment and Review reports LB153 and LB429 to Select File. Priority bill designations: Transportation Committee, LB158 and LB93; Senator Hadley, (Revenue Committee Chair), LB281; Senator Carlson, Natural Resources Chair, selected LB402 as one of the committee priorities; Senator Kintner, LB293; Senator Nelson, LB231; Senator Scheer, LB203; Senator Schumacher, LB82; Senator Bloomfield, LB393; Senator Hansen, LB96. Mr. President, reports received in the Clerk's Office this week will be available on the legislative Web site for member review; the lobby report, as required by statutes. And an announcement, Mr. President: The Agriculture Committee will meet at 9:20; Agriculture Committee at 9:20 in Room 2022 for an Executive Session. That's all that I have. (Legislative Journal pages 721-722.) [LB153 LB429 LB158 LB93 LB281 LB402 LB293 LB231 LB203 LB82 LB393 LB96]

SENATOR GLOOR: Thank you, Mr. Clerk. We'll now proceed to confirmation reports.

CLERK: Mr. President, the Natural Resources Committee, chaired by Senator Carlson, reports on two appointments to the Nebraska Ethanol Board. (Legislative Journal page 682.)

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SENATOR GLOOR: Thank you, Mr. Clerk. Senator Carlson, you're recognized to open on your confirmation reports.

SENATOR CARLSON: Thank you, Mr. President and members of the Legislature. The Natural Resources Committee held hearings for two appointees to the Nebraska Ethanol Board. The first one is Mark Ondracek from Omaha, who would be a new appointee. He represents organized labor. He's been employed by the Steamfitters and Plumbers Local 464 for 20 years. He's a graduate of Bryan High School in Omaha. And the other is Tod Brodersen from Hastings. This is a reappointment. He's been employed by Thomsen Oil Company in Hastings for 38 years. He's a graduate of Dana College. We had our hearing. The committee asked several questions. We were satisfied with the responses to those questions, and the vote for both of these gentlemen was unanimous. And I would ask for your support for their confirmation. Thank you.

SENATOR GLOOR: Thank you, Senator Carlson. Is there any discussion on the report this morning from the Natural Resources Committee? Seeing none. Senator Carlson, you're recognized to close on your confirmation report. Senator Carlson waives. Members, the question before us this morning is the adoption of the report offered by the Natural Resources Committee. All those in favor vote aye; all those opposed vote nay. Have all voted who care to? Record, Mr. Clerk.

CLERK: (Record vote, Legislative Journal page 723.) 34 ayes, 0 nays, Mr. President, on adoption of the confirmation report.

SENATOR GLOOR: The report is adopted. Continuing with the agenda, Mr. Clerk.

CLERK: Mr. President, LB530, the first bill for discussion this morning, offered by Senator Dubas. (Read title.) The bill was introduced on January 23, referred to the Health and Human Services Committee. The bill was advanced to General File. I do have committee amendments, Mr. President. (AM364, Legislative Journal page 611.) [LB530]

SENATOR GLOOR: Thank you, Mr. Clerk. Senator Dubas, you're recognized to open on LB530. [LB530]

SENATOR DUBAS: Thank you very much, Mr. President, and good morning, colleagues. For the past several years the Health and Human Services Committee has devoted untold hours to examine our child welfare system and determine the best course of action to try to get things back on the right track. And the culmination of their work last session was a comprehensive package of reform legislation that this Legislature supported and passed overwhelmingly. A part of that package included a bill that I introduced to increase foster care reimbursement rates. At that time, Nebraska

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was paying among the lowest rates...reimbursement rates in the nation. My bill was modified to fit into the package last year and it provided some immediate financial relief through bridge payments and then went on to create a Foster Care Reimbursement Rate Committee. And that committee's duty was to determine what reasonable costs would look like. Because currently we do not have a standard method of determining foster care rates, the payments are all across the board. The bridge funds that were provided last year, and then this follow-up bill, recognizes the importance of a stable payment system for foster families so that they can take care of at least the basic needs of the children that they so graciously bring into their homes. The Foster Care Reimbursement Rate Committee was charged with determining and recommending a standard statewide foster care base rate structure. A subcommittee examined what a statewide standardized level of care assessment tool would look like and how to tie those performances with payments to achieve permanency outcomes for children and families. I'd like to take this time to sincerely thank all of those who took time from their already full and busy schedules to give of their time and talent to these two committees. Their work was exemplary and it's obvious that they took their task to heart and came forward with workable and positive solutions. Those recommendations are the foundation for LB530. The rates proposed by the committee reflect the reasonable cost of care for our children. The rates comply with funding requirements related to Title IV-E and other federal programs. The committee analyzed the current checklist used by the Health and Human Services Department; the MARC report, which is establishing foster care minimum rates for children report; and a USDA report that looks at expenditures for children's basic needs. The MARC report is a highly recognized study of foster care rates across the country. Their findings point out that on average foster care rates nationwide are too low. CHARTS ranked states based on their current rate structure by age group and how much those rates would need to increase to meet the criteria of providing the basic needs of children. In all age groupings, Nebraska needed to raise our rates by over 100 percent. Those appropriate rates were determined by calculating the expenditures of middle income families and then matching them to expenditures allowed under the Title IV-E foster care maintenance program of the Social Security Act. The committee chose to use an average of two Midwest urban, two-parent family categories as a baseline to calculate their minimum rate. This average took into consideration food, clothing, shelter, normal transportation, and other miscellaneous costs. They then took those costs and placed them into age groupings. So, LB530 makes the following recommendations that were proposed by the committee and for us to put into place. So, from age 0 to 5, those rates would be \$20 a day; age 6 to 11, \$23 a day; and age 12 to 18, \$25 a day. The bill directs the Division of Children and Family Services to create a pilot program to define and implement the standardized level of care assessment program. This program will be comprised of two groups, one in an urban area and one in a rural area. The department will then make recommendations to the Health and Human Services Committee by April 1, 2014, including the necessary appropriations to adopt a statewide standardized level of care assessment tool. The level of care subcommittee looked at how assessments are done for children as well as

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caregiver responsibilities. They felt very strongly that the specific skills, abilities, and expertise of the caregiver and how they relate to the individual needs of the child should be at the core of determining the level of care. This recommendation is a shift away from focusing on specifically the child's needs and looking more towards the caregiver's responsibilities and their ability to meet those needs. The pilot program will look closely at proper training and developing a thorough quality assurance process before we take the program statewide. It became very clear to this committee, as they visited with other states about this issue, that we not directly tie foster payments to the assessment of the child; rather, look at the level of responsibility required by the foster parent and the specific skills, abilities, and expertise of those caregivers. By having this statewide standard assessment, everyone is on the same page when it comes to determining the child's needs and it will help to place children with higher or special needs in homes that have the capabilities of giving the needed care. This, in turn, will keep children in a stable environment and not put foster parents and children in situations that set them up for failure. States further recommended moving slowly in the development of this assessment by the use of pilot programs. The bill keeps the Foster Care Reimbursement Rate Committee in place to continue its work by having them meet and make recommendations to the Health and Human Services Committee every four years starting in 2016. This committee will be appointed by the Nebraska Children's Commission. Members of the committee will be no fewer than nine members and include representatives from a child welfare agency that contracts directly with foster parents; an advocacy organization which deals with legal and policy issues dealing with child welfare; an advocacy organization whose singular focus is on issues impacting children; a representative from a foster and adoptive parent association; a representative from a lead agency; a child advocacy organization that supports young adults who were in foster care as children; a foster parent who contracts directly with HHS; and a foster parent who contracts with a child welfare agency. Various members of the Division of Children and Family Services will serve as ex officio members. The continuation of this committee will keep lines of communication open between the stakeholders and the department, and will provide an avenue for necessary changes in the future. This bill also very clearly states that the foster care service providers, provider agencies, will not pay the increased rates out of the budgets determined in contracts with the department prior to any changes in the rates. The bill is the result of a great deal of work by my staff, Health and Human Services Committee and their staff, as well as many committed and caring providers. It addresses a significant shortfall in the way we compensate foster families across our state and a recognition of the extreme importance of their job. I have met with so many of these families who willingly open their hearts and their homes to provide a safe and stable environment for these children who are scared, angry, hurt, and not sure who they can trust. The parents invariably told me, it's not about the money, yet their work is so very important and they should not be expected to provide the basic necessities for our foster children at the expense of their own family's needs. It's not uncommon for a grandparent or a family member to take in a relative, and very often they have families of their own or are on

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fixed incomes. Hopefully, the changes made through the standardized rates and standardized assessment tool will help... [LB530]

SENATOR GLOOR: One minute, Senator. [LB530]

SENATOR DUBAS: ...us meet or exceed the Children and Family Services' review standards for safety, permanency, and the well-being of our foster children. I thank you for your attention this morning and we'll have a couple of amendments to talk about here shortly, and will appreciate your support for LB530. [LB530]

SENATOR GLOOR: Thank you, Senator Dubas. (Visitors introduced.) As the Clerk stated, there are amendments from the Health and Human Services Committee. Senator Campbell, as Chair of that committee, you're recognized to open on the committee amendments. [LB530]

SENATOR CAMPBELL: Thank you, Mr. President and members of the Legislature. It truly is a pleasure to see LB530 come to the floor for the discussion by the Legislature. I want to thank Senator Dubas, who has been a champion for foster families for all the years that I've certainly been here at the Legislature, and to thank the Children's Commission and their subcommittees for the work with Senator Dubas. But I also want to mention a thank-you to this body, the Legislature's commitment to continuing watchful oversight and working with the department to improve our child welfare system. The legislative body last year recognized the importance of child welfare in the state of Nebraska and, with it, the important role that foster parents play, and felt it important enough to establish a bridge payment to those families until the Children's Commission and Senator Dubas could continue their work. LB820 was passed during the 2012 Legislative Session and was introduced in response to the Health Committee's work during LR37. LB820 implemented the Foster Care Reimbursement Rate Committee and, as a part of that committee, the level of care subcommittee, as Senator Dubas has described to you. The purpose of the subcommittee was to develop a statewide standardized level of care assessment that was research-based, supported by evidence-based practices, and reflected commitment to a system of care, trauma informed, child centered, family involved, and a coordinated process. The level of care subcommittee, as a part of their research, reviewed ten assessment tools in eight states. The subcommittee also interviewed 13 experts. The subcommittee provided a report recommending implementation of standardized care of assessment tools in the Foster Care Reimbursement Rate Committee study, as Senator Dubas has outlined. The subcommittee recommended two assessment tools be utilized to better...and I want to emphasize and bring these up again because they are so important. First, to assess the needs of the child, the subcommittee recommended the Child and Adolescent Needs and Strengths Comprehensive, CANS, assessment; and second, to assess the level of responsibility required by the foster parents, the Nebraska caregiver responsibilities was recommended. During the subcommittee research, strong direction

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from other states emerged. These states encouraged careful implementation, ongoing training and support, a process for quality assurance, and caution when developing or choosing a tool. LB530, in this bill, the Health and Human Services Committee supports the pilot process for the testing level. And in this amendment, the committee adds a deadline of on or before July 1 for the Division of Children and Family Services to develop this pilot project. And number two, the committee amendment requires the Children's Commission, rather than the department, to review the pilot project and provide the department and the Health and Human Services Committee of the Legislature recommendations regarding this implementation. I would encourage your support of the amendment from the committee and I would also ask your careful attention to the amendments that Senator Dubas will be bringing, because it further clarifies the bill. Thank you, Mr. President. [LB530]

SENATOR GLOOR: Thank you, Senator Campbell. Members, you've heard the opening on the committee amendments to LB530 and the opening on LB530. Are there senators wishing to be recognized? Senator Coash, you're recognized. [LB530]

SENATOR COASH: Thank you, Mr. President, and thank you, members of the body. I thought we'd better have some discussion about this because there's a big fiscal note on this bill, and I would encourage my colleagues to take a look at it. Would Senator Dubas yield to some questions? [LB530]

SENATOR GLOOR: Senator Dubas, would you yield? [LB530]

SENATOR DUBAS: Yes, I will. [LB530]

SENATOR COASH: Thank you, Senator Dubas. Thank you for your work on this issue. Here's my first question. Is it your impression that by increasing the rates we will be able to...do you think we'll get more foster families to provide the service? You've talked with these foster families, so I'm trying to figure out whether or not you think the rate is to support the current foster families, if it's to increase capacity that we need in our state? What is your hope by increasing the rate on those two categories? [LB530]

SENATOR DUBAS: Probably my main focus is creating that standard rate so statewide we have a standard base rate that everybody starts from. So if I have a child who is, you know, needing to be placed in a foster home but they don't have any other real exceptional needs, just the basic needs of a child, every child across the state is going to start out at that rate. Then through the assessment, that rate will increase based on their needs. And as I've talked with foster parents, no, money isn't what drives them to do what they do, but it also can create hardships for them. So for us to bring these rates up to a reasonable standard certainly won't hurt in the recruitment or the retention of foster families. [LB530]

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SENATOR COASH: Okay. Senator Dubas, you said something in your response I want to follow up on. You said that these proposed rates are base rates, and then based on an assessment then the rate can move? [LB530]

SENATOR DUBAS: Correct. [LB530]

SENATOR COASH: Can it move down? [LB530]

SENATOR DUBAS: No. These would be the base. These would be the minimum. [LB530]

SENATOR COASH: Okay. So these are base minimum rates and assumably...the assessments, I assume, is based on the needs of the child and the higher the needs, maybe a...for example, maybe a child whose got some medical needs, behavioral needs, that can bump the rate up. [LB530]

SENATOR DUBAS: Correct. [LB530]

SENATOR COASH: And the fiscal note we're looking at just reflects the base rate. [LB530]

SENATOR DUBAS: Correct. [LB530]

SENATOR COASH: So if we have presumably a lot of kids with more needs, this number moves. It's kind of a moving target, right? [LB530]

SENATOR DUBAS: It will change. And I'll have an amendment later to the bill after this amendment is adopted that's going to make some changes in the fiscal note based on the costs and looking at what we need to do as far as assessing to make sure that when those rates need to increase they're increasing appropriately. [LB530]

SENATOR COASH: Okay. And with regard to the...do these rates apply to only the pilot projects or will this be statewide once this is implemented? [LB530]

SENATOR DUBAS: The new standardized rates will be statewide. [LB530]

SENATOR COASH: Okay. Would Senator Mello yield to a question? [LB530]

SENATOR GLOOR: Senator Mello, would you yield? [LB530]

