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Government, Military and Veterans Affairs Committee
February 19, 2016

[LB1084 LB1099 LR381]

The Committee on Government, Military and Veterans Affairs met at 1:30 p.m. on Friday, February 19, 2016, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR381, LB1099, and LB1084. Senators present: John Murante, Chairperson; Tommy Garrett, Vice Chairperson; Dave Bloomfield; Joni Craighead; Mike Groene; Matt Hansen. Senators absent: Tyson Larson; and Beau McCoy.

SENATOR MURANTE: (Recorder malfunction)...Government, Military and Veterans Affairs Committee. My name is John Murante. I'm the Chairman of this committee and the state Senator for District 49, which includes Gretna and northwest Sarpy County. We're here today for the purposes of discussing public hearings on three matters. We'll be taking those matters up in the order on which they appear on the agenda on the outside of this room. If you wish to testify on any of the matters before us, we ask that you fill out this green sheet, which is located on either side of the room. If you are here and wish to express your support or opposition for any of the matters before us, but do not wish to testify, we ask that you sign in and state your support or opposition to any of the matters before us. If you do testify, we ask that you begin your testimony by stating and spelling your name for the record, which is very important for our transcribers office. The order of business will be that the introducer will be allowed to make opening remarks, we'll follow that up with proponent testimony, then opponent testimony, then neutral testimony, and then the introducer will be given an opportunity to close. We ask that you listen very carefully and try not to be competitive...repetitive. You can be competitive if you like. We do use the light system here in the Government Committee. Each person is afforded four minutes to testify, when the amber light comes on, that signifies that you have one minute remaining and we ask that you begin concluding your remarks. When the red light comes on, we ask that you conclude your remarks and we will open up the committee to any questions they may have. At this time, I would ask everyone to turn off or silence any cell phones or other electronic devices. If you have a prepared statement, an exhibit, or anything you want distributed to the committee we ask that you provide the pages with 12 copies and they will distribute them to us. If you don't have 12 copies, that's fine, just give them to the pages and they will take care of it. And we don't have many members here, but we'll go through the members we do have here as they continue to make their way down to this room. To my far left, Sherry Shaffer is the committee clerk. Followed by State Senator Joni Craighead from Omaha. State Senator Beau McCoy, also from Omaha...Senator McCoy is traveling and will not be with us today. State Senator Matt Hansen is from Lincoln, Nebraska. I do anticipate seeing Senator Hansen. Andrew La Grone is the committee's research analyst. Next to Andrew is State Senator Tommy Garrett from Bellevue, who is the Vice Chair of this committee, followed by State Senator Dave Bloomfield from Hoskins, Nebraska. State Senator Tyson Larson from O'Neill will not be with us today, as he is celebrating his son's birthday. And State Senator Mike Groene from North Platte, Nebraska. So Senator Hansen and Senator Garrett have joined us and we are ready...well,

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we are ready, but Senator Krist does not appear to be here. He's on his way? Okay. Senator Ebke, welcome down to the Government Committee, it's good to have you. What are you...are you on Judiciary Committee, is that right? Skipping out, you'd rather be with us? It's a common sentiment, we understand. Feel free to talk amongst yourselves, we don't have to be silent at this point.

SENATOR GARRETT: Judiciary Committee, is that where they do the smack-downs?

SENATOR MURANTE: Any fighting today, Senator Ebke? We'll stay in the friendly confines of the Government Committee. (Recorder malfunction) Well, let's do it and we'll...we're amending the agenda by unanimous consent right now to take up LR381.

SENATOR GARRETT: Rules are for breaking.

SENATOR MURANTE: Welcome, Senator Ebke, back to your committee on Government, Military and Veterans Affairs.

SENATOR EBKE: Thank you, Chairman Murante and members of the Government Committee. For the record, my name is Senator Laura Ebke, L-a-u-r-a E-b-k-e, and I represent the 32nd Legislative District, which consists of Jefferson, Thayer, Fillmore, Saline Counties, as well as the southwest portion of Lancaster County. Today's hearing is for LR381. This shouldn't be controversial, as it's already a settled matter. I do believe though, that Nebraska should recognize what is already a matter of fact. LR381 would ratify the 27th Amendment of the U.S. Constitution for Nebraska. As you know, the 27th Amendment is part of the constitution, it is the most recent amendment to be added to the constitution. It was officially ratified becoming part of the United States Constitution when the 38th state ratified it on May 7, 1992. Just a quick refresher, the 27th Amendment prohibits any law that increases or decreases the salary of members of Congress from taking effect until after the start of the next set of terms for members of the House of Representatives. The 27th Amendment was actually part of the original Bill of Rights proposed package. There were 12 total amendments in the amendments package, ten of those became part of the constitution right away, in what we now know as the Bill of Rights--the first ten amendments. The 27th Amendment took 202 years, 7 months, and 12 days to become part of the constitution. Right now, Nebraska is only one of five states that has not ratified the 27th Amendment. Those remaining five states, in addition to Nebraska: Massachusetts, Mississippi, New York, and Pennsylvania. I also want to mention that six states have done the same as I am proposing here in ratifying the 27th Amendment in their state after it actually became part of the constitution in 1992. New Jersey, Illinois, and California ratified it later in 1992, Rhode Island ratified it in 1993, Hawaii in 1994, and Washington was the most recent, ratifying it in 1995. While this is really only a formality, I also believe it's good for us as a state

