

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Government, Military and Veterans Affairs Committee January 24, 2019

**BREWER:** Good afternoon, ladies and gentlemen. Welcome to the Government, Military and Veterans Affairs Committee. My name is Tom Brewer from the 43rd District. I'll be the Chair of this committee. We're going to go ahead and start by doing some introductions. Start with the committee legal counsel, Dick Clark, to my right. To my left on the corner is Julie Condon; she will be the committee clerk. And I'll start on my right with Senator Blood and do introductions.

**BLOOD:** Senator Carol Blood, I represent District 3 which is western Bellevue and southeastern Papillion, Nebraska.

**LOWE:** State Senator John Lowe from District 37 which is Kearney, Gibbon, and Shelton, and the surrounding farm area.

**HILGERS:** Mike Hilgers, District 21, northwest Lincoln and Lancaster County.

**La GRONE:** Andrew La Grone, District 49, Gretna and northwest Sarpy County.

**HANSEN:** Matt Hansen, District 26, northeast Lincoln.

**HUNT:** And Senator Megan Hunt and I represent District 8 which is the neighborhoods of Dundee and Benson in midtown Omaha.

**BREWER:** And Senator Kolowski and I believe we have about half of us here that are presenting in Judiciary today. So understand as we move in and out, it is nothing personal, we just are going to have to manage internally getting to the other committees to do our presentations. With that said, our pages today: Kaci, raise your hand over there, and Preston. Today we're going to look at three bills, LB204, LB20, and LB52. I would ask that everyone at this time go ahead and mute your cell phones or other electronic devices. Again, the senators may be checking their phones. They're not being distracted from the particular bill, they're trying to make sure they're in the right place at the right time for their presentations. If you wish to record your attendance in the hearing, you may fill out the white sheet over on the table. If you intend to testify, please fill out and complete the green testifier sheet located at the table. If you wish to testify, but want your-- if you wish not to testify, but you want your presentation to go into the official record, please fill out a sheet and attach that to it and turn it in to the committee clerk. If you're going to be passing out materials, would ask that you bring 12

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copies so that everyone would be able to get a copy. If you don't have that many, get it to the page enough in advance so that they have time to make copies. It is the policy of all committees that all exhibits intended to be in the official record are to be submitted to the committee clerk by 5:00 p.m. the day prior to the hearing. And that would be your-- your emails or any other material that you have. If you're planning to testify we would like you to come forward on that particular bill and that gives us some idea of how many testifies that we're going to have. We'll begin testimony with the introducing senators opening statements followed by proponents, opponents, and then those speak in a neutral capacity, and then we will give the senator a chance to have closing remarks if you wish. I would ask that you would limit those testifying to five minutes for a time system. You will see that we have green light, amber for the last minute, and then the red. There should also be auto alarm that will be going off when you hit the red in case you get too focused on your presentation. I will try and be reasonable amount of time that we allow once that red light goes on, but at some point I will be forced to have to stop and be fair to everyone. With that said, Senator Briese, are you our first one up? LB204? Good morning and welcome to the Government, Military and Veterans Affairs Committee.

**BRIESE:** Thank you, Chairman Brewer, and good afternoon Chairman, members of the committee. First up, I have LB204 here. LB204, excuse me, Tom Briese, T-o-m B-r-i-e-s-e. First up, I have LB204. LB204 was one of those bills that arose from some research we did on last year's LB1000. LB1000 was a building-- dealing with bonding under the Public Facilities Construction and Finance Act which we passed on consent calendar. I'd originally thought there was a similar issue to be addressed in the Interlocal Cooperation Act as per LB204. And we put together LB204 before I decided it contained some negative consequences for the general taxpaying public. I was going to withdraw it, but I did not get it done before it was scheduled for hearing and we may look at it sometime in the future during the interim or something. But I'd simply ask at this point that the committee would IPP LB204 some point here in the future.

**BREWER:** And we will so note on LB 204. With that said, do you want to go ahead and transition to LB20?

**BRIESE:** Yes, I'd be happy to do that.

**BREWER:** It is public hearing, so I guess before we can move on I need to ask if there are any testifiers on LB204 that's going to be IPPed.

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Seems like a good decision. All right. With that said, we will change the number on the board and we will transition to LB20.