SENATOR MELLO: Absolutely. [LB530]

SENATOR COASH: Thank you, Senator Mello. Senator Mello, can you tell me how this

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is going to fit into the overall budget picture? I think it would be important to...I'll just yield you the rest of my time, and I'll have some more questions for Senator Dubas, but I'll yield my time to you so you can explain how this could fit in the bigger budget picture. [LB530]

SENATOR MELLO: I have my light on, Senator Coash, to speak on this issue, but I will take your time, if that's all right. [LB530]

SENATOR GLOOR: One and a half minutes and I'll let you know when you're on your time, Senator Mello. [LB530]

SENATOR MELLO: Thank you, Mr. President. Mr. President and members of the Legislature, I appreciate Senator Coash asking the question and bringing the issue in front of us. Unfortunately, the fiscal analyst who had created the fiscal note on LB530 has been ill this week and otherwise would be up here on the floor answering any individual questions and/or providing any information that senators may need. My understanding is, in discussions with Senator Dubas and the Fiscal Office, Senator Dubas will be amending the committee...amending the bill after, I believe, the committee amendment is adopted that will dramatically change the fiscal note that you see on the green copy of LB530. Once again, we won't ultimately know the exact fiscal number until the committee amendment is adopted and ultimately until Senator Dubas' amendment is adopted as is the policy of the entire Legislature when we make committee amendments or individual senators make amendments to pieces of legislation. As I mentioned yesterday, and I will mention again today, probably at great length as we discuss LB613 and other bills, there is only a set amount of money that's available for any new spending items. Ultimately, the Legislature cannot spend money we don't have. It's a conversation and a line you'll hear probably more times than you would like. Right now there's \$16 million left for any new A bills that come in front of the Legislature outside of the budget. It's my hope, and I think it's the committee's hope that we'd like to try to increase that number slightly based on some decisions we didn't take in the preliminary budget that it appears through agency hearings we will be able to take and to free up a couple additional million more dollars for new A bills on the floor. [LB530 LB613]

SENATOR GLOOR: Your time, Senator. [LB530]

SENATOR MELLO: Thank you, Mr. President. As Senator Dubas knows, as well as other senators who have bills in front of us that will have A bills, not all A bills and not all pieces of legislation will pass, because there's only a set amount of money available. The question becomes, what are the priorities of this Legislature? As I mentioned to Senator Dubas and a variety of other senators who have approached me since yesterday, every bill and every piece of legislation will have to consider ways to reduce its fiscal cost. This particular bill, obviously, is spending money for a particular reason to

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increase reimbursement rates essentially for foster parents. There's only so much changes that Senator Dubas knows she can do to her bill to make it fit within that parameter in which the Appropriations Committee will leave for any remaining A bills after we present a final budget. I appreciate Senator Dubas tried to do that on General File now so that she can try to work through the process a little bit easier as it gets to Select File in case there are other amendments and changes that need to be made to her legislation to fit within the fiscally responsible approach that the Appropriations Committee is taking of dealing with the budget as well as leaving an additional roughly \$19 million, give or take, for the floor for new spending items. It's an issue that I will probably be repeating this statement multiple times on pretty much every senator's bill, is that every senator will need to start thinking about backup options, ways ultimately to reduce their fiscal note, if they do have a fiscal note, without harming the original intent of the legislation. Some bills, ultimately, we won't be able to do that on. Some bills there is simply a dollar amount that's attached to a policy that the Legislature will have to vote yes or no on. This particular bill is one in which Senator Dubas has been working diligently with the Fiscal Office and a variety of other interested parties to bring that cost down. I know there are other bills that have been prioritized as well that are currently following that same path. Senator Coash, as I mentioned yesterday, essentially this is the start of a new process for us as we start moving from General File to priority bills, Speaker priorities, and committee priority bills. Not all bills will pass. Not all bills will ultimately become law. I can give a personal example. My freshman year in the body, I had a \$500,000 appropriation for a program developed to assist neighborhood associations in community revitalization projects. That bill got to Final Reading in 2009, but ultimately was held there because, in accordance with our legislative rules and our pay-go process as a Legislature, the bill could not go forward because there was no further funding available to fund any new A bills. The same thing has happened with Senator Hadley in regards to a tax bill regarding hospitals that had to have a year delay. Most senators have been in this situation where their legislation can only go so far in the process because there's only so much money available. The state does not have a blank checkbook. We cannot simply write checks for every piece of legislation we'd like. But the thought and hope is, is that individual senators will be continually working on their legislation, honing their legislation trying to be as fiscally responsible as possible to bring that legislation down to fit within the parameter that will be available for A bills after a final budget passes. My hope is that answers Senator Coash's question. I appreciate Senator Dubas. Once again she's going to have an amendment that I was going to speak on, that I will speak on now that will dramatically reduce the fiscal note of LB530. I appreciate Senator Dubas reaching out to me early, emphasizing that she's going to continue to work on her fiscal note on this bill, not just with her amendment, between now, Select, and Final Reading if her bill gets there. And I would encourage every colleague in this body, if you have an A bill, be prepared to follow a very similar process of trying to bring down your fiscal note from General File to Select File to Final Reading, if you want to ensure your bill has a chance to become law come sine die at the end of this year. Thank you, Mr. President. [LB530]

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SENATOR GLOOR: Thank you, Senator Mello. Senators in the queue: Coash, Bolz, Christensen, and Nelson. Senator Coash, you're recognized. [LB530]

SENATOR COASH: Thank you, Mr. President. Would Senator Campbell yield to a question? [LB530]

SENATOR GLOOR: Senator Campbell, would you yield to a question from Senator Coash? [LB530]

SENATOR CAMPBELL: Certainly. [LB530]

SENATOR COASH: Thank you, Senator Campbell. And I know you and I have worked on children's issues and Health and Human Services issues so you're a pretty good expert in these issues, so I'm going to start with you and then I'll move on to Senator Dubas. Senator Campbell, we have in Nebraska, we have agency-based foster care and then we also have...well, the question is, do we also have direct state foster care, in other words, a foster parent who contracts directly with the state and doesn't have that agency in between? Is that correct? [LB530]

SENATOR CAMPBELL: That is correct. [LB530]

SENATOR COASH: Okay. My question is, with the proposed new rates, do those amounts reflect the exact amount that goes to the family, or is there going to be, either with the case of a state-run foster care home or an agency-based, will there be some carve off so that the actual take-home for that family is less than what we see here? [LB530]

SENATOR CAMPBELL: This amount will go to the family. [LB530]

SENATOR COASH: This whole amount will go to the family. [LB530]

SENATOR CAMPBELL: Yes. [LB530]

SENATOR COASH: So what happens with an agency who provides support to a foster home and needs some compensation to cover their overhead of providing training and support to that foster family? [LB530]

SENATOR CAMPBELL: I think, Senator Coash, what we're going to see through the pilot and through the oversight of the committee's in the Children's Commission, that they will come back to that issue and most likely work with Senator Dubas. [LB530]

SENATOR COASH: Okay. Senator Campbell, is the...is anything in this bill or the

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amendments...very straightforward question here, is the department ready to take on this? Do you feel the department is ready to take on the pilots that are proposed here, the additional work that is being proposed here? [LB530]

SENATOR CAMPBELL: Senator Coash, I think the department is ready. They've spent the time and you and I have sat in the Children's Commission meetings. I think the department has been well aware that this issue would come forward, would come forward through the Health and Human Services Committee to the Legislature. And I think they've had adequate time and thought and there's been no indication to me that they are not prepared to do this. [LB530]

SENATOR COASH: Okay. Thank you, Senator Campbell. Senator Dubas, would you yield? [LB530]

SENATOR GLOOR: Senator Dubas, would you yield? [LB530]

SENATOR DUBAS: Yes, I will. [LB530]

SENATOR COASH: Thank you, Senator Dubas. And you may have covered this in your opening but I want to ask you, what was the source of the study rates that we're proposing to go to? Who does...I mean, how did we arrive at these numbers? In the fiscal note it says a monthly study rate. Could you review once more how...the process that went into landing on these final numbers that we see? [LB530]

SENATOR DUBAS: The committee met on a very regular basis starting last summer through the fall and they looked at a variety of reports, including the MARC report. They looked at USDA reports; you know, what we need to do to be in compliance with Title IV-E. They extensively looked across the board and looked at two Midwestern families, two-parent families, what are those costs to cover the basic needs of their children. So they took a variety of information from very reliable sources and ultimately arrived at these numbers. [LB530]

SENATOR COASH: So these are Nebraska generated. [LB530]

SENATOR DUBAS: Yes. [LB530]

SENATOR COASH: They reflect Nebraska incomes,... [LB530]

SENATOR DUBAS: Yes. [LB530]

SENATOR COASH: ...Nebraska needs, access to care. [LB530]

SENATOR DUBAS: They looked at Midwest families, yes. [LB530]

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SENATOR COASH: Midwest families, okay. [LB530]

SENATOR GLOOR: One minute. [LB530]

SENATOR COASH: It looks like...thank you, Mr. President. It looks like we're pretty close on kids 12 and older, but where we really fall is in those middle range or those very, very young children, which also signifies the largest group of kids, zero to five. Senator Dubas, I'll yield you the rest of my little bit of time here, but do you have any comments on what you think this might do to extend permanency for kids because we're offering more reimbursement? [LB530]

SENATOR DUBAS: I don't know that the reimbursement is going to impact that permanency, but I think the assessment tool along with the reimbursement will move us very definitely in that direction in making sure that we're putting kids in foster homes that are suited, that are fit to meet those children's needs. And having that statewide standard assessment, just like that statewide standard base pay, everybody is playing from the same playbook, everybody is looking and basing decisions off of the same criteria. [LB530]

SENATOR GLOOR: Time, Senators. [LB530]

SENATOR COASH: Thank you, Senator. [LB530]

SENATOR GLOOR: Thank you, Senator Coash and Senator Dubas. Senator Bolz, you are recognized. [LB530]

SENATOR BOLZ: Thank you, Mr. President. And my thanks to Senator Dubas and Senator Campbell for bringing this very important bill. As a social worker, I know the value that foster parents give to children who are in difficult situations and I admire your tenacity in moving this legislation forward. I would like to share with the body that my understanding of the federal Child Welfare Act is that we have a federal statutory authority and requirement to pay for the basic needs of children in the foster care system. We must cover their food, their shelter, their transportation to their original school of choice. And litigation has been brought in California, among other states, to protect the rights of foster parents in the system and assure that their basic needs are paid for. And so I would just remind the body that there is another branch of government who might weigh in and make the decisions in a less thoughtful, perhaps more expensive way if we don't move forward with the smart, effective plan that Senators Dubas and Campbell have brought to us this evening. And I would defer the rest of my time to Senator Dubas if she would like it. [LB530]

SENATOR GLOOR: Three minutes forty-five seconds, Senator. [LB530]

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SENATOR DUBAS: Thank you very much, Senator Bolz, for those comments. And that is another one of those reasons that drove us to look at what do we need to do with our foster care reimbursement rates. You know, and a lot of the work that...and focus from the child welfare reform is, you know, we have...we certainly made progress, but we still have some of the highest numbers in the nation of children who are being removed from their homes. And I know the department is working hard to change...to change those numbers and address why we are having that large number of children removed from their homes. But, you know, in the process while we still...there will always be the need for foster families. Hopefully, as we move towards better practices and determinations for children who are actually removed from the home and that number lessens, we may not need as many of those foster families. But we are always going to have that need and making sure that these foster families not only receive the financial support to meet the children's basic needs but all of the other supports that go along with helping them meet the needs of the children. And many of our providers across the state are doing an absolutely outstanding job of supporting their foster families. They're there 24/7 for them. If the family is having some troubles with the child and not knowing how to deal with it, you know, they're calling their caseworker, they're calling the person that's working with them from the agencies. And those people are there to support the families. They're providing training for them. There's so many other ways that we could provide support for foster families that will again...we're struggling, we're losing foster families, you know, for a lot of reasons but, you know, in large part because of the disruption that's been going on in the child welfare system. And now as we're transitioning back, there's just been so much upheaval that many of our longtime foster families have said, I just can't do this anymore. I can't deal with this uncertainty. I can't deal with all of this upheaval. You know, I can't do the job like I want to do it. I'm not getting the support that I need. So, you know, again they told me over and over and over again, it's not about the money. But yet, when they talked about what it takes for them to provide...you know, when these children are brought into the foster families' homes they're told, you need to treat these children just like you would your own. So you can't say, well, because you're a foster child, I'm not going to let you, you know, play an after-school sport, or... [LB530]

SENATOR GLOOR: One minute. [LB530]

SENATOR DUBAS: ...I'm not going to let you do the things that I'm maybe letting my own children do. So it's their job to make sure that these kids feel like they have a soft place to land, like they have someone who is in their corner, like that maybe that there's an adult in their life finally that they can trust to be there and to be open and honest with them and show them some love and care maybe that they haven't seen for a long, long time. So there are a lot of reasons why we need to increase these foster care rates. You know, the fact that we're the lowest in the nation, the fact that we haven't had a standard rate and so we've got foster families across the state who are being paid all

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over the board, the fact that we don't have that good assessment tool to help us determine what those rates should actually look like. There's just a whole variety of reasons that came from the LR37 study, that came from the subcommittee's study, that have come from research that my office has done. But, you know, bottom line, when Senator Mello talked about priorities, these are...these children are the state's responsibility. The state... [LB530]

SENATOR GLOOR: Time, Senator. [LB530]

SENATOR DUBAS: ...is making the decision to remove these children from their home and if we are going... [LB530]

SENATOR GLOOR: Time, Senator. [LB530]

SENATOR DUBAS: ...to make that decision, we have to be responsible. Thank you. [LB530]

SENATOR GLOOR: Thank you, Senator Bolz and Senator Dubas. (Doctor of the day and visitors introduced.) Returning to floor debate, Senator Christensen, you're recognized. [LB530]

SENATOR CHRISTENSEN: Thank you, Mr. President. Would Senator Dubas yield for a question, please? [LB530]

SENATOR GLOOR: Senator Dubas, would you yield? [LB530]

SENATOR DUBAS: Yes, I will. [LB530]

SENATOR CHRISTENSEN: Senator, the money that's in your bill here, are we guaranteed 100 percent of this is going to foster kids, there will be none used by the department? [LB530]

SENATOR DUBAS: This money is to go directly to the foster families. [LB530]

SENATOR CHRISTENSEN: And how does that work? Does the money go from the state to the department and then they pay the foster kids? Is that the way it works? [LB530]