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to not be the last state to not have ratified the 27th Amendment. Another point pertaining to the subject matter of the 27th Amendment is I think that it's a good statement to say that we agree with sound fiscal policy at the federal level and believe in transparency as well, agreeing that officials shouldn't be able to raise their salaries immediately while in office. I think we also make a strong statement that we believe in our constitutional process, even if it spans multiple generations. I think that James Madison would be proud of us in adopting this amendment, which he actually wrote. I urge the committee to support our constitution, the original proposals that were part of the Bill of Rights, and by sending this to General File and ensuring that Nebraska can join the other 45 states that have ratified the 27th Amendment. And with that, I would be happy to take questions. [LR381]

SENATOR MURANTE: Thank you, Senator Ebke. Are there any questions? Senator Garrett. [LR381]

SENATOR GARRETT: I applaud you for bringing this. And when I read this two days ago, I said how is it that you found this to bring this? [LR381]

SENATOR EBKE: It was sort of accidental, as we were doing some research on another matter related to the constitution that we're working on this session. And you know, it was just sort of a fun facts kind of thing. We realized that we hadn't ratified this and so we thought it would be kind of fun to bring that to the committee as well. [LR381]

SENATOR GARRETT: I applaud you. We need to get with it. [LR381]

SENATOR GROENE: Senator, I missed it. Why haven't we done it? [LR381]

SENATOR EBKE: I don't know, the Legislature has decided not to. [LR381]

SENATOR GROENE: Over the years was there a lot of amendments we did ratify from back then? [LR381]

SENATOR EBKE: No. We weren't a part of the union obviously when the first 10 amendments were proposed. You know, we've ratified other amendments beginning in...probably with the 1913 amendments with the income tax and the direct election of senators. I think that probably this one was just kind of hanging out there and at some point in time in the 1990s, you know with the political situation in the mid 1990s, there were a number of states that said, hey, this is still hanging out there. Michigan was the one that kind of tipped the balance towards ratification

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and that's when it became part of the constitution. And then other states have...six other states have jumped on. [LR381]

SENATOR GROENE: How many does it take to ratify... [LR381]

SENATOR EBKE: Thirty-eight is what it takes to ratify. [LR381]

SENATOR GROENE: And Michigan was the one that pushed it over? [LR381]

SENATOR EBKE: Michigan was number 38 and then there have been 6 or 7 others that have ratified it since it actually became part of the constitution. [LR381]

SENATOR GROENE: That's interesting, thank you. [LR381]

SENATOR MURANTE: All right. Senator Bloomfield. [LR381]

SENATOR BLOOMFIELD: Really no harm, no foul either way. [LR381]

SENATOR EBKE: It has no effect, it's part of the constitution already. What it does though, is it just puts Nebraska on the record and we're not the last. [LR381]

SENATOR MURANTE: Okay. Seeing no additional questions, thank you very much, Senator Ebke, for bringing this before us. [LR381]

SENATOR EBKE: And I will waive closing. [LR381]

SENATOR MURANTE: Okay, thank you very much. Are there any proponents? Are there any opponents? Are there any neutral testimony? Seeing none, Senator Ebke's waived closing, and that closes the hearing on LR381. Senator Krist, welcome back to the Government Committee. [LR381]

SENATOR KRIST: Thank you. My apologies for being here. We had to have a quorum before we could start in my other committee. [LB1099]

SENATOR MURANTE: We understand the problem. [LB1099]

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SENATOR KRIST: (Exhibits 1, 2) I'm sure you do. Good afternoon, Chairman Murante and members of the Government Affairs Committee. For the record, my name is Bob Krist, B-o-b K-r-i-s-t, I represent the 10th Legislative District in northwest Omaha, along with the north central portion of Douglas County, which includes the city of Bennington. And I'm here today to introduce LB1099 and to support its intent. Many of you know from traveling with the state how cumbersome it is to come back and file a voucher to get reimbursed for what you have paid. Itemization of anything over \$5 needs to be carried out and itemized. I've given you...what the intent of this bill actually does is it gives us a flat rate in terms of per diem rates, in terms of meals and expenses and breakdown for the geographic area that you're going to, either by county or by zip code. And what these are are extracts from the GSA, US General Services Administration, level or rates that are published. And we can use these rates as a guidepost for what you would spend in going to different places. I would point out to you on the fiscal note that some think that it will cost the government more to actually travel using these rates, I would also point out that I think you have a letter from the university. Chairman Murante, was that forwarded to you? [LB1099]

SENATOR MURANTE: Yes, Dave Lechner? [LB1099]