**BRIESE:** Thank you again, Chairman Brewer, and members of the committee. I'm Tom Briese, T-o-m B-r-i-e-s-e. I'm here today to present for your consideration my LB20. This bill would require a public vote of the electors before proceeding with a bond issue under the Public Building Commission Act. This is essentially a property tax relief bill. And although I come from rural Nebraska, I've always maintained that all Nebraskans need property tax relief, whether you're a Cherry County rancher or an urban Nebraska homeowner suffering from the sixth to seventh highest property taxes in the country, you deserve property tax relief. This bill impacts our urban friends, many of whom have house payments that are comprised of 30, 40 percent of it being property taxes. And what about our efforts to grow the state? One of the keys to growing a state is the affordability of housing to retain young residents here and encourage migration of folks to our state. And I submit that having the sixth to seventh highest residential property taxes in the country is not conducive to affordable housing; and it's not conducive to economic growth in our state. And there's two routes to property tax relief both of which I believe we must travel. One is to change how we pay for things. The other is to control spending. Obviously several of us have other bills to talk about how we pay for things. This bill deals with the spending side. I believe that one way to help accomplish transparency and local spending is to encourage and promote public input on the spending decisions of our local governing bodies. This bill is an effort to create additional transparency and accountability in the expenditure of property tax dollars by requiring a public election before a bond issue takes place under the Public Building Commission statute. The Public Building Commission Act is found at Revised Statute Section 13-1301. In a nutshell, the purpose of the act is to provide a means by which a city of the metropolitan or primary class that contains over half the population of a respective county-- of their respective county can partner with such county to acquire or construct buildings for joint use. As per the act, any such commission is governed by a five-member board with two appointed by county government, two by the city government, and the fifth selected by the other four, or the Governor. Among the powers granted to this five-member board is the power with the approval of the city and county to issue general obligation bonds and to levy and assess taxes to repay those bonds. I see no fundamental problem with allowing two entities, such as this, pooling resources to finance joint projects which might not otherwise

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make sense to undertake individually. The problem I believe lies in what I think many would describe as a loophole in the law allowing millions of dollars in bonds to be issued separate and apart from a democratic vote of the people. I believe that instead the burden must be on the governing bodies who wish to see these bonds issued to seek and gain voter approval before a bond issue can proceed. LB20 would require any bond issue to be preceded by a vote of the qualified electors of the county and any statewide primary or general election. Any defeated proposal cannot be resubmitted for six months. In doing so, LB20 will preserve the ability of public building commissions to creatively solve problems through joint projects while bringing the process into more complete accountability to those who will pay for and benefit from the project. And I do note there are several situations in which tax dollars could be saved by the issuance of refunding bonds to retire existing obligations at a lower rate. And I have a language for an amendment to allow that to happen without a public vote that I can share with you. I think you already have that. I believe that LB20 is good legislation and that it will strengthen our communities, as well as our democratic process in Nebraska. I believe that our taxpayers will appreciate your advancement of this proposal. Thank you and I'd be happy to answer any questions.

**BREWER:** Thank you for your testimony. All right, and everybody did go on the sheets. Good. All right, questions? Senator Blood.

**BLOOD:** Thank you, Senator Brewer. And thank you, Senator Briese, for bringing this forward. I don't think there's a single senator in this room that doesn't believe that property taxes are too high. But I have to say that after reading through the bill I have a few questions and I may have even more after I hear the testimony.

**BRIESE:** Sure.

**BLOOD:** Can you tell me how many cities or counties in the state that this particular piece of legislation will impact?

**BRIESE:** I believe two counties at this point.

**BLOOD:** What are those counties?

**BRIESE:** Lancaster and Douglas.

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**BLOOD:** Lancaster and Douglas. And can you share with me maybe an example of abuse that the statute or maybe an abuse of authority, what brought this forward?

**BRIESE:** Well nothing in particular brought it forward to me. Various folks have asked me, there's a situation in Omaha with the Douglas County youth facility they've been voting on recently and they asked if that prompted. No. No it is not targeting any one situation. It was through our research on this other bill that we found what we consider a loophole in the statute. And we feel that this is a good way to help protect taxpayers and some-- no one brought this to me, not really intended to address any particular abuse or anything I perceive as an abuse. So don't take my bringing this bill forward as a rendering-- or rendering judgment on any particular project going on now. Just that I feel it should go to the public.

**BLOOD:** To be frank, I wasn't even sure that was the case. But it helps me know if there's an example, because it helps me problem solve what this would address. So as far as you can think of, can you think of an example?

**BRIESE:** No, I can't. I'm assuming there are possibly other testifiers that might be able to think of examples that are important to them.

**BLOOD:** All right. So when you compare this in terms of, say, local control or governing bodies being able to put forth bonds, do you know of any that have this many steps that are-- like what's near legislation now? It seems like you're creating more steps to it.

**BRIESE:** Well, it should not be easy to indebt our public to pay for construction projects and infrastructure.

**BLOOD:** Absolutely.

**BRIESE:** It should-- it should be a fairly measured, not difficult process, but it should be measured and steps should be required before we subject the taxpaying public to that indebtedness, I believe.

**BLOOD:** OK, that's fair. So I remember last year we voted, well we mandated a new juvenile court judge in Douglas County. Do you remember that?