SENATOR DUBAS: If the foster family is directly connected to the department, the department pays that money. If the foster families are working through other provider agencies, the department sends that money to those provider agencies who, in turn, direct it to the family. [LB530]

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SENATOR CHRISTENSEN: Well, I appreciate that, Senator, because you know--there's a lot of freshmen here, don't--my family has had huge problems with HHS and I would prefer a nuclear bomb to clean it up and start over. Not a physical bomb, but kill the act and start over. That's how bad I feel that department is. But that gives me a lot of comfort to know that, hopefully, they can't siphon some off and not do what we say. We still have a problem with the department and that's something you'd probably better weigh, folks, is the fact that they haven't always implemented the legislation we've passed. That is a department that has snubbed their nose at us and the executive branch has not kept in line. And this department, for some of the freshmen senators here, has broken federal law. And we haven't kept them accountable. This is a department that has problems. I'll explain the rule they have broke. If there is a family or a set of kids that have been into one family home and they are...and that couple wants to take them, they're to put them there. That happened to my family. They took three away, then they took two away. And now they've offered 32 other kids to us, and we've turned them all down. This department has chased away more good families, families that would like to take care of kids, because political reasons, because power, and it's very frustrating. I know the older senators, I apologize, they've heard this song and dance several times, and I'm very frustrated. I've brought some bills before, haven't got hardly any of them accomplished. They went into some studies. Part of it got done. But until there is some cleaning out of this house, I'm speaking HHS house, we're never going to get this where it needs to be. I have a real hard problem giving more money to a department that can't manage itself now. That's why I asked specifically how this money went. [LB530]

SENATOR GLOOR: One minute. [LB530]

SENATOR CHRISTENSEN: Thank you, Mr. President. It's very important that we make sure this money goes directly to the foster families if we're going to do this. I don't deny they need it, but at the same time, we don't have a department that's worthy of any support. And they don't care to change themselves. This Legislature has a lot of work to do yet on cleaning up HHS specific...the whole thing, specifically in the foster care division. And I do know there's a number of senators who worked on this quite hard. I appreciate it. I know change is not always fast, but I'm not sure we're still putting the energy and the focus to accomplishing all that we need to here. [LB530]

SENATOR GLOOR: Time, Senator. [LB530]

SENATOR CHRISTENSEN: So, thank you. [LB530]

SENATOR GLOOR: Thank you, Senator Christensen. The Chair recognizes Senator Nelson. [LB530]

SENATOR NELSON: Thank you, Mr. President, members of the body. Senator Dubas,

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I'm generally supportive of some raises here but I do have some questions that I would like to ask of you, if you would yield. [LB530]

SENATOR GLOOR: Would you yield? [LB530]

SENATOR DUBAS: Yes, I will. [LB530]

SENATOR NELSON: I'm looking at the fiscal note, the one that was revised on March 5, 2013. Do you have a copy of that in front of you, the pink? And while you're looking for that, I realize that you're working on an amended fiscal note. But at the present time, this is all I have to work with. [LB530]

SENATOR DUBAS: Which one are you looking at again, Senator? [LB530]

SENATOR NELSON: I'm looking at the Revision: 01 as of March 5 by the Fiscal... [LB530]

SENATOR DUBAS: Yes, okay, I have that. [LB530]

SENATOR NELSON: All right. Looking down at the table there about two-thirds of the way down, we have number of children, first between 0 to 5, 666; 6 to 11, 415; and then 12 and over, 418; or a total of 1,499. Is that the total number of foster care children that we have now in the state? [LB530]

SENATOR DUBAS: That's based on what the Fiscal Office understands the number of children in foster care right now. [LB530]

SENATOR NELSON: Okay. Somewhere I had the idea that we had about double that amount in the foster care system, but apparently it's been reduced quite a bit. [LB530]

SENATOR DUBAS: Correct. Correct. [LB530]

SENATOR NELSON: All right. Okay. I'm looking at...let me ask some general questions here. You had indicated that there's upheaval in foster care families. Is that due to the lack of funds that they receive or are there other factors as far as children coming in and out of the foster care homes? [LB530]

SENATOR DUBAS: There are many factors that play into our ability to retain and recruit foster families. I touched on it just briefly in my last comments: the lack of support, financial support; just a variety of reasons why we're struggling to stay there. [LB530]

SENATOR NELSON: Are we actually losing foster care parents because they're not receiving enough reimbursement at the present time? [LB530]

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SENATOR DUBAS: That's a part of the reason. I mean, like I said, they said it's not about the money, but when they're having to make...take a lot of money out of their pockets to meet these kids' needs, for some of them it's a struggle. They can't do it. [LB530]

SENATOR NELSON: Okay. Looking at the fiscal note, let's take a look at age range zero to five, the increase from the study rate to the Nebraska rate is \$172 per child. And if you multiply that out by the number of children, you come to...well, the figure is \$1.37 million. But individually per child, if my figures are correct, that's about \$5,237 is what the foster parents would be receiving for that child. Am I reading that correctly? [LB530]

SENATOR DUBAS: Well, I haven't done the math so I'm going to rely on your math, but that sounds...that sounds... [LB530]

SENATOR NELSON: All right. Well, I believe...I'm not very good at higher math, but this is pretty regular. And so I'm looking at \$5,233. And then if you increase it by the \$172 per child, you're up to about \$7,000...about \$7,300 per child. I don't know what the average number is in a foster care home, maybe two, three. Are you aware of that, how many...? [LB530]

SENATOR DUBAS: How many children are in a foster home? [LB530]

SENATOR NELSON: Yeah. [LB530]

SENATOR DUBAS: That will vary. [LB530]

SENATOR NELSON: That will vary. [LB530]

SENATOR DUBAS: That will vary if it's a family or...I mean, you know, and the type of license that that foster family is operating under. [LB530]

SENATOR NELSON: Okay. I'm going to speculate that it might be two, maybe three because generally foster care families don't necessarily have one. They're in a position...this is what they love to do and they're going to take two or three children if they can. So this, in that age range, zero to five, this is a 40 percent increase in reimbursement. [LB530]

SENATOR GLOOR: One minute, Senator. [LB530]

SENATOR NELSON: And we're up at \$7,300 per child. That seems a bit much, you know, in terms if you've got a foster care family with an established home. If they had no foster children at all they would have expenses. Maybe they have other children of their

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own. But I question the need to raise 40 percent at this time, unless we're really low or have been low for a number of years. Is there a possibility under the amendment that you have that there would be a little more of a gradual increase? [LB530]

SENATOR DUBAS: The amendment won't put in a gradual increase. It's going to push out the implementation of the standard rate for another year. [LB530]

SENATOR NELSON: Okay. [LB530]

SENATOR DUBAS: But we were among the lowest rates in the nation. [LB530]

SENATOR NELSON: All right. [LB530]

SENATOR DUBAS: And according to that report, we were going to have to raise our rates well over 100 percent to get to an average. [LB530]

SENATOR NELSON: Okay. Now, this is...there...what's the term, the \$3 here, what's the term for that? [LB530]

SENATOR GLOOR: Time, Senators. [LB530]

SENATOR NELSON: One minute? [LB530]

SENATOR GLOOR: Time, Senators. [LB530]

SENATOR NELSON: Thank you. [LB530]

SENATOR GLOOR: You bet. Thank you, Senator Nelson, Senator Dubas. (Visitors introduced.) Senator Nelson, you're recognized. [LB530]

SENATOR NELSON: Thank you very much. Mr. Chairman, your... [LB530]

SENATOR GLOOR: Senator Nelson. Senator Nelson, could you hold for a second. Mr. Clerk for an announcement. [LB530]

CLERK: Senator, excuse me, I just want to get this announcement in. Revenue Committee will meet now in Exec Session; Revenue Committee now in Room 2102. Thank you.

SENATOR GLOOR: Thank you, Mr. Clerk. Thank you, Senator Nelson. You have a full five minutes. [LB530]

SENATOR NELSON: Mr. Chairman, will you wave an Italian flag at me after four

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minutes so I'm aware. Thank you. (Laugh) [LB530]

SENATOR GLOOR: Absolutely, I will speak brisker. Thank you. [LB530]

SENATOR NELSON: All right. Thank you. Senator Dubas, will you continue to yield? Yeah. Thank you. Thank you very much. Just one or two more questions on the fiscal note. If you turn over, you'll see the fiscal note from the Department of Health and Human Services. Whereas the fiscal analyst, for instance, in the first fiscal year has about \$2.1 million, Department of Health and Human Services has a total funds of \$5.433 million. Can you explain where that additional money is coming in, from your understanding? [LB530]

SENATOR DUBAS: They came in with their original budget continuing to have that bridge payment, that \$3.10 in there... [LB530]

SENATOR NELSON: Okay. [LB530]

SENATOR DUBAS: ...and then this would add the base rates on top of that. [LB530]

SENATOR NELSON: So, if I understand you correctly, what your proposal is, we do away with the bridge payment then and just increase the rate for the next two years? [LB530]

SENATOR DUBAS I'm going to come with an amendment after we adopt this committee amendment that will address... [LB530]

SENATOR NELSON: All right. [LB530]

SENATOR DUBAS: ...that will make some changes to what we're going to do with that bridge payment. [LB530]

SENATOR NELSON Oh, all right. Okay. Well, maybe I'm a bit premature on this and...but in that case, you have answered some of my questions up to this point and I do appreciate that. Thank you, Senator. Thank you, Mr. President. [LB530]

SENATOR GLOOR: Thank you, Senator Nelson and Senator Dubas. Are there any other senators wishing to be recognized on the committee amendment or the underlying bill? Seeing none, Senator Campbell, you're recognized to close on your amendment to LB530. [LB530]

SENATOR CAMPBELL: Thank you, Mr. President and colleagues. I want to emphasize a couple of points so that you're very clear. One of the points is that the reports are available on-line if you need to look at any of that. Number two, this was a part of the

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Children's Commission's recommendations that came forth in their strategic plan, so we're following a very purposeful plan here in bringing this amendment to you. Number two, the level of care, and this goes back to a question that was asked, was researched looking at ten tools in eight states, and they also interviewed 13 experts. This is well-researched, well-documented, forming a base for us to look at. The committee's amendment does two things very important: sets a deadline to begin the pilot, to develop it and get it going; and number two, it requires that the report on the pilot go to the Children's Commission so they can follow it with their strategic plan. And that's very important that we keep segments moving, evidence-based, best practices, well-researched. And with that, I would urge your green vote on the amendment. Thank you, Mr. President. [LB530]

SENATOR GLOOR: Thank you, Senator Campbell. The question is, shall the committee amendments to LB530 be adopted? Those in favor vote aye; those opposed vote nay. Have all voted who care to? Record, Mr. Clerk. [LB530]

CLERK: 30 ayes, 0 nays, Mr. President, on adoption of committee amendments. [LB530]

SENATOR GLOOR: The amendment is adopted. Discussion continues...excuse me. Mr. Clerk for an amendment. [LB530]

CLERK: Mr. President, Senator Dubas would move to amend the bill with AM621. (Legislative Journal page 685.) [LB530]

SENATOR GLOOR: Senator Dubas, you're recognized to open on your amendment. [LB530]

SENATOR DUBAS: Thank you very much, Mr. President. And thank you for the support on the previous amendment. Even after LB530 was advanced from committee, I continued to work on it. I was trying to anticipate questions that my colleagues might have so I was asking more questions, seeking more information from the stakeholders, so I would be ready for my floor introduction. And if you look at the committee statement, you'll see we had a good number of people who testified in support of this bill. No one testified in opposition, nor in the neutral. And you will also see that the department did not come in and comment in any capacity. And because no one from the Department of Health and Human Services Division of Children and Family Services testified at the bill hearing, it was difficult to determine if they had any concerns on how the bill would be implemented. As our Legislative Fiscal Office worked to prepare the fiscal note for the hearing, they had received no fiscal information from the department prior to the hearing, which they are required to provide that information. So, our fiscal analyst was left to base her figures off of the best information that she had available at the time. I was especially concerned about the implementation of the assessment pilot

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program, and this kind of goes back to the comments that Senator Christensen just made. You know, we don't have a good track record with the department eagerly following the directions of legislative statutes. So, I thought I needed to continue to pursue this. So I did finally arrange a meeting with the division head, our Fiscal Office, and my staff to get some questions answered. I questioned why no fiscal information was presented to our Fiscal Office as is required. Was told simply, it was their oversight, they apologized, they said they would be sure to have that information to us by the end of that day. We received an e-mail later that day saying, we'll have it to you by Monday. And they did get us information which pretty much supported the fiscal note that we had. But I was concerned again about the pilot program implementation and that there were no...there was no recognition of the cost of a pilot program in the fiscal note. The department repeatedly told me and assured me that no new dollars were available for increased rates and they were expecting contracted agencies to take any increased financial needs out of their budgets. I was concerned that some of our foster families who are currently receiving more than the proposed base rates could end up losing money, and that is absolutely the last thing that I want to have happen. Experience has shown that going slowly, cautiously, and with a great deal of accountability spelled out in the legislation is the best way to ensure that the department carries out our intent. The amendment continues the bridge payments for another year of \$3.10 and delays the implementation of the new base rates for one year. In addition, the amendment adds to the reporting requirements for the assessment pilot. I want to make sure that there's plenty of accountability and understanding for the Legislature. With the E clause on this bill and the department assuring me that they don't need additional resources, that they know what they need to do to put a pilot in place, that they have the tools that they need to put the pilot in place, they can immediately begin this process. Through the amendment, by giving...by requiring two preliminary reports, one in October and one in December, the Health and Human Services Committee and the department will have a good handle on the progress of this assessment tool. And then with the final report due in February, we can deal with the final implementation of the new rates with an...in conjunction with the assessment tool. And, hopefully, that's going to give us the support that we need to understand why these base rates are needed. It's going to give us a better assessment of those children's needs and determining the financial obligations that we have for those children. And I think just by delaying these rates for a year is a good step to allow this pilot program to give us an indication of what's happening. The tools are out there. The tools are readily available. It's just getting this pilot up and running and then having these reporting requirements coming in to us on a regular basis, rather than just one big report at the end of it, so we can see and make recommendations and have that conversation and that accountability with the department in how the pilot is going. And then next session, at the beginning of session if there are some things that we need to do legislatively through bill introduction, we'll have that opportunity to get that done so that...my plan is that this is a much smoother transition. It helps the providers who work with the department and especially my main concern for those foster families is that there's no more disruption than they have