SENATOR KRIST: Yes. And I would point that out as...you know, we very rarely, in any fiscal note that I have ever dealt with here, show savings. We show what it is going to cost. But when you reduce the FTEs, the capabilities that you need to actually audit this process, you'll be more efficient and you will save money in the long run. So I would offer that as a counter proposal. And others, probably a couple of people, are here to talk to us about it. One of which is the office that brought this to me, which is a former senator...couple senators in the audit office, and how cumbersome it is for them to actually take a look at what's going on. And I know that "Karp" is going to come up and talk about it as well. So it's not a new concept. As far as I know, it has been talked about before, but has never been formally proposed. So I believe in the long run it saves the state a lot of money. And those of you who have used the federal system know how easy it is to come back and file a travel voucher. It still allows you the opportunity, if you have some overage. For example, if Senator Hansen was hosting the conference in St. Louis, and he had overhead expenses that were allowable, he could itemize from that point on. But for his own personal expenses, he would stick to the rates that are out there. So a lot of flexibility, and the nice thing is that GSA keeps these up, we would not have to do it ourselves, which is another good issue. There is a question on the lodging portion, because as many of you know, if you use your federal ID to get a hotel, it's well below what the state employee rate is. And that's negotiated by the federal government across the board. So they have more buying power and they negotiate those rates. We're not eligible for those. So we would have to make some accommodation there for what that lodging rate would be. So it's broken down, as you can see, in meals and incidentals, and then your per diem rate itself, and then travel and lodging. Good

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concept I think, sellable concept in terms of long-term savings. And I'd be happy to answer any questions. [LB1099]

SENATOR MURANTE: Thank you, Senator Krist. Are there any questions? Senator Bloomfield. [LB1099]

SENATOR BLOOMFIELD: Thank you. Senator, you and I have had this conversation off the mike, but I just want to put it on the record. My understanding, this does not in any way affect our state senator per diem? [LB1099]

SENATOR KRIST: No. Yeah, any normal travel for you and your accommodations are allowed for by legislative policy procedure. This would not impact that at all. As long as you're coming from your district to this Capitol to do business, nothing is touched. [LB1099]

SENATOR BLOOMFIELD: Okay, thank you. I wanted that... [LB1099]

SENATOR MURANTE: Thank you, Senator Bloomfield. Senator Garrett. [LB1099]

SENATOR GARRETT: Not so much a question, as a comment. I think Senator Krist and I both were active duty Air Force back in the day, so we used to have to itemize all of our travel. What an inordinate amount of time and effort it took to do that. Then we went to the GSA kind of schedule that greatly simplified matters for everybody, the accounting and finance people, the active duty members. [LB1099]

SENATOR KRIST: And if I could comment on that. You remember the day when there were 30 young airmen scrambling about in those offices. And last time I was over there, before I got off active duty, after we went to this schedule activity...GSA schedule, I think they were down to 5, 10 employees within there. So it is a huge time saving, in terms of processing. [LB1099]

SENATOR MURANTE: Senator Groene. [LB1099]

SENATOR GROENE: Thank you, Chairman. So the...somebody is on a commission and they come in from North Platte, instead of having receipts, you just get that \$129 per diem. Is that right? [LB1099]

SENATOR KRIST: We establish with those individual commissions and where they are, we establish the per diem that they're going to get reimbursed. Some commissions don't get any

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reimbursement except for travel, some get lodging accommodations and all that. So those would be individually handled by whatever commission or committee or special assignment they have. [LB1099]

SENATOR GROENE: So it would be a per diem, instead of a hotel receipt? [LB1099]

SENATOR KRIST: It could be. If the law will allow for it and we've allowed for it in legislation, so that there's an accommodation there for how much money is being spent. Because a fiscal note will tell us what we're going to spend for these folks and in some cases, we restrict them to only a certain amount of money. But if they're not restricted, yes, you're right. [LB1099]

SENATOR GROENE: It would go to a per diem, instead of the item...before we itemized. [LB1099]

SENATOR KRIST: Right. Yes, sir. [LB1099]

SENATOR GROENE: All right, thank you. [LB1099]

SENATOR MURANTE: Thank you, Senator Groene. Any final questions of Senator Krist? Seeing none, thank you very much for your opening. [LB1099]

SENATOR KRIST: Thank you. [LB1099]

SENATOR MURANTE: Appreciate it. Proceeding to proponent testimony on LB1099. Senator Karpisek, welcome back as always. [LB1099]

RUSS KARPISEK: Thank you, Senator Murante, members of the Government Committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor of Public Accounts, Auditor Janssen. I'd like to thank Senator Krist for bringing this bill forward and I will definitely admit that Senator Krist, and I assume Senator Garrett, understand the General Service Administration, or GSA, per diem and mileage reimbursements rate much better than I do, because of their work with the federal government. The GSA sets per diem rates for every part of the country, and I assume the world, and the part of the bill that the Auditor's Office is the most interested in is the meal per diem. Not that we're not interested in the other, but especially the meals. The GSA has these per diems set up anywhere our employees go. It is easy to look up and use, it would free up a lot of time for our auditors doing very low-yield work, checking receipts to make sure that no one had any alcohol or if they left too big of a tip or if they went over budget. This would give state employees a set amount of money to spend how

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they want to on meals while they're on the road. If they want to eat peanut butter and jelly sandwiches in their room, they may have some money left over. If they want to eat steak and lobster, they will probably pay some out of their pocket for it. Again, this mainly would free up a lot of time in the Auditor's Office doing very low-yield work, where we could be doing other, more important things. And the wheel wouldn't have to be reinvented, it's all set up. Thank you, and I'd be glad to try to answer any questions. [LB1099]

SENATOR MURANTE: Thank you, Senator Karpisek. Senator Groene. [LB1099]