**BRIESE:** I don't believe so.

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**BLOOD:** Because I looked up the votes, you and I both voted for it.

**BRIESE:** OK.

**BLOOD:** I think it passed with 43 votes, something like that. So if we mandate a public building commission to provide steps for this and say future judges, yet we're making it more difficult for them to fulfill that mandate, do you feel like we're creating an extra hurdle, you have any concerns about that?

**BRIESE:** No, no, I don't. I think what this will do is create more openness and transparency, projects such as that should be sold to the public and let the public decide if that's a necessary step, if it's necessary to undertake a bond issue like-- like what we're referring to or any other bond issue. The public should have some input on that and something like this does create transparency and a sharing of knowledge on the subject and gives-- gives the voters the chance to give it their stamp of approval. It enhances our democratic process, I believe.

**BLOOD:** So hearing this and coming from a municipal background, we already do have public hearings on all bond issues don't we?

**BRIESE:** You may have a public hearing on it, but--

**BLOOD:** Isn't that an opportunity for the public to give their input, and don't we also advertise that public hearings so the public knows that we're doing it?

**BRIESE:** Well that's a great point. But you know, when I served on the school board we would have a budget hearing and nobody would ever show up typically, you know, folks, of course, are given the opportunity to reach out to their elected representatives. But this gives them an opportunity at the voting booth to say yay or nay and I think that's important.

**BLOOD:** So they could be apathetic in the voting booth instead of the room, basically what we're saying. All right. That's fair. I may have more questions later. Thank you so much.

**BRIESE:** Sure, be happy to answer them.

**BREWER:** Thank you, Senator Blood. All right, additional questions? Additional questions? Will you be staying to close?

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**BRIESE:** Yes, I will.

**BREWER:** All right. Thank you.

**BRIESE:** Thank you.

**BREWER:** Thank you for your testimony. All right, those testifying in support come on up, have a seat. Welcome to the Government, Military and Veterans Affairs Committee.

**JIM CAVANAUGH:** Thank you, Senator Brewer. My name is Jim Cavanaugh. I'm an attorney and the Douglas County Commissioner in Omaha. And I appear here today on behalf of myself to urge your support of LB20. This is an issue that's kind of topical up in Omaha, Douglas County if you've been following it, relative to our juvenile justice center initiative. And we have reached a point where it's kind of important that we have public input in the form of public approved vote to go forward. This statute was drafted in part by my father in the 1970s when he was a Douglas County commissioner and he sought to establish the first city-county building in Nebraska, which currently we still occupy. And in order to do that, we had to bring together the city and the county's resources and administrations and this is a direct product of that. And it's operated well. It has allowed us to do not only the city county building in Omaha, but subsequently the renovation of the courthouse and the Hall of Justice. That building is over a hundred years old and we've outgrown it. We have more judges than we had a hundred years ago, and unfortunately we have more lawyers than we had a hundred years ago. So it's bursting at the seams. And we have looked at options to accommodate our judicial branch in the immediate neighborhood. So there's kind of a campus, a government center, if you will, in downtown Omaha. And in order to do that, part of the proposals has been, well, let's have the building commission issue some bonds that would cover the cost of construction. It's massive. It would be the largest single capital construction project in the history of Douglas County. And in order to do that, you really should have some public buy in. So to give you an example, I'm just completing my first term on the Douglas County Board. And when I was elected in 2014, Douglas County floated a public safety bond on the 2014 ballot. And for the first time in 150 years a Douglas County bond failed to reach voter approval. At the same time, the Omaha Public Schools floated a bond issue in excess of \$400 million on the same ballot and it was approved. When I got on there, I was kind of struck by the fact that, you know, we had a \$35 million bond that was not approved and they had a \$400 million bond that was. What happened?

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Because the public safety needs were valid. And I found that for a lot of different reasons they hadn't campaigned, they hadn't promoted the bond, whatever; they hadn't sought public approval. So I helped repackage that, actually bulked it up to a \$45 million bond, put it on the 2016 ballot. There was a citizens committee that came forward to support it. We went all over the county and it carried in every single precinct in Douglas County, wide consensus of public support. This is several times that size. And in order to have that same type of public validation of an enormous project, we need to have the same requirements for the building commission that Douglas County has. The election of the building commission option has, because, you know, a couple of different problems with it currently because the building commission enjoys a lower bond rating than Douglas County does. So if you do a building commission bond issue under current statute without a vote of the people, you'll end up paying more money. And on \$120 million you'll end up paying a lot more money. So in order to, in part, avoid a public vote on this, the proponents of this project have sought to do it through the building commission bonding authority, although it's for Douglas County, it's our juvenile justice center. We need to make this adjustment so that the people can have a say on their property taxes, because that bond issue will result, as it's packaged, in an enormous double digit property tax increase for property owners in Douglas County. We all got this postcard this week, if you own property in Douglas County, you got one of these too. And it shows assessed values, preliminary assessed values. Mine went up 30 percent. A lot of people's did. And we have votes on this. People get to vote on me. People get to vote on the assessor, register of deeds. They need to be able to vote on these bonds as well. People need to have a say in their property tax assessment and their property tax expenditures. That's basically what this does. The other thing, and I just have one more thing.