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already experienced in the past. We keep that stable. They know what they're receiving right now and that's not going to change. And we'll let this assessment pilot get its feet underneath it and then move forward from there. Thank you. [LB530]

SENATOR GLOOR: Thank you, Senator Dubas. Members, you've heard the opening on AM621. Are there members who wish to be recognized? Seeing none, Senator Dubas, you're recognized to close on your amendment. [LB530]

SENATOR DUBAS: Thank you very much again, colleagues, for your attention to this. This is a very important issue. I do want to stress again or make the fact...the point again that these foster children are the responsibility of the state. If we are going to make the decisions to remove them from their home, we owe the families that are stepping up to take these children into their care the financial resources as well as the other support services that they need to do their job and to do it well and to make sure that these children are being taken care of in a manner that they deserve. So I appreciate your support and your attention, the support of the previous amendment, and ask for the same support on AM621. Thank you. [LB530]

SENATOR GLOOR: Thank you, Senator Dubas. Members, you've heard the closing on AM621. The question is, shall this amendment...shall the amendment to LB530 be adopted? All those in favor vote aye; all those opposed vote nay. Have all voted who care to? Record, Mr. Clerk. [LB530]

CLERK: 31 ayes, 0 nays, Mr. President, on adoption of Senator Dubas' amendment. [LB530]

SENATOR GLOOR: The amendment is adopted. Discussion continues on the advancement of LB530 to E&R Initial. Seeing no members wishing to speak, Senator Dubas, you're recognized to close on LB530. [LB530]

SENATOR DUBAS: Thank you again, colleagues, for your support and, you know, this vote wasn't for this bill. This was a vote for the foster children across our state. This is a great step. This is just a continuation of the incredible work that the Health and Human Services Committee did through LR37, the work that the Children's Commission is doing. And again I want to thank those who served on the Foster Care Reimbursement Rate Committee and the assessment subcommittee. They did outstanding work. They're committed to what they do. The state of Nebraska should be very proud of the people that we have out there working to help our foster families and their children. And I'd appreciate a green vote on LB530. [LB530]

SENATOR GLOOR: Thank you, Senator Dubas. Members, the question is the advancement of LB530 to E&R Initial. All those in favor vote aye; all those opposed vote nay. Senator Dubas, you're recognized. And waived off. Have all voted who care to?

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Record, Mr. Clerk. [LB530]

CLERK: 28 ayes, 0 nays, Mr. President, on the advancement of LB530. [LB530]

SENATOR GLOOR: The bill advances. Mr. Clerk, some items for the record? [LB530]

CLERK: I do, Mr. President. Thank you. Priority bill designations: Senator Davis, LB634; Senator Brasch, LB296; Health and Human Services, LB269 and LB216; Performance Audit, LB563; Senator Karpisek, LB22; Senator Christensen, LB522; Senator Smith, LB585; Senator Ken Haar, LB583; Senator Schilz, as Chair of Agriculture, LB68 and LB423; Revenue, LB341; and Senator Cook, LB366; Senator Burke Harr, LB573. In addition, Mr. President, your Committee on Natural Resources reports LB517 to General File with committee amendments attached. I have confirmation reports from the Judiciary Committee. And a new resolution: Senator Larson offers LR102, that will be laid over. That's all that I have, Mr. President. (Legislative Journal pages 724-728.) [LB634 LB296 LB269 LB216 LB563 LB22 LB522 LB585 LB583 LB68 LB423 LB341 LB366 LB573 LB517 LR102]

SENATOR GLOOR: Thank you, Mr. Clerk. Continuing with General File, senator priority bills. Mr. Clerk.

CLERK: Mr. President, LB613 is a bill by Senator Schumacher. (Read title.) The bill was introduced on January 23. At that time it was referred to the Executive Board for purposes of conducting a public hearing. The bill was advanced to General File. I do have Executive Board Committee amendments pending, Mr. President. (AM467, Legislative Journal page 664.) [LB613]

SENATOR GLOOR: Thank you, Mr. Clerk. Senator Schumacher, you are recognized to open on LB613. [LB613]

SENATOR SCHUMACHER: Thank you, Mr. Chairman, members of the body. Today it's my pleasure to present to the body LB613. LB613 was not some great act of precognition, because it was pretty obvious that this session was going to be in large part the session of the conversation on taxing policy and that very well that conversation would end up being far more complex and involved and dealing with so many different interests that we would probably have to pause for a moment and try to figure out in the long term what is right for the people of Nebraska, what is right for the future children of Nebraska, and how to begin to cast a system which hopefully will serve the state as long as the previous one had served the state. In the Revenue Committee we heard very forceful arguments on all of our principal ways of taxation. Senator McCoy and Ashford, on behalf of the Governor, brought us LB405 and LB406, and rightfully pointed out the disadvantages of the income tax system, how it disincentivizes hard work and production and may actually chase productive people from our borders. Senator

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Chambers brought us LB266 where he very adequately pointed out the regressive nature of the sales tax, how the sales tax preys on those who can least afford to pay and extracts from them money in a far greater proportion to their means than it does from other folks. Senator Krist brought us a bill pointing out the inadequacies of the occupation tax and how it can be unpredictable and unfair. Senator Watermeier brought us a bill on property taxes and the anomaly that's occurring now in our agricultural markets and the instability that that causes in long-term finance of some of our local governments. All these issues are part of 100 bills or so that the Revenue Committee heard. And it is impossible to integrate those things with the request for credits, deductions, incentives, and every other kind of bonus that a creative businessman or lobbyist can dream up. We need to step back and look at tax policy. And then Senator Mello has the gall to remind us that we somehow have got a bunch of bills to pay to the tune of \$4,000 million a year. LB613, as it's been shaped by the process so far and the hard work of the Executive Board and Senator Hadley, takes the Revenue Committee, the Chairman of the Revenue Committee to chair it, the Chairpersons of Appropriations, Health and Human Services, Education, Agriculture, and Planning, and assigns them a formidable task. And the task is to meet as often as necessary and then to meet with the entire body and the Legislative Council and to try to formulate tax policy along at least six elements: fairness in how the tax burden is distributed among our population; competitiveness--how our taxing structure interacts with that of other states in attracting business, retaining population; simplicity--how many levels of taxation do we need and how many complicated formulas do we have that should be eliminated; stability--in the long run, we've got to come up with enough money out of this system in order to pay the bills that Senator Mello reminds us of; along with adequacy and both of those elements so that we don't have ups and downs in revenue and we can budget and plan as can the agencies of state government and those depending upon the state government for aid; and we've got to look at the mechanisms of how taxes interrelate with each other and with our economic development. It assigns this commission tasks reviewing some of the studies that have been done in the past, which may not have been completely followed, to gain the wisdom that we can engage in the study of the future. And then it assigns us a task of bringing back recommendations by the end of this year for the body's consideration next year. This is a formidable undertaking. It will involve a lot of work. We need to do it because what we've been doing is almost haphazard, inconsistent, and as we learned from Senators Chambers and Krist and Watermeier and the Governor, may not have always fit the bill. This is one of the things we were elected to do. It's one of the important functions. And I'm proud to offer today LB613 for your consideration. Thank you, Mr. Chairman. [LB613 LB405 LB406 LB266]

SENATOR GLOOR: Thank you, Senator Schumacher. As the Clerk stated, there are amendments from the Executive Committee. Senator Wightman, as Chair of that committee, you're recognized to open on the committee amendment. [LB613]

SENATOR WIGHTMAN: Thank you, Mr. Chairman, members of the body. The

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committee amendment strikes all original sections and proposes the following. Section 1, the intent language is amended to provide that the committee's purpose is to review and study Nebraska's tax law, including, but not limited to, sales and use taxes, income taxes, property taxes, and other miscellaneous taxes and credits. Section 2, the Tax Modernization Committee would be created as a temporary special legislative committee. It would not be an ongoing commission as referenced in the original bill. The membership on the committee would be changed by the committee amendment to include only the following legislative members: all members of the Revenue Committee, the Chairperson of the Appropriations Committee, the Chairperson of the Health and Human Services Committee, the Chairperson of the Education Committee, the Chairperson of the Agriculture Committee, and the Chairperson of the Planning Committee. Section 3, as in the original bill, the Chairperson of the Revenue Committee would serve as the Chairperson of the Tax Modernization Committee. The committee would be required only to meet as often as necessary with one meeting required to be held concurrently with a meeting of the Legislative Council, called by the Chairperson of the Executive Board for such purpose. The original bill required meetings of the Tax Modernization Committee to be held at least bimonthly. Section 4, the elements that the committee shall consider for successful tax modernization are the same in the committee amendment as in the original bill except that in subsection (1) regarding fairness, language is added requiring that the committee review the tax burden for sales and use taxes, income taxes, property taxes, and miscellaneous taxes of different taxpayers. In other words, the committee is to look at the impact of all taxes on all taxpayers. Section 5, the committee amendment strikes the specific requirements in the original bill that dictated just how the public would be engaged as a part of the study process. By striking this language, the Chairperson of the Tax Modernization Committee will have flexibility in deciding how best to solicit public input. Section 6, the committee amendment adds new language clarifying that the Tax Modernization Committee has the authority to administer oaths, issue subpoenas, compel attendance of witnesses and the production of documents and deposition of witnesses as authorized by the statute and legislative rule. In addition, the preliminary report required in the original bill is deleted in the amendment and the committee is instead required to issue its report to the Executive Board and the Governor by December 15, 2013. This report is to include recommendations to update state, county, and local tax policies, and corresponding proposed language for legislation. Section 7, the committee will continue to meet as necessary until December 31, 2015. This means that the Tax Modernization Committee will sunset at the end of 2015 unless reauthorized. In the original bill the committee was an ongoing special legislative committee required to meet at least once a year. Section 8, this section adds the emergency clause. I ask for your support of the committee amendments and will answer any questions you might have. Thank you. [LB613]

SENATOR GLOOR: Thank you, Senator Wightman. Members, you have heard the opening on LB613 and the committee amendment. We now move to floor discussion. Senator Mello, you are recognized. [LB613]

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SENATOR MELLO: Mr. President, members of the Legislature, first off, I rise in support of LB613 as a cosponsor of the bill. Originally I think when we had discussed the whole concept and policy issue of exploring comprehensive tax reform, I was under the impression and I was under the belief that to really study taxes and to see any monumental changes in our tax policy, it's best to take a step back, analyze it, and make a determination in regards to how best to improve what we currently have without trying to, I would say, radically change what we currently have without understanding what could be the ramifications. That ultimately is where we're at today with LB613. Furthermore, I rise also to kind of emphasize what the fiscal note would be on AM467 based on my conversations with the Fiscal Office. The original green copy of the bill had a \$10,000 General Fund fiscal note which was partially based on holding mostly...holding a tax summit that was laid out in the green copy of the bill. As you look from what Senator Wightman just walked through the Executive Committee amendment, that language has been stricken from the bill as well as some issues in relation to requiring on-line information to be collected. That is an option that is available but it's not required as it was in the green copy. And from the conversation I've had with the fiscal analyst who did the fiscal note, with the adoption of AM467 there would be no fiscal note, as any of the costs that would be derived would be assumed by the Legislative Council's existing budgetary authority. I'm interested to hear, I guess, a little bit from other colleagues in regards to this issue in general. I remember the Executive Board hearing, and while I'm unable to cast a vote on Executive Board, I am able to participate in the debate and hear from colleagues in regards to where individuals think we should go in regards to changes. I think the amendment, AM467, adopts the majority if not all the changes that were recommended by Senator Hadley, the Chair of the Revenue Committee, as well as suggestions that were made from his committee, as well as Speaker Adams and a variety of other senators who had suggested changes to the underlying concept of the bill. I do appreciate Senator Schumacher bringing this issue forward in the midst of what at the beginning of session was a very unknown tax debate that we were going to have. Obviously, I think LB613 is an appropriate path forward at this point. I have some personal concerns in the sense of trying to speed this through within a six-month period. I originally liked the original green copy of the bill that said there would have been a preliminary report issued by this committee in December with the understanding that the committee would continue through next session to provide a final report to the Legislature at the end of 2014. I liked it for a variety of reasons. One, it would take the politics out of what could be inserted into a tax commission study. The second is that ultimately I had some concerns of whether or not we as a Legislature, when we're not in session, can accomplish this very large task within a six-month period. I think ultimately we can get a lot of work done in that six-month period. But the concern is whether or not we're going to have final recommendations done within that six-month period is still...I'm still a little uneasy about. I would feel much more comfortable if we ultimately gave preliminary recommendations in December and let the committee continue to work through next year to issue final

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recommendations to the Legislature to provide I think that necessary comfort and ultimately I think the study, the extensive study that I think is going to be needed before there are any legislative bills produced, if any, for that matter. And that leads me to my last point. As I mentioned to Senator Schumacher, Senator McCoy when he prioritized it, and others, there is no predetermined outcome with LB613. I'll reiterate that. There is no predetermined outcome with LB613. There is no predetermined bill... [LB613]

SENATOR GLOOR: One minute. [LB613]

SENATOR MELLO: ...that's in the works, no predetermined ideological tax shift or gain that's in the works with LB613, colleagues. We are going to do an extensive study and we may come back and say that our tax code may not need to be changed. It may need to be slightly tweaked or it may need to be dramatically overhauled in the sense of some of the changes we've seen and the adoption of, I'd say, a service-based economy. But the reality is there is no predetermined outcome for myself; and the other members I've spoken with are not under that same assumption either. So while there were tax bills that were introduced this year, ultimately were killed in Revenue Committee, other bills that are currently out there, there is no guarantee that one bill or another will come from this study and/or will be debated after the study is complete and, under my hope, when a preliminary recommendation comes out which is something we may discuss a little bit further on Select File. Thank you, Mr. President. [LB613]

SENATOR COASH PRESIDING

SENATOR COASH: Thank you, Senator Mello. Senator Wallman, you're recognized. [LB613]

SENATOR WALLMAN: Thank you, Mr. President, members all. Thank you, Senator Schumacher. And whoever tackles taxes, wow, and heaven help us. The last person that really attempted to do a great big tax change was a person named Governor Tiemann, and it cost him probably his political career as far as being reelected. And it was a pretty extensive healthcare over...I mean, tax overhaul, diverting total expenses...I mean total taxes from property tax. So then we had sales tax. Is sales tax absolutely fair? Absolutely not. So if we go about this tax overhaul thing...and when I was just a young pup we taxed almost everything, even my dog; and even intangibles if you had stocks and bonds on the board. So I think we have to broaden our revenue source. And I would hope that we would have a banker on this commission and business, that's actually in business, and go out to the private sector, somebody that's in manufacturing and all these things. This has to be a huge...I think just outside the body somewhat. And I think Senator Schumacher could work this out. Would he answer a question, please? [LB613]