SENATOR GROENE: One thing about a receipt, it's got a name of a company and the hotel. Been around a long time and traveling, it's very easy with a per diem to sit at home and put in for a per diem and there's no evidence that you actually stayed in a hotel in that town you were supposed to be in. [LB1099]

RUSS KARPISEK: Well, I think you would have to show your travel voucher probably or fill out your...you still have to fill this stuff out to say that you were gone. [LB1099]

SENATOR GROENE: But you don't say you were gone. [LB1099]

RUSS KARPISEK: Yeah, you don't just walk in and say, hey... [LB1099]

SENATOR GROENE: I'm just saying that's a loophole that I see. [LB1099]

RUSS KARPISEK: Well, and I agree. And I don't want to take anyone else's testimony, but there is an argument here. Do you want to account for every penny or do you want to make this easier and save some time. And then that is the question. [LB1099]

SENATOR GROENE: All right, thank you. [LB1099]

SENATOR MURANTE: Thank you, Senator Groene. I see no... [LB1099]

RUSS KARPISEK: I would say, too, the GSA sets these rates. If you're going to eat in Miami, it's going to be more expensive than if you're eating in Burwell, Nebraska. [LB1099]

SENATOR GROENE: Every town has a set... [LB1099]

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RUSS KARPISEK: Or at least a vicinity, an area. It may not be exactly Burwell, but probably western or central-western Nebraska. [LB1099]

SENATOR MURANTE: Okay. Thank you, Senator Karpisek, for your testimony. Much appreciate it. [LB1099]

RUSS KARPISEK: Thank you. [LB1099]

SENATOR MURANTE: Is there additional proponent testimony to LB1099? Any additional proponents? Are there opponents wishing to speak on LB1099? Any neutral testimony? Welcome back to the Government Committee. [LB1099]

BO BOTELHO: (Exhibit 3) Thank you, Senator Murante. Good afternoon, Senator Murante and members of the committee. My name is Bo Botelho, B-o B-o-t-e-l-h-o, deputy director and general counsel for the Department of Administrative Services. I'm here today to provide neutral testimony regarding LB1099. LB1099 as currently written, would switch the state's current travel reimbursement practice from our specific receipt-based reimbursement policy to one that provides for the use of the General Service Administration, or GSA, per diem rates, reimburse for employees for meals, travel, lodging, and mileage. Administrative Services state accounting division ran a sample test, using preaudit documents from 2015, and reviewed those receipts provided. And comparing those expenses in the current model and under the reimbursement level proposed in the per diem model, it appeared from the sample...and it was not a scientific sample or an exhaustive sample, but it appeared at least from the sample that we looked at that the per diem model would have been far more expensive with those receipts that we compared for meals and meals only. The per diem model does allow for the preauditing process to exclude reimbursement for costs which are known to have been provided to the employees free of charge, such as meals provided by the hotel or at their conference if they provided lunch. The GSA per diem model allows the agency or the employer to go in and deduct those costs, which does mitigate the cost under the per diem model. In addition, we would recommend that any expenses which may be prepaid or direct billed, such as lodging, travel, transportation, or other conference costs be paid by the state at the actual cost incurred, versus the per diem rate. And the state would continue to require preauditing to verify the actual dates of travel and the official purposes, which goes to what you spoke for, Senator Groene. So we would verify the date they left, the date they returned, they can verify the hotels they stayed at. So you can still do that under a per diem model, so you're not paying per diem for someone who was sitting at home. If a per diem model is adopted, it should be for meals and incidental expenses, as the state Auditor's Office auditor proposed as well, while the employee's in a travel status. The primary advantage of the per diem model would be the time saved in collecting, submitting, reviewing, and then auditing receipts. Under the current model, only those expenses which are actually incurred and

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can be verified by the receipt or an affidavit can be submitted for reimbursement and then paid. Obviously, this places a greater burden on the traveling employee and the paying agency. The employee is required to track and maintain receipts for all expenses which are eligible for reimbursement. When submitted, the receipts and documentation are reviewed by the agency to determine if the expenses are reasonable and eligible for reimbursement. Only verified and approved expenses are then reimbursed. The agency then has to maintain those receipts for future audits. By requiring a proof of expense and allowing for a preaudit of every expense prior to reimbursement, the current process shifts the risk of loss to the employee and away from the state. However, this method is much more labor intensive and requires the retention and maintenance of many records, thus increasing the complexity of future audits. The per diem model is simpler, but does shift the risk back to the state and the taxpayers. And I'll be happy to answer any questions you may have. [LB1099]

SENATOR MURANTE: Thank you very much for your testimony. Senator Groene, then Senator Bloomfield. [LB1099]

SENATOR GROENE: What do you mean by it shifts the risk back to the taxpayers? [LB1099]

BO BOTELHO: And it was alluded to by the Auditor's Office and I think Senator Krist as well. Under the current model, you only pay for what the employee can show was actually expended. You know, if you bought one for \$5, you get \$5. On the per diem model, you pay basically a fixed rate, regardless of what was actually expended. Although, if we know lunch or breakfast was provided by the hotel, we can deduct that cost. So by the risk, it's a financial risk. You stand...potentially you would pay more on the per diem model, because you're reimbursing expenses that may not have actually incurred. [LB1099]