**BREWER:** Go ahead.

**JIM CAVANAUGH:** What Senator Briese pointed out in terms of not making it a necessity if you were just refinancing the bonds, and the reason for that is, we do that all the time, if interest rates are coming down, to capture savings. It's not a new bond issue. It's just a lower interest rate, like refinancing your house at a lower interest rate. So that makes total sense, and we'd endorse that as well. I'd be happy to answer any questions you might have.

**BREWER:** All right. Thank you. It was very informative. Senator Blood.



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**BLOOD:** Thank you, Senator Brewer. And thank you for your testimony and thank you for all your service you've given over the years to the Omaha metro area. You've done a really excellent job. So I'm-- I'm having trouble the mechanics of this. I believe in the principle. I believe in protecting our property owners when it comes to property tax. But I hear you say on one hand that a bond issue didn't get passed because it wasn't promoted correctly. And I know you heard me say we already have public hearings where people can come and testify. And I was told that nobody shows up. Why are we just not promoting the already existing opportunities for the public to come and testify during those hearings? Why is one better than the other?

**JIM CAVANAUGH:** OK. Normally, building commission meetings are attended by fewer people than are here. Building commission meetings regarding bonding issues are attended by fewer people than are here. They are publicly noted in the Daily Record. I don't know if anybody here from Omaha receives the Daily Record, but .00001 percent of the population of Douglas County reads the Daily Record, and they're all lawyers. So it's not really like a public election. It's not really like we're getting validation of the taxpayers by having a public hearing.

**BLOOD:** And I don't dispute that either, but I'm going to go back to your own words when you say we need public buy in. And I'm always curious when I hear, and you know I come from a city council background, when I had an important issue, I got on my social media and I went through my roster of people that I knew would be interested and I would call them and I would tell them to show up. Why are you not showing that enthusiasm for a buy-in in the public hearings that already exist, is my first question? And on the second question is we're talking about transparency and saving tax dollars. Can you tell me how much would it-- so if it's a mandate from the-- from the state of Nebraska and it had to be done in a certain window time, you need a special election, what is the average cost of a special election, say, for the Omaha metro area or the Lincoln metro area? And also what if the vote is no and it's been a state that's been-- a mandate that's been handed down by the state, then what would the next option be?

**JIM CAVANAUGH:** Right. Those are good questions. As far as the public meeting goes, I do the same thing. I mean, I have social media and if I want people to know that something's coming up at a county board meeting or a building commissioner meeting, you know, I'll try to use as much of that as I can. It's still not the equivalent of a public election. I mean, any public meeting is not the equivalent of-- this

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hearing is not equivalent of a public election. They're just not the same things; they are apples and oranges. The second part relative to the cost of the special election is dealt in here where it says you don't do a special election, you do the next regular statewide primary or general election. So what you're doing is instead of adding all the expense, which can be considerable to-- to have a special election, you're putting in a couple lines on a ballot that's already going to exist and people are already going to vote on. So I think that, you know, that's a valid concern; that actually came up when we were talking about this. And so if you look on page 4, line 18, it says statewide primary or general election.

**BLOOD:** And so, I think I'm still not hearing though. Say it's a mandate with a specific-- a specific window of time, then you may have to make-- the state will have to make an exception and perhaps changed the date of when that mandate can happen, if it pertains to something such as our prisons or juvenile justice or things that are really pressing that comes to mind are things that pertain to our first responders. So is it well worth that winning that window of time if there seems to be some urgency to it? Because we obviously if we push this forward, we won't be able to make any specific exceptions right?

**JIM CAVANAUGH:** Well the refinancing is an exception.

**BLOOD:** But that's a refinancing, that's not new.

**JIM CAVANAUGH:** Here's kind of a-- goes back to, I think, some of your preliminary questions relative to what you just did in adding additional judges to our judicial district. OK. We currently have built courtrooms in our century-old courthouse for those judges. And so every judge has a courtroom. It's not perfect. I mean they're kind of crammed in there. But you know, we've taken care of that. And I've been coming down to the Legislature for a long time. One of the rarest and hardest things I've seen happen are the creations of new judges, doesn't happen very often. And you usually have years in advance notice that that's going to happen, but it's not just judicial stuff. There's Corrections stuff like you're saying.