SENATOR COASH: Senator Schumacher, will you yield? [LB613]

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SENATOR SCHUMACHER: Yes, I will. [LB613]

SENATOR WALLMAN: Would you agree that we have to expand this commission to include lots of people, or wouldn't you? [LB613]

SENATOR SCHUMACHER: This is basically a legislative commission and the commission is empowered, in the language that's been proposed by the Executive Board, to bring in information from business, from industry, from the social sector as a mechanism. Ultimately, though, the buck is going to stop in the Legislature and that's why this is a legislative commission with broad outreach to the public to try to figure out how to do what's right. [LB613]

SENATOR WALLMAN: Thank you. And I would agree with that because I do think it may be time to look at our tax structure. Some things I like, some things I don't. But it's time society just takes a look at themselves. And we have to pay for things, whether it be federal government or local government. And I don't think that hurts economic development if you broaden it and make it even. Thank you, Mr. President. [LB613]

SENATOR COASH: Thank you, Senator Wallman. Senator Hadley, you are recognized. [LB613]

SENATOR HADLEY: Mr. President, members of the body, I just rise quickly to thank the Executive Board, Senator Schumacher, the Revenue Committee, and many others in working on this. In the past, these types of committees have worked. Health and Human Services had a couple of committees that worked great. The BSDC Committee worked great. We get a group of people together to look at our tax system. We heard LB405 and LB406, and it came across very clear to us that people would like us to look at modernizing our tax system. Does that mean there is going to be change? I can't guarantee you that. Does that mean it's going to have lower taxes? I can't guarantee you that. But to quote the Governor, we need to look at this from a neutral standpoint. We are opposed to using this kind of committee to raise taxes, but it may not lower taxes either. The goal of this, I see this committee, is to look at our taxes in the state of Nebraska and determine whether they're equitable, whether they're treating the citizens of Nebraska equitably. That doesn't mean each individual person, their taxes may go up or down if we make changes, but in total we want to have equity. We hear a lot about property taxes and I know we hear that we can't do anything about it. I disagree. We use TEEOSA. We put levy limits. We put spending limits. We have aid to the...property tax aid. So we do impact property taxes. But that is the one that I think...one of the major ones that we're going to look at, because people tell us consistently that this is a tax that they don't like. Remember, a tax that is good is a tax you pay and I don't. We're going to have to work on that. We've got certain parts of government we need to fund. If you want to work on tax cuts, then you need to work with the Appropriations Committee

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and Senator Mello as Chair, because spending has to be cut. If you want tax cuts, we have to cut spending. That's simple enough. If you want to lower the income tax rate, let's cut spending. If you want to lower the sales tax rate, let's cut spending. If you want to lower property tax rates, let's cut spending on schools, cities, and counties. What we're trying to do here is to give an equity. I would yield the remainder of my time to Senator Schumacher if he would like it. [LB613 LB405 LB406]

SENATOR COASH: Senator Schumacher, 2 minutes 10 seconds. [LB613]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Ladies and gentlemen, members of the body, this, as Senator Hadley points out, is an effort to try to make sure the way we collect money is fair and competitive and will meet our needs of the budget that we adopt. But Senator Hadley is very, very, very correct when he points out that when we're required to balance a budget, the only way there can be an aggregate tax cut is by cutting the spending--and that is where we have major challenges. I think that this particular approach, as it's been modified by the Executive Board, fits the bill for raising the revenue and sets a framework for us to study, for us to think about all the important issues that we have to deal with. There was a reason that the major tax bills, such as we mentioned that was introduced by Senators Ashford and McCoy, Krist, Chambers, Watermeier, basically never made it out of committee, because they were major and they were significant. And the response to them has to be an integrated response that responsibly takes all the very, very sound issues that were raised and tries to balance them against each other to come out that something is ultimately fair. And that is our duty in executing our responsibilities to the people of Nebraska. Thank you. [LB613]

SENATOR COASH: Thank you, Senator Schumacher. Senator Harms, you are recognized. [LB613]

SENATOR HARMS: Thank you, Mr. President and colleagues. I support LB613. I cosponsored it because I thought it was important. I would just like to ask my colleagues to remember that there was a Syracuse tax study and I think that our Clerk has identified that for us. Make sure you take some time to read that. I have reviewed that more than once way back when I was in another world...in another profession, when this was done. It occurred when Governor Orr was Governor. Senator Vard Johnson was the driving force behind this tax study. But unfortunately, when it was done, Senator Vard Johnson went into the world of work and Governor Orr was not reelected, and that study went up on the shelf. There's some awfully good research that has been done by that committee. If you want to get a good handle on an overview of many years ago that occurred, those issues are almost identical to the issues we have today. So I would really urge you to take a look at that Syracuse tax study because I think it will help you get a better handle on what they were thinking at that time and just relate it into our modern times today, because it's almost identical. The issues are the same. The

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other thing I'd like to just briefly talk about and I'd like to...I wonder if Senator Hadley would just yield for a couple of questions. [LB613]

SENATOR COASH: Senator Hadley, would you yield? [LB613]

SENATOR HADLEY: Yes, I would. [LB613]

SENATOR HARMS: Senator Hadley, as you start to take this review or this study on, first, are you going to have...because there's going to be a lot of politics involved with this. Regardless of what we say on this floor, there is going to be politics involved as we start to review this. And my question then for you is, as the Chair of this--which I think you'll have a real challenge, all of us on that committee will have a real challenge--are you looking at a consultant or someone who could come in to help advise and guide us through this, that's not involved or not attached to the political world of this great state? [LB613]

SENATOR HADLEY: Absolutely, Senator Harms. We have talked with Senator Mello about funding for this process and I will pledge that we will find someone or numerous people to help us, and their political feelings will not be a criteria as to the person we pick. And if we find a person who seems to be leaning one way because of political reasons, we will go out and find a person who leans the other way to give us the other side of the story. Our goal is to find the entire picture. And I truly believe, in the spirit of George Norris and this legislative body being a nonpartisan body, this study commission has to be a nonpartisan body that tries to do the best for the people of the state of Nebraska. [LB613]

SENATOR HARMS: Yeah, I agree with you. Do you have...Senator Hadley, do you have any idea what the budget might look like? [LB613]

SENATOR HADLEY: I really don't at this time, Senator Harms. I've heard numbers of \$100,000 put around. We just had a study in Transportation that Senator Price I believe is working on, and its budget is going to be \$400,000 for the PSC, so. [LB613]

SENATOR COASH: One minute. [LB613]

SENATOR HADLEY: But I think, Senator Harms, to answer your question, I think it will be money well spent because we want people to really help us. [LB613]

SENATOR HARMS: See, I agree with that 100 percent. Mr. President, how much time do I have left? [LB613]

SENATOR COASH: Forty-five seconds. [LB613]

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SENATOR HARMS: Well, I'll quickly ask this and maybe I'll have to come back or walk off the mike to talk to you. Now is this consultant or the consultants going to put together the actual work plan and the objectives so we can clearly understand that, as well as a time line and the benchmarks that we have to be able to measure ourselves against what we intend to accomplish against those goals? Because if... [LB613]

SENATOR HADLEY: Senator Harms, the Revenue Committee staff is already starting to work on that project and I would see we're going to put the emergency clause on this so that as soon as we can get the funding we will get the external consultants. But the staff is already working on those very things you're talking about. [LB613]

SENATOR HARMS: Good. The other... [LB613]

SENATOR COASH: Time, Senators. [LB613]

SENATOR HARMS: Thank you, Mr. President. [LB613]

SENATOR COASH: Thank you, Senator Harms. Senator Chambers, you are recognized. [LB613]

SENATOR CHAMBERS: Mr. President, members of the Legislature, had I known things would take the turn that they've taken, I would not have voted as a member of the Executive Board to send this thing out. It would have had the votes anyway, but I feel I've been lied to. I feel I've been dealt with disingenuously, and the ones involved know who they are. I won't call them by name. But that Revenue Committee is the most dysfunctional committee down here. They, in my opinion, are like a drunken sailor on a peg leg, walking on the deck on a ship being tossed upon rolling seas. How likely is it that that peg-leg, drunk sailor is going to stay upright? That's what I think about that committee and I want them to know it. I'm not like one of those who walk around whispering in the halls. I'm saying what it is. Now I'm going to be honest with you. I've got a bill before that committee that would repeal the authorization of a half-percent tax--sales tax. I have people talk to me and ask would I be willing to let my bill come out and it be used as a moratorium vehicle. So I said, I've got to think about it. I struggle with it because I want that authorization gone. But because no city could do anything in the meantime anyway, because no election is going to occur, I agreed. Then I find out, well, that's off; your bill is going to stay in committee. And the League of Municipalities had given them instructions that under no circumstances should my bill come on this floor. And this committee, and Senator Mello agrees, is going to say that you should have a comprehensive tax study with no predetermined outcome. Then I pick up the paper and I read about all the exemptions that that same committee voted out of their committee, exemptions for repair parts for farm equipment, exemptions for other things. Now if they're voting exemptions right now when the commission's goal is to determine whether there ought to be exemptions retained or what new taxes ought to be raised,

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the whole waterfront, look at it all, then the same committee that votes for the commission has voted out exemptions, sales tax exemptions. What kind of sense does that make? It makes sense to you all because you swallow spit and go along with it. I'm not here to be friends with anybody. When they cross me, I will fight back and I will fight not on just this bill. I will take the session and you're going to have to take it back from me. And you're going to have to take it back from me bill by bill, day by day. So get 33 votes on this one, but there's another bill after it and a bill after that one. And you're going to find out that I've been too nice this session. I have been nice. And they think I'm a pushover, that I can be walked on, that I can be lied to, that I can be tricked and treated like a sapsucker. Well, I'm going to let them know what they have created. And when I talked to the Chairman, he doesn't know anything about anything that's happening. You think I owe something to these senators who are here, just like I...they're not my father. They don't own me. I don't work for them. [LB613]

SENATOR COASH: One minute. [LB613]

SENATOR CHAMBERS: And let them stand on the floor and do battle because I'm going to fight LB613. I don't see Senator Mello, but I'm going to have some questions for him, too, and ask how can he stand up here with a straight face saying that he's for LB613 when he said in the paper there may be no need for it since they're voting all of these exemptions out. But he didn't talk about that this morning. I've only got a minute. I see he's back so I'm going to put on my light because he and I are going to have some discussions on this. Thank you, Mr. President. [LB613]

SENATOR COASH: Thank you, Senator Chambers. Those still wishing to speak: Senators Conrad, Crawford, Kintner, McCoy, and others. Senator Conrad, you are recognized. [LB613]

SENATOR CONRAD: Thank you, Mr. President. Good morning, colleagues. As usual, the senior member has stolen part of my thunder. But I rise to express my support for LB613. If you have a chance to review the record, you can see that I was an early cosponsor of this legislation for a variety of reasons, good policy reasons that I think Senator Schumacher has done a good job of laying out. But I rise with concerns and hesitation this morning as we have an ability to really debate this on the floor moving forward. And those concerns and hesitations stem from the actions of the Revenue Committee which in some ways I think has neglected its duty in terms of the gatekeeping function; that we defer and rely upon a strong committee system in regards to our one-house Legislature. And I had a chance to visit with my good friend, Senator Hansen, who is a new member of the Revenue Committee about a comprehensive look of what that committee has been working on thus far, because I was trying to piece together different fiscal notes from different media articles in relation to tax bills that have been advanced. And I see that--he shared this list with me which is very helpful--that over 15 bills have been advanced from the Revenue Committee with

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varying price tags on them, and some incredibly significant. And I'm wondering, if there is consensus in this body and beyond that a comprehensive approach and review of our revenue infrastructure and tax system is appropriate, what is the logic in the advancements of these various and sundry pieces of legislation, which perpetuates a piecemeal approach to tax policy and which we agree has created inequities not only amongst different citizenries and aspects of our economy but also contributes to the structural imbalance in regards to meeting our state obligations. So I'm guessing it's politics. I'm guessing it might be the ability to be collegial as senators are making personal priority bills. They can say, well, I did get it advanced from committee. If that's the underlying thought of members of the Revenue Committee, I hope one of them will address that, what I think disparate and strange result is on this legislation or moving forward, because it doesn't make sense to me. So thank you, Mr. President. And with that, I was going to yield the remainder of my time to Senator Mello who was going to clarify some aspects of the cost of this study from an Appropriations/Executive Committee perspective. I see him coming down. So, Mr. President, I will yield the remainder of my time to Senator Mello. And I hope that members of the Revenue Committee will take this not as criticism but for an opportunity to explain how they see these actions working in concert and constructively. Thank you. [LB613]

SENATOR COASH: Senator Mello, 1 minute 50 seconds. [LB613]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. And thank you, Senator Conrad, for yielding the remainder of your time. First off, just as a point of clarification, my good friend and colleague, Senator Hadley, had an on-the-mike discussion with Senator Harms. The way the bill is drafted now, there is no fiscal...or with the adoption of AM467 there is no fiscal note or A bill with this piece of legislation. But in that same vein, there is no additional funding or funding set aside anywhere for any outside consultants. So if that's an issue that we're going to have to address on Select File, that will be an issue we'll have to address on Select File. It's just more a point of clarification for the Legislative Council's budget, which we have not heard their budget hearing yet, but there is no money set aside for LB613... [LB613]

SENATOR COASH: One minute. [LB613]

SENATOR MELLO: ...in any existing budget. The second point is what Senator Chambers raised, and there was a story from the Omaha World-Herald this morning that echoed some of the concerns that maybe I needed to clarify further on the mike. As an original supporter of LB613, I thought that this was the best policy to move forward. Obviously, there's been some bills that have been presented to the Legislature out of the Revenue Committee that has caused some consternation in my mind in the sense of how can we both do a comprehensive tax study as well as be able to do massive tax reform at the same time. Those concerns do not escape me and I should have maybe emphasized that earlier on the mike and which Senator Chambers had made reference

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to. That is a concern of myself and I think it's a concern of what you just heard from Senator Conrad and other Appropriations Committee members who ultimately understand that if we're going to do a comprehensive tax study, we need to do a comprehensive tax study; that we can't have 15 different Revenue bills in front of us that are going to make us pick and choose while we're getting in the process of ultimately starting a comprehensive tax study postsession. [LB613]