SENATOR GROENE: And...but everything you said simplified, you came to the conclusion at the end of the day we'll pay more or less? The state. [LB1099]

BO BOTELHO: The receipts that we looked at, the per diem model was higher than what would actually have been paid out. [LB1099]

SENATOR GROENE: Yeah, I can see that. I was on a commission, I was too busy, I didn't keep the receipts, I never turned it in. I would now, because that would be very easy to do. [LB1099]

BO BOTELHO: Right, that's why...currently, the risk... [LB1099]

SENATOR GROENE: Anyway, that's just personal observance. [LB1099]

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SENATOR MURANTE: Okay. Senator Bloomfield. [LB1099]

SENATOR BLOOMFIELD: Thank you. I have a question on the...when a meal is provided. If I stay at a motel and they have a bowl of dry cornflakes and no milk, but they provided the breakfast, am I rather out of luck as far as getting reimbursed for breakfast? Or if I go and they have a chicken breast and I'm allergic to chicken and go someplace and get a ham sandwich, am I out of luck as far as getting reimbursed? [LB1099]

BO BOTELHO: Well, I mean currently you would just... [LB1099]

SENATOR BLOOMFIELD: Currently, I would turn in the receipt. [LB1099]

BO BOTELHO: Under the per diem model, we would have to develop the policies to go along with that. Generally speaking, what we would say is that if a meal is provided, then you should take advantage of that meal, we would deduct the cost. [LB1099]

SENATOR BLOOMFIELD: Even if I'm unable to eat that meal? [LB1099]

BO BOTELHO: Well, then I think that's something that you would take up with your agency and say for these reasons, I was unable to take advantage of that meal and I had to incur the cost. And then in that case, the meal that would have been excluded could just remain in your per diem to cover that. But that would probably be up to the agency and for state accounting to develop a policy for that. Because in order to keep the costs down in the per diem model, you do have to take advantage of those continental breakfasts, those lunches provided by your conference. And that's one way the state could mitigate that risk. So we would not generally under that model just want employees to say, well, I didn't have time, so I had to go out and get my lunch. You're going to have to take advantage of that. [LB1099]

SENATOR BLOOMFIELD: Okay, thank you. [LB1099]

SENATOR GROENE: But on a per diem model, how do you do that? They have to put on their voucher to get that...take so much off of my per diem because I was at a conference? [LB1099]

BO BOTELHO: Right. The GSA actually has in their lists deductions for breakfast or lunch or for dinner if that is provided. [LB1099]

SENATOR GROENE: For the per diem. [LB1099]

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BO BOTELHO: For the per diem. So it's already included in their model. And what the agency would have to do, for instance in a conference situation, if the agency pays for the conference and their lunch is provided two out of three days of the conference, then we would deduct lunch two out of the three days of that per diem. [LB1099]

SENATOR GROENE: It's just the honesty of the employee? [LB1099]

BO BOTELHO: Well, you would know that ahead of time for the conferences. If they going to a hotel that has a continental breakfast, the agency would know that ahead of time and say you need to take advantage of this, because I'm not going to pay separately for breakfasts at one... [LB1099]

SENATOR GROENE: Which agency, the agency they work for, the government employee, or you guys? [LB1099]

BO BOTELHO: Initially, it would be done and approved for the agency...their employing agency. So the agency to which they're working for, who is sending them to wherever it is they're going. [LB1099]

SENATOR GROENE: Maybe I should ask the Auditor this, but how long do they got to keep the boxes of all these receipts? How long do they do that and how long does the Auditor ask you to keep them or state statute say you have to? [LB1099]

BO BOTELHO: I think it's four or five years for those type...I mean, with the statute, it gives you a set number of years, but it also says until the next audit. So for Administrative Services, we keep them until the Auditor comes back around and does their agency audit. [LB1099]

SENATOR GROENE: Thank you. [LB1099]

SENATOR MURANTE: Okay. Additional questions? Seeing none, thank you very much for your testimony. [LB1099]

BO BOTELHO: Thank you. [LB1099]

SENATOR MURANTE: Is there additional neutral testimony to LB1099? Seeing none, Senator Krist. [LB1099]

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SENATOR KRIST: I'll be really brief here. I'd ask you to look at the University of Nebraska letter in terms of the absolute gross number of events that they have to process. And they estimate regulations is equivalent to three to four full-time employees or \$175,000 of annual compensation. So again, it's the cost and the savings. And then I just want to point out to you that if you look at...let's see how to define this. This is page 1 of 1 FY 2016 per diem rates. You'll notice that what happens is your first...you search by state, Nebraska, and then you have primary destinations, counties three, four, and then you have everything by exception. So Nebraska's standard rate is highlighted for you, and that's a max lodging rate of \$89. And then on the far right, the M and IE, which is the meals and incidentals, is \$51. Now Omaha is higher than that, and that's because of the cost of living in Omaha and the cost of lodging and what you're going to pick up. So then go to page 1 of 2, which I provided to you, and look across, and that gives you the breakdown. So to your question, Senator Groene, if I were sending someone to Lincoln, Nebraska, to attend a NCSL conference and they were traveling here and I knew that the continental breakfast or breakfast was provided within the structure, lunch meetings were provided, I would automatically deduct \$11 and \$12, or \$23, from that, and my dinner was the only thing I was paying for, then it would be \$23 plus the \$5. So it's a table kind of allowance, where you know where you're sending people. And in our case, our agency actually has...and you've visited them, I'm sure, Diane Nickolite and her folks. They're the ones who are responsible for making sure that when you're going to go someplace, they know how to apply the table and they'll know how much you're going to spend. [LB1099]