**BLOOD:** Right.

**JIM CAVANAUGH:** And we constantly struggle with our friends in state government simply to get the state to pay us for what we already do for you. You don't pay your bills. And so when we house your prisoners at the Douglas County Correctional Center, the largest Correctional

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center in the state of Nebraska, we do it at our expense and bill you and you don't pay your bills. So you know, if you're going to do something about state mandates to us, pay your bills.

**BLOOD:** And that's fair, but not our topic. But I am going to take note of it and see why we don't pay it. So what happens when the vote is no and you've been given a mandate, you still haven't answered that.

**JIM CAVANAUGH:** Well, we were given a mandate on this most recent addition of a juvenile court judge, and we just built on a courtroom. We want to do, and we will, it's just a matter of how and when, not if, have an annex to our courthouse. If you go around the state, many of you probably have annexes to the courthouses in your hometowns. We're going to have one, you know, sooner rather than later. We have the ability to finance that. We have a AAA bond rating, best bond rating you can have; the public commission has a AA bond rating. So it actually behooves us from a fiscal conservative point of view. I'm a fiscal conservative. I might be progressive in other areas, I'm a fiscal conservative. And the ability to finance that we found in 2016 in the public safety bond exists if we use our heads, some common sense, without a property tax increase. One of the things that I made sure of on that \$45 million bond issue two years ago was no property tax increase. It's possible to do that, but you got to look for the way to do it. So I'm more interested in doing that. Seeking out ways to do what we need to do in a fiscally responsible way with minimal impact on our property taxpayers. And this will help do that.

**BLOOD:** So again, I am still trying to get to my answer. And now I've come up another question after this. I'm sorry. So aren't we already doing that with the way the process works, because I know, again I go back to my municipal background, and our goal was never to, hey, let's get the biggest bond we possibly can and we'll put in a swimming pool and maybe a spa; it was always, how can we do this in the most responsible fashion possible. In fact, I saved the city of Bellevue \$20 million for a new police station. I, too, am a fiscal conservative believe it or not. And-- and I don't believe in wasting tax dollars. I've never had a fiscal note on any of my bills, the day is coming, but. So I still-- I hear a bigger process going to kind of a three-tiered system and requiring a vote, I wonder if we're really being good stewards of tax dollars and I'm not hearing that we are. And then the other question I have is, then you bring forward us an election on a bond issue and whoever has the most money is the one-- the ones that's going to win, be it on the death penalty or be it on a

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bonding issue or be it on a new courthouse. There's going to be one group that is better funded than the other group, right or wrong. And unfortunately, because we do have so many apathetic voters, those are the ones that usually win when it comes to the ballot. Are you concerned about that at all?

**JIM CAVANAUGH:** I am. And here's been my experience: so this bond issue-- public safety bond issue experience that we had where it failed in '14 and then we're able to get a larger issue passed in '16 was paralleled by two enormous \$400 million-plus bond issues by the Omaha Public Schools, half a billion dollars, roughly, in '14, another in '16, back to back. And they don't have a lot of money. This is Omaha Public Schools. I mean, this is not backed by the people that backed those other initiatives you're talking about, and they went out, and I was there, I saw them at building-- at neighborhood associations and social events, and you name it, they were there, and said, look, yeah, \$400 million-plus is a lot of money. Our kids are invaluable. We can either do this or we're going to have a crummy school system. And I'm proud of the Omaha Public School System. I have two children in the Omaha Public School system. They do a great job. And they're going to do a better job now that the voters said, you know, you're right, it's going to be a property tax increase but it's worth it. And they approved them both back to back. I have kind of this, I don't know, innate faith in the wisdom of the average voter, taxpayer, whatever, that if you treat them like an adult, you have an adult conversation with them, that they might see your point and go, yeah, you're right, let's do that, even if it's going to cost them a few bucks. And those two bond issues cost more than a few bucks. So it's not always the rich who win, it's not always the-- the weak who lose, it's, you know, I think on its merits just something where people expect to be talked to and treated like adults. And if they are, I think more often than not they make the right decision.

**BLOOD:** So I have one more question, and I know-- I'm sure other people want to ask questions and certainly other people want to testify, so would you say this is true or false, that as a public servant, if I serve in capacities such as what we're speaking of, that it is my job to make sure that there is good research and there are facts and that we are looking for the most inexpensive yet productive way possible to move something forward that it's my job to make sure that that happens before I would ever vote on something like that, that it's my job as a public official. Would you say that is?

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**JIM CAVANAUGH:** I think so.