SENATOR COASH: Time, Senator. [LB613]

SENATOR MELLO: Thank you, Mr. President. [LB613]

SENATOR COASH: Thank you, Senator Mello. Senator Crawford, you are recognized. [LB613]

SENATOR CRAWFORD: Thank you, Mr. President, and good morning, colleagues. I rise in support of LB613. And one of the first...as a new member, one of the first meetings that we attended when we first arrived here in January was a session that was put on by OpenSky, and at that workshop we had a chance to hear from participants of the past three major tax studies that this body has held, and I thought it was very impressive to me the ways in which those tax studies had been able to inform and shape the debate about the tax changes that followed. And I believe that it's very important for us at this time to be intentional about studying our tax system as a body. And I appreciate the work in LB613 to identify key criteria that matter to us, that Senator Schumacher laid out for us that are in the bill about fairness and simplicity and competitiveness. And the specific criteria that are laid out are very important, and I think it's important for us to look at our entire tax structure with those principles in mind. And I urge my colleagues not to let the important work that is outlined in LB613 get derailed by frustration with decisions made by the committee or with efforts to use the bill as a vehicle for other tax choices. I urge my colleagues to support LB613 as amended by the Executive Board but to support it and vote for it as a clean study bill. Thank you. [LB613]

SENATOR COASH: Thank you, Senator Crawford. Senator Kintner, you're recognized. [LB613]

SENATOR KINTNER: Mr. President, members of the body, I want to thank Senator Schumacher...and Senator Shoemaker (phonetically) too. I want to thank Chairman Hadley and everyone who worked on this. I rise in support of LB613 but I do want to say this: I think we can do this in six months. It's not going to take two years. We built the Pentagon, the entire Pentagon in nine months. If we want something, we can do it. We don't need to run this over two years. And Chairman Hadley talked about the spirit of George Norris. Well, I don't want to use too much of George Norris' spirit. He was quite the taxer and quite the spender. I'd like a little Calvin Coolidge's spirit in there too. I think

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we'd be well-served by that. There is no predetermined outcome. This is not a tax cut commission. I understand that. But I want to assure the taxpayers of this state, I want to assure the people of, let's say, of District 2, and all the people in Nebraska, I am not voting for this to hold off tax cuts. We will pursue tax relief. I knocked on thousands of doors. I heard you loud and clear, your taxes are too high. This body understands that and we're going to go after those taxes and we're going to become a more competitive state and we're going to put more money in your pocket. So taxpayers of this state, you will not be abandoned. This is not...we're not giving you the stiff arm. We're going to look at the entire tax structure. We're going to find the equitable way to do that and then we're going to work to reduce your tax burden. I yield the balance of my time to Senator McCoy. [LB613]

SENATOR COASH: Senator McCoy, you have 3 minutes, and you are next in the queue. [LB613]

SENATOR McCOY: Thank you, Mr. President and members. And thank you, Senator Kintner. I am in favor of advancing AM467 and the underlying bill, LB613, which is my priority bill for the 2013 Session. You've seen some conversations going on, on the floor this morning, as to an amendment that I have filed that we spoke about in the Revenue Committee and voted on yesterday, that was filed to General File; it's moved to Select File. And, Mr. Clerk, I'd ask at this point to withdraw that amendment if I could, because I don't want it to clutter up the overarching conversation. We can have some other conversations at a later time about the premises of that amendment. But in the construct of what we're talking about here this morning, I think this tax study is important. You've heard that already. And I want to thank Senator Schumacher for formulating this idea. I think it's important for our state. It's important for the future of our state to take a comprehensive look at our tax structure and to make it as competitive, as equitable, and as fair as possible for our citizens. I think that's what they asked. I think that's important for us to do and I fully support LB613. Thank you, Mr. President. [LB613]

SENATOR COASH: Thank you, Senator McCoy. You waive? (Visitors introduced.) Returning to discussion, those waiting in the queue: Senator Brasch, Sullivan, Campbell, and others. Senator Brasch, you are recognized. [LB613]

SENATOR BRASCH: Thank you, Mr. President, and good morning, colleagues. I would like to yield a question or two to Senator Schumacher. [LB613]

SENATOR COASH: Senator Schumacher, will you yield? [LB613]

SENATOR SCHUMACHER: I will. [LB613]

SENATOR BRASCH: Thank you. And I do want to thank you for LB613 and the

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amendments here. I do have questions on its execution however. And I am supportive. But when I do see, contrary to Senator Kintner's six-month time table, as I'm looking at it, it says that you will hold public hearings but it does not say how many. Is that correct? [LB613]

SENATOR SCHUMACHER: Initially the bill designated a number and I believe that the Executive Board, in looking over the fact that this may be the kind of thing that resolves quickly or it may mushroom into something, it's really hard to specify that ahead of time. And so I think that was left basically in the committee's hands to decide how many hearings. If we're going to undertake this, we know we're going to have many of them. [LB613]

SENATOR BRASCH: Thank you. And you do not give any locations of meetings as well, as this point, correct? [LB613]

SENATOR SCHUMACHER: No. I mean it would be getting the cart ahead of the horse a little bit to say where and when a meeting would be before the bill is actually passed, because at this point it's just hypothetical. [LB613]

SENATOR BRASCH: I think you need a very fast horse in this particular situation, seeing that you have public meetings. And are you going to obey or follow the Open Meetings Act on those? [LB613]

SENATOR SCHUMACHER: I would assume at all the public meetings where we bring in public information, we'll indeed be open to the public. I mean this is an idea that we have got to be in a position to engage the public and get their information from. And it's not going to be a dead horse. I'm not going to race him. [LB613]

SENATOR BRASCH: And I'm hoping that following the Open Meetings Act, that these meetings will be in locations that are accessible to the public during times when the public is available--evenings, weekends--where not just a few people can attend but most of the public can attend. [LB613]

SENATOR SCHUMACHER: I would hope that's the case too. And if my two cents is worth anything, I would like to see us perhaps engage some of the over-the-Internet type of telecommunications to talk to folks that may have a difficult time to get to a meeting. [LB613]

SENATOR BRASCH: And that would be very commendable. We are still working on reliable, high-speed, broadband Internet in many of our rural locations, so I believe that that would be one small subset, but public meetings following the Open Meetings Act and hours that the public can attend. I also see that you are having a tax summit, correct? [LB613]

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SENATOR SCHUMACHER: The idea I believe, if you're referring to the meeting with the Legislative Council that the Chairman of the Executive Board will call at some point so everyone can get together as a Legislature and look at the things. [LB613]

SENATOR BRASCH: I believe I read in the bill that not just the Executive Council but you will host a public summit, a tax summit. And I'm curious...and it says the public will be invited. What is your time line? Is that following your host of meetings throughout the state? Is it in the middle? And what location would a summit for the state be located in? [LB613]

SENATOR SCHUMACHER: I'm not in a position to...I would guess if there's going to be a facility rented and things like that, that will take a little bit of logistical maneuvering in order to figure out what's the best spot and what it'll cost. [LB613]

SENATOR BRASCH: And I also read in the bill...in your bill here, that there are many powers that will be given to this committee: subpoena. You're going to be able to go into... [LB613]

SENATOR COASH: One minute. [LB613]

SENATOR BRASCH: ...records in subdivisions. You'll be able to go to the county, pull county records, that you have the subpoena powers to look at any records necessary. Is that correct? [LB613]

SENATOR SCHUMACHER: Right. I believe that that more or less was taken from not only our existing rules and many of our standing committees have those similar powers to subpoena evidence if necessary. It was also taken from the language of the Legislative Council which has similar powers. So sometimes you need facts in order to make decisions, and this would authorize the commission to get the facts. [LB613]

SENATOR BRASCH: And when I worked for the Revenue Department, I had to sign confidentiality forms of knowledge of tax records. Should I break those, then it would be federal prison. Will all of these measures of confidentiality also be required of your subcommittee...or your committee? [LB613]

SENATOR SCHUMACHER: We obviously are bound by federal law. [LB613]

SENATOR BRASCH: Okay. Thank you. I have no other questions. [LB613]

SENATOR COASH: Thank you, Senator Brasch and Senator Schumacher. (Visitors introduced.) Senator Sullivan, you are recognized. [LB613]

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SENATOR SULLIVAN: Thank you, Mr. President, and good morning, colleagues. It's fair to say that we all have our individual opinions on this idea on forming the Tax Modernization Commission and as we should. That's part of our job here. And I'm also glad to be included, as a member of the Revenue Committee and Chair of the Education Committee, to be included in this effort. But I would also remind all of us that I truly think that while we are launching this effort to review our tax code, that this is an ongoing responsibility of this body. It's always something that in many different forms and shapes we have to look at. And in some respects, too, you know, it's not overlooked the fact that the Chair of the Education Committee needs to be involved in this because, of course, TEEOSA and school funding is an integral part of it. And when I look at sort of the four pillars that this commission is using, that being fairness, competitiveness, simplicity, and stability, it goes right along with some of the pillars that the Education Committee and the staff used this summer as we looked at the state aid bill and ultimately will be making...have made some recommendations that will be in part coming to you as part of the state aid bill. And those pillars that we used were predictability, sustainability, equity, and, believe it not, simplicity. So there's an interconnectiveness, to be sure, in those pillars with the ones that we're identifying with the Modernization Commission. I think, though, the other thing that we need to keep in mind, in the efforts of the commission won't necessarily result in a silver bullet. I'm hopeful that the result will be some recommendations that will be brought to this body that will be taken into consideration by collectively through committee work but also individually, and ultimately will be brought to the body in the form of various forms of legislation. But as I started out in my comment, initial comments, that is part of our ongoing responsibility. Yes, as a commission this provides the framework for us to do a more in-depth study but it's not going to provide the end game. We will offer some suggestions to perhaps modernize or change our tax code but it won't be the end of the story. It will be something that we will continue, just as we do with state aid and school funding, an ongoing discussion to revisit it, try to make it better, try to adjust to changing circumstances. And in truth, that is part of our ongoing responsibility as legislators. Thank you. [LB613]

SENATOR COASH: Thank you, Senator Sullivan. Senator Campbell, you're recognized. [LB613]

SENATOR CAMPBELL: Thank you, Mr. President and members of the Legislature. I want to emphasize that in the amendment, as well as the underlying bill, there are three very important components that we should not overlook the significance and importance of. The first is that I firmly believe this committee has to be made up of senators. It can be a point of bringing in a lot of expertise from around the state to help provide data and to help provide the background and certainly at the hearings, But senators have been a key component that we have used in three significant studies that came to the Legislature. The first, of course, was BSDC. Then we put a senator group together to look at Children's Behavioral Health after safe haven and LB603. And the last, of

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course, was LR37, to look at the child welfare system in which we used senators from the Health and Human Services Committee. This is an important component. We need senators at the core of this committee. The second point I want to make is I am a firm believer and supporter of putting the entire Revenue Committee on the full committee, and I'll tell you why. It was particularly helpful to me, as the Chair of Health and Human Services Committee, to have my entire committee working on LR37 and the child welfare issue. They were knowledgeable. They could answer questions. They understood what legislation was necessary. And when we came to the floor, they were instrumental in helping other senators understand what legislation we were undertaking. I anticipate that the same will follow, that we will look to the Revenue Committee and its Chair, Senator Hadley, to be able to guide us through what the next step is. Third, I am not one bit worried about the time frame. The BSDC Committee and LR37 were done between sessions. We had as much time on LR37 as this group will have to prepare their report for the Legislature. And in the course of that work on LR37, we held five public hearings across the state and traveled to talk to Nebraskans about what they felt should be in a child welfare system. The same will be true here. We need to hear from the public and we need to know what their thoughts are. But how they are composed and where they are should be left to the discretion of the committee, and particularly the Chair, because all of the pieces of public input have to be coordinated, and I think that will happen. I am very pleased to see this idea come forward and ask for your support. Thank you, Mr. President. [LB613]

SENATOR GLOOR PRESIDING

SENATOR GLOOR: Thank you, Senator Campbell. Senator Ashford, you are recognized. [LB613]

SENATOR ASHFORD: Thank you, Mr. President. I would like...first of all, I would like to echo what Senator Campbell, Senator Crawford, and others have said about the study. It's incredibly important. And Senator Harms mentioned the Syracuse study that I believe was published in 1986 and was one of the major campaign issues of our 1986 campaign for the Legislature. And in that study, those of you who have read it will recall that it talked about broadening the sales tax base and lowering the rates. And it was Senator Vard Johnson, who was Chair of the Revenue Committee who headed that study, and I think...I am certain that this study that we're talking about here will hopefully address many of those issues and, God knows, it's been too long coming. But I want to say something else about what Senator Chambers has mentioned regarding the half-percent sales tax. I don't think anybody...and certainly I, as a sponsor of that bill for two years, making it a priority for two years, the reason that I did that and the reason that I introduced that bill many years before and on various occasions was because the cities did not have a broad enough tax base to do what I believe they could do...should be able to do as a city to meet the needs of the citizens of the cities across the state. I am hopeful that this study will address that issue and will make those kinds of stopgap

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measures, like the one-half percent sales tax, moot and that we can move to a much more reliable system of taxation that lowers the rates of income tax and drives more money into the cities across the state for their needs. But I'm going to have to support Senator Chambers here. I think that his bill, which I have cosponsored, that repeals the half-percent sales tax does deserve to be on the floor. It is a major issue in addressing sales tax and tax policy throughout the state, and it addresses the issue of how the changes that we make, how they impact the cities. And that's important obviously because many of our citizens live in cities. So I think Senator Chambers makes a point here. And obviously it's my bill, I mean I...and Senator Schumacher and Senator Hadley worked very hard, and others. Senator McGill, Senator Lathrop, we advocated for this bill across the state because, quite frankly, the cities had no other choice if they wanted to do a project for their cities; the half-percent sales tax local option vote of the people was really all they had. So now, though, it seems as if we are moving in the direction hopefully of the Syracuse study and that we will...but it will be a 2014 version of the Syracuse study that will provide fair taxation across the state. Senator Chambers has always advocated for low or no...you know, not using sales tax as a way of certainly taxing his constituents and citizens in his district, and he makes good arguments for that. I think this bill, which is in the Revenue Committee, I believe it had four votes, should be out here, because it will allow us to focus as we go forward this year and next year with the study, focus on what the impact of tax policy is on the cities. [LB613]

SENATOR GLOOR: One minute. [LB613]