SENATOR GROENE: They will in the future. They don't do it now, right? [LB1099]

SENATOR KRIST: That's correct. That's correct. That's how that works, just to put it out. And Senator Garrett, in your Exec, and I'm going to ask you to Exec on this one, if you would, can explain. But you don't just say I went to St. Louis, you have to submit your receipts, and you're going to get paid up to that amount. There's been many times when I have submitted my receipt for a hotel, when I've gone to a high-cost area and I happen to get a great deal on a hotel. They're not going to pay me more than what I spent on that hotel, they may pay me less. So your receipt has to be there in terms of what you spent on the hotel. You know people who game the system and say they're going to spend \$110, I'm going to sleep in a suite rather than a room. But essentially, there is a possibility of getting paid less for the actual expenses. And the other part of this, which is very intriguing, is the actual mileage that you can get paid if you go off a GSA table. And I guess this piece of legislation would just allow them to do this, so there is going to be some work involved, in terms of how DAS will certify the state to be able to go forward and then the individual agencies will have some latitude in terms of what they would put into play so to speak. And I thank you for your attention. [LB1099]

SENATOR MURANTE: Thank you. Senator Bloomfield. [LB1099]

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SENATOR BLOOMFIELD: I'm a little intrigued by what you just said about the motel rooms, does that apply to meals then as well? So you end up having to keep your receipts if instead of the \$23 steak they were going to feed you, you eat a \$7 hamburger? [LB1099]

SENATOR KRIST: No. That's the beauty of the flat rate deal, is you don't have to itemize anything more or less. Now, you could, as I said in Senator Hansen's example, he might have paid for 20 meals because he was the one sponsoring, or we authorized him to pay for 20 meals. So that would have to be itemized above and beyond. [LB1099]

SENATOR BLOOMFIELD: But you just said that they're going to pay up to that amount. If you stay in a less expensive room, that's what they're going to pay. [LB1099]

SENATOR KRIST: That's right, because you're going to have to... [LB1099]

SENATOR BLOOMFIELD: But that doesn't apply to meals? If you eat a less expensive meal, you're still going to get the full rate. [LB1099]

SENATOR KRIST: Yeah, that per diem rate, in terms of the meals and expenses, can always be reduced because of what you're doing and what we know you're doing. But we're not asking you for receipts on those, that's a flat fee. [LB1099]

SENATOR BLOOMFIELD: And back to my original question to the other testifier, if I'm allergic to chicken and that's what they're serving and I go eat something else. [LB1099]

SENATOR KRIST: Yeah, the anomaly can always be dealt with by submitting your request for reimbursement. Mostly, what Senator Garrett and I have witnessed is you usually need to make that pretty clear on the front end. I would always, if I was having that issue, call home and say you know, I've got a guy that needs to have special meals or whatever. And then when he filed his travel voucher, the commander would sign a sheet saying there was an anomaly here and treat it differently. But that's the anomaly, that's not the standard. You save money by applying the standard across the board. [LB1099]

SENATOR BLOOMFIELD: Okay. You already clarified for the record that this does not apply to us when we come down here during session. Does it apply to us if we come...if we go to North Platte for a committee hearing? [LB1099]

SENATOR KRIST: If we employ this, yes. If you're traveling on other than what we currently have in the structure...and if I'm wrong, then Bo needs to correct me on this, or Diane, and I'd ask

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them to come up and do that, but what we have in place right now covers your travel from your home district to Lincoln, Nebraska, to do things here and to go home. That's all taken care of. You travel on government business besides that and you leave your home district and go to North Platte, that would then follow this. [LB1099]

SENATOR BLOOMFIELD: Okay, thank you. [LB1099]

SENATOR MURANTE: Thank you. Senator Groene. [LB1099]

SENATOR GROENE: Correct me...I mean, don't correct me, but what state employee...I mean, excuse me, state officer. Does that encompass us, the Governor, all appointed positions? Is that right? The Secretary of State, everybody... [LB1099]

SENATOR KRIST: Any elected appointed position in the state of Nebraska would be my definition. [LB1099]

SENATOR GROENE: But as to Senator...right now, I come down during the summer for a committee hearing, I get my receipts and I turn them in. Instead, we would get the \$129 a day per diem? [LB1099]

SENATOR KRIST: No. If you're doing what you're doing right now...in terms of what we have provisions in law basically right now that apply to the Legislature for legislative business. [LB1099]

SENATOR GROENE: Because in the constitution, we are covered by how much we get paid or reimbursed, right? [LB1099]

SENATOR KRIST: Right. From your home district to here on official business, or back to your home district, that is in place. [LB1099]

SENATOR GROENE: And we will still have to have receipts? [LB1099]

SENATOR KRIST: Yeah, we're not changing what we do there. [LB1099]

SENATOR GROENE: All right, thank you. [LB1099]

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SENATOR MURANTE: (Exhibit 4) Okay. Seeing no additional questions. Before we close the public hearing, I have a letter of support from David Lechner of the University of Nebraska. [LB1099]