**BLOOD:** And so do you feel that they've been inept in that-- in doing that?

**JIM CAVANAUGH:** Here's what I've found, and this goes to this most recent couple of bond issues we're talking about. So, I and several other folks spent a lot of time on the public safety bond. I mean a lot of our time, over and above, going to county board meetings and stuff. We went out in the community and we sold that bond issue. On this particular one that we're looking at now up there, it's a \$120 million bond issue, the biggest bond issue we've ever had. The interest in passing that are-- you're talking about who's got the money, are people with money. They are contractors and architects and engineers and people that build things and that's how they make their money. All the money is on that side of this \$120 million. But hundreds of people are coming forward on the other side and are saying, you know, here's a better, cheaper, smarter way that we can go on this. We can do these things that we need to do. We can have this courthouse annex, we can do a redo of our youth center, we can take care of our kids better, but we don't have to do it at the top price. And they're right. And that is a result of this debate. That's what goes into, if you put it out for the voters, what goes into that debate. And, you know, I really have faith that if people are laid out the right decision will come out most times. I mean that's kind of faith in democracy, maybe that's a little civics book. I just believe that, I think it's right. And this is the right way to go. It's LB1000, I think, hasn't caused anybody any heartburn. And, you know, people get a chance to vote on what's going to happen in their communities, what's going to happen with their mill levies. We have been able to do this, Douglas County, for the four years I've been there, without a mill levy increase. We have not increased property taxes at all in our mill levy, and yet we've been able to do these things by putting on the ballot and explaining to people and getting their consensus both.

**BREWER:** Any additional questions?

**BLOOD:** I'm going to hold off. Thank you.

**BREWER:** All right. Additional questions? Megan Hunt.

**HUNT:** How are you? Thank you for coming here today.

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**JIM CAVANAUGH:** Thank you, Senator.

**HUNT:** Thank you for your service. Do you think that if the-- if they were required to put all of these bonds to a public vote, could that-- could that have the effect of kind of kicking the can down the road when it comes to funding really urgent issues like juvenile justice? I'm not sure what I think about this yet, but I--

**JIM CAVANAUGH:** Right.

**HUNT:** I'm thinking about both sides.

**JIM CAVANAUGH:** Right. So when I started out in public life I was a public defender. I spent nine years in the public defender's office and dealt with these kids one on one a lot for years. And I'm committed to seeing that system work as best it can, it works OK now, but it's in need of vast improvement. OK. I think people in our community are very concerned about their children. I know I'm concerned about mine. I presume you're concerned about yours and that's-- that's enough to get us to say, you know, I'll sacrifice something to make this better.

**HUNT:** So it sounds like you're kind of running with the assumption that like if we put this to a vote it would pass because people understand why it's important. And you're drawing analogies with like the school bonds and stuff like that. But what if it doesn't and then kind of, to what I think Senator Blood was getting at, and then you just don't have the money for-- for if something that is really pressing and urgent that if this bill hadn't passed there would be money for it.

**JIM CAVANAUGH:** Right. And I think I guess I have faith in the fact that if you right size things and you use common sense in financing. I mean, government financing is really a science, it's not an art form, it's not something that you just kind of wing, it's an actual science, that if you do that and you use all the tools at your disposal, you can find ways forward to do what's necessary. Our government actually works and has worked for a very long time and it's not because we're rolling in dough all the time, it's because people have sat around these committees and public offices everywhere and use their best common sense to make it work. We build roads, we build schools, we hire teachers, we do hospitals, and everything else that we need to do, because it's the right thing to do and we're accepting of the fact that you've got to pay your way in this world. I mean nothing's for

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free. I have had the personal experience of saying that to people and having them go, OK, yeah, it's going to cost me, but I'll do it because it's the right thing to do. What happens if you don't prevail in that? Well, you know, I mean that's part of living in democracies. We're not the most efficient form of government. Most efficient form of government is a top down, one person says how things are going to go. They make the trains run on time and that's how it happens. This is republican democracy and it's not noted for its efficiency. It's kind of like Winston Churchill said, the worst of all forms of government, except for every other form of government. And so, you know, you've got to have some faith and then work hard to make it happen.

**HUNT:** Thank you. So you're going to knock the doors for the bonds, so I'll see you.

**JIM CAVANAUGH:** Yeah, this is the right size. I'm glad you asked that question. If this is the right size bond that does the right thing without wasting resources, absolutely, I'll work to get it passed.

**HUNT:** Thank you.

**JIM CAVANAUGH:** Thank you.

**BREWER:** Go ahead, Senator Kolowski.

**KOLOWSKI:** Thank you, Mr. Chairman. Pardon me, Jim, good to see you here. Thank you for being here.

**JIM CAVANAUGH:** Thank you.

**KOLOWSKI:** For the years that I've seen Omaha grow, OK, as an example, as you have, is part of the discussion you have when you go visit with people and all the rest, that we continue to see this growth taking place and they're more open and accessible to help pay for the growth, the roads, the sewers, the water, everything that comes with that, fire protection, police protection, over time rather than we're squeezed into this small space and we don't have much more wiggle room as far as anything going on. And is it happening mainly because we have this growth that's continuous in my 40, 50 years in Omaha. You know, and 72nd used to be the boundary of the city, and now look where we are now, all the way out to the river. That has happened in our lifetimes. Is it easier to sell that way because we have all this growth going on?