SENATOR ASHFORD: So as the...and again, this is something I worked very hard on and I believe in because I think the cities do have to look to other things other than property tax, on occasion, to fill the needs and meet the needs of the citizens of the cities. But I think Senator Chambers has made a good point here. I think it's a fair request. I think it's a responsible request to at least ask the Revenue Committee to reconsider its vote on this bill regarding the half-percent sales tax, get it out on the floor so we know we have to deal with it as we approach the study in the next year or so. So I would advocate...certainly I support what has been talked about, LB613, in general. But I do think it's important as part of this whole discussion that Senator Chambers' bill be on the floor. Thank you, Mr. President. [LB613]

SENATOR GLOOR: Thank you, Senator Ashford. Senators wishing to be recognized: Mello, Krist, Chambers, Hadley, Bloomfield, and Carlson. Senator Mello, you are recognized. [LB613]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. I rise as maybe more of a point of clarification in regards to my good friend and colleague, Senator Kintner's, comments earlier in the sense of the intent behind LB613 and ultimately what has the Legislature done in relation to fiscal policy over the last four to six years. I think for the returning members, I think everyone knows prior to 2008 the

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Legislature passed the largest tax cut in the state's history. Those senators who are currently term limited right now who will be leaving in the next year were the freshmen class who did that--over \$300 million in tax relief; and which ultimately the Appropriations Committee since that point in time has continued to provide roughly \$230 million over the last two bienniums in direct property tax relief. So I think, just as a point of clarification, that the Legislature is fiscally minded in the sense of we do try to reduce revenues if it's feasible. But also I would say a lot of us remember what happened last year, and ultimately I can tell you from my first and foremost experience now as the Chair of Appropriations Committee in regards to the impact of what we did last year on reducing income taxes to the tune of roughly \$90 million in this current biennial budget. In hindsight, the process itself may have been flawed, and I'm willing to publicly acknowledge that, because it makes it more difficult for the Legislature to implement fiscal policy when we have tax policies that start years out from when they're passed. It's an issue that I'm going to be trying to work on over the interim, because not only did the Legislature have to address LB970 this year, we also had to address LB84 which earmarked a quarter-cent of sales tax to road construction out of the General Fund this year as well. Both of those bills combined equated to \$220 million that the Legislature this year has to ultimately implement. So with that, I just wanted to provide a little historical perspective for some of the new members in regards to the Legislature is mindful of tax policy, is mindful of fiscal policy. But the reality is this: You can't just cut taxes and not cut spending to make the equation balance out. And for those members who haven't been here, the Legislature cut a billion dollars over the last two years. So to somehow equate that this Legislature and previous legislators have not been able to carry their own weight in regards to balancing the budget and not spending money we don't have, I think is unfortunately a misstatement, to say the least. And with that, I would yield the remainder of my time to Senator Chambers. [LB613]

SENATOR GLOOR: Senator Chambers, 2 minutes 23 seconds. [LB613]

SENATOR CHAMBERS: Thank you, Mr. President. Thank you, Senator Mello. And, Senator Mello, while you're on your feet, I had made a reference to you and I would like to know if Senator Mello would yield to an exchange or two with me. [LB613]

SENATOR GLOOR: Senator Mello, would you yield? [LB613]

SENATOR MELLO: Absolutely. [LB613]

SENATOR CHAMBERS: Senator Mello, I stated that I read in the newspaper, it was this morning, where you said, in view of the types of exemptions that the Revenue Committee is voting out, there may not even be a need for this Tax Modernization Commission. Is that basically correct in terms of the statement you made? [LB613]

SENATOR MELLO: Yes. [LB613]

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SENATOR CHAMBERS: Is that still your view? [LB613]

SENATOR MELLO: Yes. [LB613]

SENATOR CHAMBERS: So in view of that and these exemptions that have been voted out, are you going to vote nevertheless or support LB613 if things remain as they are right now? [LB613]

SENATOR MELLO: I think at this point, Senator Chambers, I would hope that LB613 would move forward, but I think partially based on your floor statement, Senator Conrad's floor statement, mine and others, that this Legislature as a whole will start to I think reconsider some of the proposals that have been put out there in regards to affecting our tax policy. [LB613]

SENATOR CHAMBERS: Thank you. How much time do I have, Mr. President? [LB613]

SENATOR GLOOR: One minute, Senator. [LB613]

SENATOR CHAMBERS: Members of the Legislature, I'm going to keep us on this bill just like I did on the horse racing bill. And I'm drafting amendments. I had put a motion up there to bracket. I don't need to bracket it. You all want to talk about it, so I'm going to withdraw my bracket motion and we're going to talk about it. I'm going to talk about it anyway and I'm going to start by making some modifications in the findings that are offered in the amendment before us now offered by the Executive Board. There's a lot wrong with this bill. There's a lot wrong with the approach being taken by the Revenue Committee. The Chairperson of Health and Human Services may have a lot of confidence in that committee but I don't; and if they were the ones to conduct the study, I'd have absolutely no confidence in them whatsoever. Am I next to speak? [LB613]

SENATOR GLOOR: No, Senator. Your time is up and you are not next. [LB613]

SENATOR CHAMBERS: Okay. [LB613]

SENATOR GLOOR: Senator Krist, you are next in the queue. [LB613]

SENATOR KRIST: Thank you, Mr. President. Good morning, colleagues, and good morning, Nebraska. I'll make some general comments. I am in support of AM467 and the underlying LB613. I am the Vice Chair of the Executive Board, and our legal counsel did a wonderful job, Janice Satra, in organizing and reorganizing. What we basically did was gut LB613 and replace it with AM467 with the help of Senator Hadley and Senator Schumacher, Shoemaker (phonetically), I'm sorry...and put...and then allowed...asked and allowed Senator McCoy to make it a priority. This is the direction that Nebraska

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needs to go. The Revenue Committee showed very little regard or prejudice for the Governor's bills, LB405 and LB406. They were not the right direction to go. Those changes will be made...would have been made too hastily. They would not have been thought out correctly. A study needed to be done. They came back with LB416...I'm sorry, with LB613 and then we came back and amended it with AM467. And I might add, all the members of the Executive Committee voted it out unanimously. Let me say that again, unanimously. And we all have second thoughts and we all have issues about bills that come out, but we do our best at researching, knowing the process and knowing what we vote and what our vote means. Unanimously, the Executive Board sent it out. It can be tweaked. But we could have tweaked LR37 until the cows came home, but instead we participated in the study in LR37 several years ago, and we modified as we went along, and we got the job done by involving other committees and other members of this Legislature. And I'm still proud of that effort. LB613 can be one of those efforts. The tax system in the state of Nebraska needs to be changed. Many of you have seen the headlines in the World-Herald and the Lincoln paper talking about my ongoing feud with the city council in the city of Omaha. It is wrong that the city continues to pull occupation tax after occupation tax after occupation tax out of their back pocket without a vote of the people, and taking money out of the citizens' pockets. It is wrong that they would donate that money to another public entity. You can do anything you want to do with a vote of the people, pretty much. Take it to the vote of the people like Lincoln did. You want to build an arena? This is what we're going to do. And oh, by the way, every time you eat a hamburger you're going to see a tax on a tax on a tax. If they want to vote for it, I'm not going to stand in the way. But an occupation tax is not a point-of-sale tax. An occupation tax is not a sales tax. We have to clean up the occupation tax statutes in this state. We had the legal counsel for the city of Omaha walk into the Revenue hearing. Mr. Mumgaard said, and I quote, I think I know more about this subject than anybody in this room. I think I'd be a little infuriated if somebody came in and told me I don't know my job. And by the way, there were two former Tax Commissioners who are on the staff. So, Mr. Mumgaard, I think you're wrong. And when you came in and said the Supreme Court said, the Supreme Court said, the Supreme Court said... [LB613 LB405 LB406]

SENATOR GLOOR: One minute. [LB613]

SENATOR KRIST: ...you know what? The Supreme Court does not make policy. This Legislature makes policy. LB613 represents an opportunity for us to take the entire taxation system in this state, including--and I hope the cities are listening--property taxes into consideration and balance a tax; maybe even, as Senator Ashford said this morning on the radio so eloquently, level out or spread out the sales tax program and reduce some of our taxes. We make policy. We make decisions. We need to make them...garbage in, garbage out. If we don't have good information, we're not going to make good decisions. LB613 is a way to get there. Support AM467 and LB613. Thank you, Mr. President. [LB613]

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SENATOR GLOOR: Thank you, Senator Krist. (Visitors introduced.) Continuing with discussion, Senator Chambers, you are recognized. [LB613]

SENATOR CHAMBERS: Thank you. Mr. President, members of the Legislature, trust is a delicate thing. The metaphor that I attempt to use on occasion is that of a very delicate, long-stemmed crystal goblet. If you drop it and shatter it, then--like Humpty Dumpty, the fallen--all the king's horses and all the king's men can never put it together again. If every shard of glass were recovered and you had crazy glue or some other type of adhesive and you carefully replaced each shard where it was supposed to be and you came up with a repaired goblet that looked exactly, formwise, as the original one--but it is not the same. There are lines which will never be erased. And there is no swap shop where you can take destroyed trust and exchange it for a trust that is pristine. It's over. If I'm stabbed in the back, I'm not one of these, like my colleagues, who try to go along to get along. I don't have to get along with anybody. Kill every bill that I've got and I will punish you. If that's the way the game is going to be played, I will get in the game and play it with gusto, and I will last where you won't, because you have strings being pulled on you. You have people telling you what you must do and what you better do, as the League of Municipalities told that committee they must do with my bill. But nobody tells me what I must do. They can suggest. They can recommend. If the suggestion or recommendation makes sense and they back it up with a convincing argument, then I go along. But nobody is going to say do it because I said do it. It could be something I intended to do. And as soon as you put your finger in my face and say do it, I'll tell you where you can go, and I might would even quote the Bible and utter that word that is spelled h-e-l-l. But that's not a part of my active vocabulary because I'm not a religious man. And while I'm on that score, even though I'm trying to get "In God We Trust," or whatever it is, "So help me God," out of oaths because it violates the constitution, there are Christians who use God's last name. And I never use God's last name but they use it all the time as a matter of course. I didn't know God had a last name till I heard so many Christians give it when they get angry. But in my view, naive as I am, thought that they were fervently praying and they thought God would hear them if they used his last name because they knew the "pray-er" was serious. Then what to my wondering ears should come but an explanation that God has a last name; but it is not what these people are saying. His last name is Mason and you know that it is. There's a prayer that they tell you to say: Our Father, with jars in heaven. Who makes jars? [LB613]

SENATOR GLOOR: One minute. [LB613]

SENATOR CHAMBERS: Mason. So the makers of jars being Mason, you know God's last name now. See how instructive I can be? And I'm going to do this for about eight hours, so don't think that if you missed it this time that you don't get another shot at it. Now if you find a way to cut me off, that doesn't matter to me. I'm going to be here the

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full 90 days and we will be talking about something and I will talk on this bill or I'll talk on the next bill. So if you want to cut me off on this one, make sure the next one is not yours, because unlike you all, I'll be like the law of the Medes and Persians which changeth not. And Senator Carlson, if he's here, knows that comes from the book. The law of the Medes and the Persians changeth not. [LB613]

SENATOR GLOOR: Time, Senator. [LB613]

SENATOR CHAMBERS: Thank you, Mr. President. [LB613]

SENATOR GLOOR: Thank you, Senator Chambers. Senators remaining in the queue: Hadley, Bloomfield, Carlson, and Chambers. Senator Hadley. [LB613]

SENATOR HADLEY: Mr. President, members of the body, would Senator Mello yield to a question? [LB613]

SENATOR GLOOR: Would you yield? [LB613]

SENATOR MELLO: Yes. [LB613]

SENATOR HADLEY: Senator Mello, what is the yearly budget for the state of Nebraska that you work with in Appropriations? [LB613]

SENATOR MELLO: In General Fund dollars, it's roughly, give or take, about \$3 billion...\$3.2 billion. [LB613]

SENATOR HADLEY: \$3.2 billion. What increase are you looking at this year in the General Fund? Just a round number. [LB613]

SENATOR MELLO: The preliminary budget increase was...over the biennium, was 4.8 percent. [LB613]

SENATOR HADLEY: So about \$120 million? [LB613]

SENATOR MELLO: I'm looking at that right now. A little bit...about \$220 million, year over a year, if you combined it. [LB613]

SENATOR HADLEY: \$220 million. The Revenue Committee and myself have been criticized for what we've been doing. Let me tell you what bills we've been looking at. The first year it's \$9.6 million. We just heard that the Appropriations Committee is going to increase spending \$220 million and they're upset that we're looking at \$9.6 million. Let me tell you what they are: Angel credit. Remember when we voted that out and we had to decrease it because we didn't have funds? It's over (inaudible). It's to grow the

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economy to give the Appropriations Committee the money to spend. Ag repairs, we had hearings on LB405 and LB406, and I'll guarantee you we got two messages. Inputs to agriculture should not be taxed, inputs to manufacturing should not be taxed. Clear messages from the people of the state of Nebraska. Wait until Senator Dubas gets up and explains to you what's happened to our implement dealers in this state. See if that doesn't look like economic development to you. There's a bill on an ESOP, employees stock programs. The federal government treats it one way; Nebraska treats it another way. We have to make a change if we're going to be fair to our taxpayers. That's the three bills. Next year there are about \$29 million. Ag repairs about \$9.6 million of that the second year; Angel credit is again \$2 million. There is...the wind energy, \$7.8 million. Folks, our fiscal note methods require us to put \$7.8 million in there. But I'm going to tell you it's zero, because we have a company who is willing to spend \$330 million in northeast Nebraska if they get a tax exemption. The tax exemption is the same exemption every state around us gives. You're an executive for that company and you say: Let's see, Nebraska I'm going to have to pay \$8 million, South Dakota I don't have to pay, Kansas I don't have to pay, Oklahoma I don't have to pay; where should I put that? So I'm going to argue that's zero, because if we don't give it to them, they ain't coming. So we voted that out. [LB613 LB405 LB406]

SENATOR GLOOR: One minute. [LB613]

SENATOR HADLEY: Minimum tax. Tax cut. Do you want to vote on the tax cut for people? We voted on it last year. You'll get a chance again this year to vote on whether you want to give people tax cuts. College savings plans. Do you want...\$1.2 million, because we're outdated in what we allow the people of Nebraska to take as a credit to help our kids go to college. So I'm sorry. When you say that the Revenue Committee is not doing their job...if you want to say that I'm not doing my job, that's fine. But if you want to say the Revenue Committee is not doing their job, I strongly disagree with that. And you'll get your chance on every one of these bills to say yes or no. You can stand up and say this is the worst piece of policy that any committee has ever put out, and there's a red light on your button there that you can press. [LB613]