SENATOR KRIST: Thank you. Have a nice weekend. [LB1099]

SENATOR MURANTE: Thank you. This closes the hearing, thank you, Senator Krist. And that ends the hearing on LB1099. We will proceed to the final item on the agenda, LB1084. Senator Stinner, welcome to your committee on Government, Military and Veterans Affairs. [LB1084]

SENATOR STINNER: Thank you very much. Good afternoon, Senator Murante and members of the Government, Military and Veterans Affairs Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the 48th District. LB1084 represents the agreement reached by the State Auditor, state agencies, and the State Purchasing Bureau. It provides limitations on the number of times and the length of time a contract with state agencies and the state purchasing bureau can be amended to extend the original terms of the contract. Specifically, it prohibits state agencies and state purchasing bureaus from extending any contract for a period more than 50 percent of the initial contract term, and only one such extension is allowed. LB1084 does not interfere with the options of renewal if the options are contained in the initial contract. Thank you for your time. And are there any questions? [LB1084]

SENATOR MURANTE: Thank you very much for that opening. And are there any questions? Senator Garrett. [LB1084]

SENATOR GARRETT: Real quick question. I'm amazed at how much...I do federal contracting and how much I'm starting to see this state mirror the federal side of it. You're just talking that it's a 50 percent extension of the POP, or the period of performance, on a contract. Is there anything in statute that prohibits like when we win a contract, the customer can't add additional work to that contract that exceeds 50 percent of the original contract value? Is there something like that in statute already? [LB1084]

SENATOR STINNER: I don't think so. [LB1084]

SENATOR GARRETT: Okay. [LB1084]

SENATOR STINNER: Not to my knowledge. This is about a service contract, about continuing to extend those contracts. We want to limit that, we want to put it up for bid at a certain time.

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We'll allow a little bit, 50 percent of the time. So if it's a two-year contract, you'll be able to extend it for a year, is my understanding of how this works. [LB1084]

SENATOR GARRETT: Okay, thank you. [LB1084]

SENATOR STINNER: The State Auditor will testify in back of me and probably tell you what the history is behind it and give you some more color. [LB1084]

SENATOR GARRETT: Okay. Thank you. [LB1084]

SENATOR MURANTE: Okay. Seeing no additional questions, thank you very much for your opening. [LB1084]

SENATOR STINNER: Thank you. [LB1084]

SENATOR MURANTE: Much appreciate it. And we will proceed once again to Senator Russ Karpisek. Welcome back to your Government Committee, Senator. [LB1084]

RUSS KARPISEK: The last one. Thank you, Senator. [LB1084]

SENATOR MURANTE: This one, then you're not coming ever again? [LB1084]

RUSS KARPISEK: No, this year. Well, this session. [LB1084]

SENATOR MURANTE: Okay. [LB1084]

RUSS KARPISEK: You probably don't have any more bills...or days, do you? Thank you, committee, Senator Murante. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor of Public Accounts, Auditor Janssen. I don't have a lot more color to add to this. As Senator Stinner said, it's pretty cut and dry. If you start with a contract that's two years, you can only extend it for one year and one time. Now, I had a hard time getting my head around this, that does not mean that it can't be renewed. And most all...I think hopefully Mr. Botelho will tell us that the renewals are in the contract. So I sign a contract for two years and it may say in there that I can renew two times for one year at a time renewal, the extensions are after that. And we're saying that you could only extend it for half the time of the original contract and only one time. I think what has brought this up, and it was before my time in the Auditor's Office, I think we saw a lot of contracts being extended for another year or

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another two years or however long, rather than going out for bid on the whole contract. I think that some of those contracts they might have thought were a sole source. I'm just throwing this out, I'm not saying this is what happened, but just say IBM got a contract for computers and software for five years. Well, you get to the end of that five years and then maybe you have a couple renewals, well then you're to the end of it and then what? Well, we have all this IBM stuff, we're kind of sole sourced maybe, we can't really go to whoever...HP and get bids, because that stuff is not going to fit with the IBM stuff. And what do we do? So I think an extension would be put on that. Well, let's just extend this for another year or two and then another year or two, and it just kept going for quite a while. I understand that is not how that is being done now, and we have seen that now in our audits. But I think going forward it would be good to put this in place, just so a contract stops and there's a bid taken. And that's the long and short of it. I'd be glad to try to answer questions. [LB1084]

SENATOR MURANTE: Okay. Senator Garrett. [LB1084]

SENATOR GARRETT: Again going back to my federal contract experience, when we went to work with the federal government, we went a contract that's "five years long," but it's got a base year and then four option years. And then the government gets to decide at the end of every year whether they are going to exercise the option on that. [LB1084]

RUSS KARPISEK: And that would be the renewals. [LB1084]

SENATOR GARRETT: Right. So a five-year contract isn't really...when we went a five-year contract, it is really one plus four and then each one of those option years the government has the ability to say we're not going to exercise the option. [LB1084]

RUSS KARPISEK: Correct. And that is written into the original contract. These extensions were just something that they would kind of negotiate and say well, where did they...you're at the end of your five years now, we've redid it every time, but now we're just going to extend it another year, if you're okay with that. Well, you probably are. [LB1084]