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**JIM CAVANAUGH:** You know, that's a good question. It came up in a conversation earlier today that when our courthouse was built a hundred and some years ago, there were about a 100,000 people in Douglas County. Now, we're, I don't know, seven or eight times that now. And that was like, so we've outgrown this thing. Growth does spur this on. My property tax thing went up because the real estate market is hot in Omaha right now; whether that will last, I don't know, but for now it is. And that's because of growth as well. The part of growth is retaining the population that we bring into this world, educate, and then send out there, our children. And we export kids like crazy. Nebraska's biggest export is not cattle or beans or corn, it's educated young people. And part of the reason and I think that they go elsewhere is the social environment doesn't seem to offer them a lot of choices, offer them a lot of involvement. There was a report about how people look at cities nationwide recently and it came out and said Omaha is kind of looked at as a bit of a top down city, difficult for young people to make it from the beginning to going to the top. There are exceptions. But they have looked at this and other model cities and said, you know, offering people choices and offering people involvement in their community is actually a magnet for your community's retention of its young people. And I think that that's true. And that's our real way forward is not export so many of our young people to Chicago, New York, Los Angeles, but give them a stake in this place and, you know, having stuff on the ballot, I think, is healthy for that. We've decided a couple three social issues in the last few years, I think that's healthy for getting people involved in their community, and this is another opportunity. We can't get too many people voting. I mean anything that brings people out to vote I think is a good thing and this is going to draw people out as well. Thanks.

**KOLOWSKI:** Thank you.

**BREWER:** Senator Blood.

**BLOOD:** I'm sorry, I have got to ask one last question. You talk about the public hearing meetings and how, I mean, and I am hearing there's really not that much effort to bring extra people into the public hearing meetings and that's unfortunate because that is our opportunity while you are making those decisions at that moment, that for me is when I want the public there not after the fact. So we talk about letting the public speak. What is the percentage of voters that show up in Douglas County, do you know?



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**JIM CAVANAUGH:** What is the what?

**BLOOD:** The percentage of voters that show out-- up in Douglas County say in a nonpresidential year?

**JIM CAVANAUGH:** Yeah. And I should know that, maybe somebody does.

**HUNT:** Someone's going to probably text me about 30 seconds with that.

**JIM CAVANAUGH:** OK.

**HUNT:** What do you think? Twenty-six?

**JIM CAVANAUGH:** It varies from presidential years to off years and, you know, if we get over 50 percent we're doing good. So somebody probably will dump that in there. It's not where it should be.

**BLOOD:** So it's really not the majority of the voters that are deciding this. Yes or no?

**JIM CAVANAUGH:** Well I mean, it doesn't-- it does go over 50 percent. But if you study-- again this is kind of a science, election voting patterns is a real science. You can see variations where if somebody is running for president, more people come out and vote.

**BLOOD:** Right. So I said nonpresidential year. So-- so here's my concern. What percentage of say the Omaha metro area are registered to vote, based on your population, do you know? Would you say it's--

**JIM CAVANAUGH:** Let's say 50-plus percent.

**BLOOD:** OK. And out of that 50-plus percent of your population, we'll say 50 to 60 percent, 40 to 60 percent will come out and vote?

**JIM CAVANAUGH:** Oh, I thought you were talking about what percentage comes out to vote. I was going to say over 50 percent will come out to vote.

**BLOOD:** OK, so what percentage of the population is registered to vote in Omaha, do you know? I'm just trying to get the numbers in my head.

**JIM CAVANAUGH:** Sure, sure.

**BLOOD:** We keep talking about letting the people speak and letting people speak and see what I know about public hearings is that you do

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not have to be registered voter to come to a public hearing, you just need to be a resident.

**JIM CAVANAUGH:** Right, right.

**BLOOD:** And so I'm not hearing numbers and I'm a numbers person. So that would be something that maybe we can talk about later, because right now it sounds like we're giving opinions. I really want some hard numbers.

**JIM CAVANAUGH:** Sure, sure.

**BLOOD:** All right. Thank you.

**JIM CAVANAUGH:** I'd be happy to get those for you. I should know them.

**BLOOD:** I can probably look them up while I'm sitting here. Thank you.

**JIM CAVANAUGH:** Yeah, I'm sure that somebody will be tweeting somebody with that exact number.

**BLOOD:** Thank you.

**JIM CAVANAUGH:** That's a good question.

**BREWER:** Additional questions? Jim, one quick one for you, from start to finish with the juvenile justice center that you referenced, how long is it-- the process take to design and figure the cost and be ready to actually let it out to bid?