SENATOR GLOOR: Time, Senator. Thank you, Senator Hadley. Senator Bloomfield, you're recognized. [LB613]

SENATOR BLOOMFIELD: Thank you, Mr. President. Good morning, colleagues. I stand in support of LB613 and the amendment AM467 to it. Russell Long, a former Senator in the U.S. Senate, once upon a time said, don't tax you, don't tax me, tax that fellow behind the tree. Let's take a good look at what our tax policy is in Nebraska. I believe this will do that. Let's spread it out. Maybe we can reduce some burdens somewhere. Property tax would be my favorite. Everybody has got their favorite. Again, don't tax you, don't me, tax that fellow behind the tree. And I would like to yield the remainder of my time to Senator Mello. [LB613]

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SENATOR GLOOR: Senator Bloomfield, I could not hear who you yielded your time to. [LB613]

SENATOR BLOOMFIELD: Senator Mello. [LB613]

SENATOR GLOOR: Senator Mello, 4 minutes and 3 seconds. [LB613]

SENATOR MELLO: Thank you, Mr. President, members of the Legislature. And thank you, Senator Bloomfield, at the timely, I think, yielding of time. A point of clarification: I was...gave Senator Hadley I think a number that was a little low. We spent about \$3.6 billion in General Funds year over year. And I thought I was clear but a 4.8 percent growth over the biennium is what we have in our preliminary budget, which may change depending upon the committee's posthearing adjustments. I can appreciate Senator Hadley's frustration and I can appreciate sometimes the consternation that may come from being Chair of a committee. It's new for me and I think it's new for Senator Hadley as well. But I think the concern that anyone may have, and I mentioned this earlier on when the Appropriations Committee started our process and ultimately released our preliminary budget, is that there has been a lot of damage done to this state over the last four years. We weathered a shipwreck and now is the time to start to do some rebuilding. So if the conversation this session wants to shift to cutting taxes for millionaires by eliminating the AMT, if the conversation wants to shift in regards to providing new tax credits to new businesses, that's a conversation this Legislature has every two years. But the reality is this: The Revenue Committee, the Appropriations Committee, and the Education Committees have had a working...I would say working relationship in the four years I've been here of trying to balance out the state's constitutional obligation towards K-12 education; try to ultimately ensure over the last few years that we did not raise taxes to meet a billion-dollar shortfall; and to try to ensure that the state was able to provide the basic, necessary services to those most vulnerable; and to try to put key investments in areas of economic, work force, and infrastructure development. I don't see that changing over the next two years. I can understand Senator Hadley's frustration of people concerned about what's being kicked out of their committee. I emphasized that yesterday on the floor. If Senator Hadley's committee chooses to kick out 15 bills, with fiscal notes up to the tune of \$100 million, the reality is this: The preliminary budget right now has \$16 million left for any new spending items. Tax expenditures and tax incentives are the equivalent of spending. You'll hear me say that throughout this session. Tax expenditures and tax incentives are the equivalent of spending on an A bill. That's why our Fiscal Office accounts for it the way that they do. We can either spend money through an A bill, similar to what we had discussed earlier today with Senator Dubas' bill in regards to foster care payments, or we can spend the money through a tax credit or a tax expenditure, through implement dealers, through Nebraska Advantage, or any other tax credit for that matter. [LB613]

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SENATOR GLOOR: One minute. [LB613]

SENATOR MELLO: We're not making decisions for Day 90 today on Day 45...or Day 43, I'm sorry. We have time to work towards that. I've pledged Senator Hadley and Senator Sullivan this is a team sport. The only way we can provide I think a balanced budget that tries to incorporate as many of the priorities of this Legislature is by working together. I know that both of them are in very unique positions, as am I. But my hope is that our frustration doesn't get taken out on each other but taken out on the process in which we know ultimately, come Day 90 and sine die, we can look back and realize that we have a balanced budget, we are able to meet the priorities of as many senators as possible, and ideally, we move the state forward by making key investments in areas of the state that we can build consensus in. That's my hope. I believe that's the hope of many of us. LB613 is one vehicle to help further a conversation. [LB613]

SENATOR GLOOR: Time, Senator. [LB613]

SENATOR MELLO: Thank you, Mr. President. [LB613]

SENATOR GLOOR: Thank you, Senator Mello. Members remaining in the queue: Carlson, Chambers, Conrad, Burke Harr, and Kintner. Senator Carlson, you are recognized. [LB613]

SENATOR CARLSON: Thank you, Mr. President and members of the Legislature. I've been studying the Nebraska Constitution a little bit this morning. And it says in there that all--all--all persons by nature in Nebraska are free, are independent, have inalienable rights to life, liberty, and the pursuit of happiness. Now we're not entitled to happiness. We're entitled and we have the right in Nebraska to the pursuit of happiness. We have the right to due process, a very important part of the constitution. We very clearly have the right to the freedom of religion, not freedom from religion. Section 4 says: All persons have a natural and indefeasible right to worship Almighty God according to the dictates of their own consciousness (sic). That tells me our constitution is recognizing the truth of, the existence of, and the reality of Almighty God. If that's not to be a part of the constitution, then try and change it. But if you try and change it on my watch, you're in for a long battle. LB613, it says in there that our tax structure is to be fair. I don't know that you can have a tax policy that seems to be fair to everybody, but we try and do the best we can along those lines. It's to be equitable. I don't know that we can have a policy that's equitable to everybody. It's to be competitive; and I think by nature it has to be competitive. I like the fact that it's to be easy to understand and easy to follow. It's to provide a source of revenue that is stable, that is reliable. And it must consider what is best for the citizens of Nebraska, what's best for individuals, whether they be rich or poor; what's best for businesses, because they provide jobs, they provide salaries. But in a tax policy we have to be aware of what the states around us are doing in regard to tax policy. We live in the real world. We are not an island to ourselves where we only

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consider ourselves. And so tax exemptions have to be considered. We all know that they're easier to give than they are to take away. But they are necessary to be competitive. I appreciate what Senator Hadley had to say concerning these. There are tax exemptions that are revenue makers and we have to consider all these in a tax policy that's best for the people of the state of Nebraska. Thank you, Mr. President. [LB613]

SENATOR GLOOR: Thank you, Senator Carlson. Senator Chambers, you are recognized. Your third time, Senator. [LB613]

SENATOR CHAMBERS: Thank you. Mr. President, members of the Legislature, I also read the constitution from time to time, and I have to correct my good friend Senator Carlson who was just reading the constitution. He said according to his or her own "consciousness." It's "conscience." Since we're going to be taking shots at each other, then I'm going to return fire as he was returning it on me. And if I were a person who professed to believe in God...and by the way, other people say that I'm an atheist. I've never attached a label to myself. Small-minded people with little brains that think little thoughts use labels, and that's why words are important and you have to be careful who has the power to label something. Because if you label a dog mad, the masters will kill the dog because of the label. If I were professing a belief in God, it wouldn't be based on a man-made constitution made by people as flawed and ignorant, in a lot of cases, as those show themselves to be on this floor. I believe in God because it's in the constitution? Crazy. He said the constitution says freedom of religion, not freedom from religion. Some things, if you have ordinary intelligence, you know is presumed and contained in the assertion that's made. Senator Carlson knows better. He knows that I know he knows better. But he and I are going to go around and around as I will with any and everybody on this floor who addresses something to me directly or indirectly. I intend to take issue with it. I'm not going to go to eat lunch with any of you all and say, well, you know, I didn't mean what I said, because we've got to get along. I know what I'm saying. However, if I misspeak and somebody calls it to my attention, I'll acknowledge that. I'm willing to have my education improved anytime by anybody by any means necessary. But I'm going to stay on this bill and I'm not going to swallow what these people are saying. And I notice sometimes people will go after Senator Mello. This is not Harry Potter where I am that wicked but powerful wizard whose name cannot even be uttered. My name is Chambers. It's up there on the board between Carlson and Christensen. Call me by name. Ask me questions. Take issue with me, because I certainly am going to identify people when there is something they have done with which I disagree. Actions are committed by people, and people have names. And if they don't want to be associated with the action, don't do it. But if you've done it, either come clean or stay away dirty. Deny that you did it and then we will go from there, but nothing anybody says is going to deter me from doing what I decide I'm going to do on this bill. Can the Legislature, acting collectively, bring to a halt what I'm trying to do? Certainly you can. But do you have the backbone? Do you have the belly for it? Are you

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worried about consequences? Do what you have the power to do in the same way that I suggested women should do what they have the power to do. [LB613]

SENATOR GLOOR: One minute. [LB613]

SENATOR CHAMBERS: Being a majority of the population, they can change everything by voting. Don't have to carry a picket sign, don't have to walk a picket line. Just go into the booth where nobody sees you and vote, and you can change things. I wish I were a member of a group which had a majority and all that had to be done was to take a vote. You wouldn't find me changing the rules to stop the minority from passing laws to hurt the minority because I fear them so much. But I know that if I did that, some, one or some...but at least one is going to stand up and say maybe the rest of them, but not me. Your rights end where my nose begins. And if I see you approaching my nose, I'm going to stop you before you get to it. We're all grown people here. [LB613]

SENATOR GLOOR: Time, Senator. Thank you, Senator Chambers. Senator Conrad, you are recognized. [LB613]

SENATOR CONRAD: Thank you, Mr. President. Again good morning, colleagues. I rise again to reiterate my concerns and hesitation and to clarify the fact that when a senator, including myself, asks for a policy explanation, that is not a personal attack. That is the province (laugh) of being a good legislator. And I know that sometimes we can get sensitive or get emotional and it's because we care and it's because we're invested. And so emotion can sometimes be helpful to the process. And I firmly believe that having strong advocates on any given perspective surrounding any given issue helps us find the middle, helps us work through to identify the common ground, and helps us to identify solutions to what might be barriers towards resolution. So with that, I reiterate the question which I have yet to hear an answer to, and it's not to be critical of any of the individual bills that have been advanced from the Legislature's Revenue Committee. They may very well be incredibly meritorious for a variety of fiscal and policy reasons. My question, quite simply, is if there is a consensus in regards to the need for comprehensive review and examination, how does that square with making changes to tax policy that may be in effect for a year or a few months under this existing parameter that we have before us? It simply doesn't make sense to me from a policy perspective. And again, it's not meant to be critical towards any individual senator or bill; it's a legitimate process and policy question as we move forward. Senator Hadley brought up a few of his ideas in regards to the Appropriations Committee's work and our budget; and believe me, we are not beyond reproach. I think that kind of debate is healthy. I think it's about time we had more engaged dialogue and debate on the state's budget, and I hope that we'll have that moving forward. But I think Senator Mello did a good job of defining and discussing the committee's thinking and the work that went into crafting our preliminary budget. And I think if you look, you'll see that our preliminary budget was more conservative than what the Governor put forward, and I think if you look at what

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the committee's priorities are going forward in regards to additional investments, they're for education, they're for human services, they're for public safety, they're for economic development, they're for natural resources. And I welcome that debate. We need to make investments in those critical state obligations, and I will never shy away or be embarrassed or apologize for making investments in education. So if we want to have that debate today on the preliminary budget, we're more than welcome to. But my original question remains unanswered by Revenue Committee members going forward. If we're committed to the idea of a comprehensive review of our revenue infrastructure and our state tax system, what is the logic, what is the policy consideration of advancing piecemeal changes to that very system today? It might be political. And if that's the answer, I'm not naive. I can handle it. We're political animals in a political arena. There may be a political motive. I appreciate that and we can visit about that more later. But again, it's not a personal attack to ask for a policy explanation, which is what I rise to reiterate and ask again. Thank you, Mr. President. I yield the remainder of my time to Senator Chambers if he would so like. [LB613]

SENATOR GLOOR: Senator Chambers, 57 seconds. [LB613]

SENATOR CHAMBERS: Thank you, Mr. President, members of the Legislature. And thank you, Senator Conrad. She's bringing us back to the point. The Revenue Committee is a Dr. Jekyll, Mr. Hyde; or a Heckle and Jeckle; or a split personality, because on the one hand they say have a comprehensive study of the tax system, which means they should hold everything at status quo. Then they send bills out here to undercut the very commission's work that they been yippity-yapping about. All that yakety-yak. The Coasters had a song, and if I had more time I'd sing you a bar or two. I make the threat because I know I don't enough time to carry it out. Thank you, Mr. President. [LB613]

SENATOR GLOOR: Thank you, Senator Chambers. Mr. Clerk, items for the record? [LB613]

CLERK: I do, Mr. President. Thank you. Your Committee on Government, Military and Veterans Affairs, chaired by Senator Avery, reports LB271 to General File; LB278, General File; LB303, LB349, LB563, LB637 to General File; LB222, LB588, LB646 to General File with amendments; and LB525 indefinitely postponed. Agriculture Committee, chaired by Senator Schilz, reports LB354 and LB423 to General File; and LB287 indefinitely postponed. The General Affairs Committee, chaired by Senator Karpisek, reports LB579 to General File, LB653 indefinitely postponed. And Health and Human Services Committee, chaired by Senator Campbell, reports LB338 as indefinitely postponed. Mr. President, priority bill designations: Senator McGill, LB556; Senator Murante, LB646; General Affairs Committee, LB579 and LB230; Senator Larson, LB57; Senator Lautenbaugh, LB354; Senator Kolowski, LB276; Senator Nordquist, LB191; Senator Janssen, LB75; Government Committee, LB79 and LB271;

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Senator Conrad, LB625; Senator Pirsch, LB224. I have amendments to be printed, Mr. President: Senator Schumacher to LB363; Senator Chambers to LB613. And I have name adds: Senator Johnson to LB153; and Senator Watermeier to LB308. (Legislative Journal pages 734-745.) [LB271 LB278 LB303 LB349 LB563 LB637 LB222 LB588 LB646 LB525 LB354 LB423 LB287 LB579 LB653 LB338 LB556 LB646 LB230 LB57 LB276 LB191 LB75 LB79 LB625 LB224 LB363 LB613 LB153 LB308]

And, Mr. President, a priority motion: Senator Pirsch would move to adjourn the body until Monday morning, March 18, at 10:00 a.m.

SENATOR GLOOR: Members, you've heard the motion to adjourn until 10:00 a.m., Monday morning. Those in favor say aye. Those opposed, nay. We stand adjourned.