SENATOR GARRETT: And typically, in the federal government side, when they come to the end of a contract period in an IBM case like you're talking or HP, they'll come out with a sole source justification and other companies will have the ability to say no, we can still do that, you ought not to sole source that. [LB1084]

RUSS KARPISEK: And again, I can't emphasize enough that we have not been seeing this now. And currently it's not happening, I think they've really tightened the lid down on it. And I don't

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think they would even go this long on an extension. But again, I think from the issue we have seen in the past, that it would be a smart thing to get into statute. [LB1084]

SENATOR GARRETT: I agree. Thank you. [LB1084]

SENATOR MURANTE: Thank you, Senator Garrett. Senator Groene. [LB1084]

SENATOR GROENE: Right now it says unspecified or unlimited duration. Isn't that pretty black and white, I mean, that you have to have a duration and a date? [LB1084]

RUSS KARPISEK: You can, yes. And just like we said with Senator Garrett, okay, so he had a one-year contract and they could renew it for four. So that's a five-year contract. [LB1084]

SENATOR GROENE: Why can't they go 50 or 100? [LB1084]

RUSS KARPISEK: They could. [LB1084]

SENATOR GROENE: And say we're just going to automatic renew it every year? [LB1084]

RUSS KARPISEK: They could, but then they're going to probably face some scrutiny from someone for doing that for that long. These extensions are outside of the contract. We had a one-year, we've extended it...or not extended it, we have renewed it four times for five years. Without this bill, we could just perpetually extend it year after year after year. With this bill, it would say no, you can do it one time for half the length of that original contract. In Senator Garrett's case, it would be six months, and then that's it. It is done, you have to go out and rebid. [LB1084]

SENATOR GROENE: Really they weren't following an existing law when it was unspecified around the limited duration, right? [LB1084]

RUSS KARPISEK: I think they were, Senator. I think they were following that because it is a specified term, but then it got extended. [LB1084]

SENATOR GROENE: That's not an unlimited duration. Anyway, but I mean, you're clarifying that. [LB1084]

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RUSS KARPISEK: No. I am. Yeah, so we are trying to clarify that. I don't want to say that they were out of...not following statute, because I...a stretch would be maybe kind of a way around it. Or not even that, but just a way to keep things moving. And again... [LB1084]

SENATOR GROENE: I've seen contracts six months and...good old boy contracts six months and they were less than the other guy and then all of sudden it just...nobody is looking anymore, the board meeting isn't anymore, now we just keep extending it. That stops that. [LB1084]

RUSS KARPISEK: Correct. Exactly. [LB1084]

SENATOR GROENE: Thank you. [LB1084]

SENATOR MURANTE: Thank you, Senator Groene. Any final questions? Seeing none, thank you very much for your testimony. [LB1084]

RUSS KARPISEK: Thank you. [LB1084]

SENATOR MURANTE: Is there additional proponent testimony on LB1084? Seeing none, is there any opponent testimony? Is there any neutral testimony? Welcome back. [LB1084]

BO BOTELHO: (Exhibit 1)Thank you. Good afternoon again, Senator Murante and members of the committee. My name is Bo Botelho, B-o B-o-t-e-l-h-o, deputy director and general counsel for the Department of Administrative Services. I'm here today to provide neutral testimony regarding LB1084. I don't want to reiterate everything that Senator Karpisek said, but basically LB1084 is a bill regarding service contracts that limits the use of extensions to one half of the original term. It does not impact the renewal periods which are part of the original bid of the contract and they are an option to the state and in essence the vendor as well. The vendor could decide they choose not to renew with the state, we can't force them to, because it's an optional period. This bill does not impact renewal periods for the initial terms. What it does is create a contractual mechanism for extensions, and what an extension does really does is just push the end date back of a contract. It's not a renewal period, it's not defined, it really is just taking the end date and moving it to some point in the future. This limits that use to one half of the initial term. And with that, any questions you may have. [LB1084]

SENATOR MURANTE: All right, does anyone have any questions? Senator Groene. [LB1084]

SENATOR GROENE: But all the conditions of the contract stay the same when they extended it? [LB1084]

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BO BOTELHO: Yes. [LB1084]

SENATOR GROENE: They already...there's rules and regulations that you can't say when I was paying you five widgets for this, now we're going to extend it six months and pay you seven widgets, you know. [LB1084]

BO BOTELHO: No. Just...an extension in its purest form, all you're doing is taking...you're adding time. [LB1084]

SENATOR GROENE: Well...just time. And there's already statutes that cover that you can't renegotiate. [LB1084]

BO BOTELHO: Service contracts are for a fixed price and you can't renegotiate cost into a contract with the exception. [LB1084]

SENATOR GROENE: Without renegotiation, open renegotiation. [LB1084]

BO BOTELHO: Yes. [LB1084]

SENATOR GROENE: All right, thank you. [LB1084]

SENATOR MURANTE: Okay. Seeing no additional questions, thank you very much for your testimony. [LB1084]

BO BOTELHO: Thank you. [LB1084]

SENATOR MURANTE: Is there any remaining neutral testimony to LB1084? Seeing none, Senator Stinner waives closing and that ends the public hearing on LB1084 and ends the public hearings on the day. Thank you everyone. We will have a quick Exec Session to deal with some Craighead bills. [LB1084]