**JIM CAVANAUGH:** You're talking probably a year or two. And we're maybe a year into that. Part of the back and forth in Omaha, had we had enough discussion, because much of this was like behind closed doors and then it finally came out and it was publicly discussed and so we are feeling that maybe we should have some more to be ready to go. But you're probably from, OK, here's an idea to we're breaking ground, talking, you know, 24 months. On the public safety bond thing, that went from, I think, 2013 and we finally broke ground in 2017. And so--

**BREWER:** So if it would go into an election cycle, it wouldn't necessarily held up the project?

**JIM CAVANAUGH:** It would not. Here's the kind of play on that. Interest rates go up and down depending on where the economy is. So if you were planning this project and it was 2007, 2008, you're going to hit

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interest rates plummeting and other things too that will actually save you money by waiting a little while. If you're in 2015, '16, '17, stuff's going up. So the other way is true. There's a lot of debate on whether or not interest rates are going to go up or down, whether the economy is going to go up or down in the next 12 months. A lot of people feel that we're on the verge of a recession, but I heard this morning that we're at all time employment high. Unemployment is the lowest it's been since 1969. So anybody's guess.

**BREWER:** All right.

**JIM CAVANAUGH:** Thank you.

**BREWER:** Thank you for your testimony. I'm going to do a valid hand over to the Vice Chair. I am required in Judiciary.

**La GRONE:** Thank you for your testimony. Next proponent please. Thank you.

**DOUG KAGAN:** Good afternoon. My name is Doug Kagan representing Nebraska Taxpayers for Freedom. Our taxpayer group strongly--

**La GRONE:** Doug, could you state and spell your name please.

**DOUG KAGAN:** Oh. D-o-u-g K-a-g-a-n. Our taxpayer group strongly urges the committee to advance LB20. In Douglas County property taxpayers face a \$67 annual tax hike on a \$200,000 home, with additional taxes in future to operate and maintain a court house expansion and country club style juvenile center. County commissioners want to issue 120 million in revenue bonds, although they have not yet tabulated and revealed the cost of renovating the MUD building or decided definitely on the site for a new juvenile center. No open meetings or open records from the beginning until recently, awarding of no bid contracts, potential conflicts of interest between duties of elected officials and their duties as directors of the nonprofit management, lack of documentation for work already approved, no serious consideration of alternative sites, promised private funding not guaranteed. We believe the commissioner purposely and intentionally created a convoluted confusing nonprofit mechanism networking with the county building commission to avoid public transparency. We have requested in vain the building commission to backtrack and use typical processes utilized in the private sector. And our argument is with the process they've used so far. We would prefer a process like that used in the 2016 county bond issue that included 100 percent public

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competitive open bidding. Now our taxpayer group supported this bond issue. The county commissioners actually came to us before we came to them and wanted to work with us. So the-- as in 2016, the building commission could retain professional services of an expert consultant to assist in the development of a request for qualifications for interested bidder teams with expertise and assist the county in award of a contract. This process also would allow for consideration of alternative sites by offsetting any reduction in construction costs by a predetermined amount of internal cost borne by the county due to having separate facilities. The method to determine the internal cost of the county must be established prior to the competing teams developing their respective bids as a matter of transparency and fairness. So the county would then select a short list of qualified developer designer contractor bidder teams. Each team in its bidding would have the discretion to propose each facility on the preferred site or propose an alternative site. A short list of qualified teams would develop a design and construction cost based on a program and site development requires-- requirements developed by the county with its consultant. The contract would be awarded using a commonly used and private practice technically acceptable least cost selection analysis that would include construction cost plus any differential internal cost to the county. At this time we taxpayers simply do not know if there exists less costly alternatives. We believe that passing LB20 will guarantee transparency in the issuance of revenue bonds and hold local officials accountable. In fact, we would like to see extension of such requirement in future to all local taxing authorities to issue such revenue bonds. Thank you.

**La GRONE:** Thank you for your testimony. Are there any questions?  
Senator Blood.

**BLOOD:** Thank you, Senator La Grone. So I'm listening and reading over your testimony and I have just one question. So you're talking about the guarantee of transparency in the issuance of revenue bonds and holding local officials accountable. Again, I go back to why does that not happen in a public hearing? I know that you go to plenty of public hearings because I see you. Are you saying that you don't have the opportunity to speak? Do they not allow you to come and speak at the mike at those hearings in Douglas County?

**DOUG KAGAN:** They come to the-- we do go to the public hearings, and to answer your first part of your question, a lot of people just don't go to public hearings, they don't even know there public hearings, but

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when you ask-- when you tell them there's going to be a vote on something that gets their attention.

**BLOOD:** Even though, in general, if you look at the numbers, and that I'm talking specifically about Douglas County, it is the minority that is voting. So it's really not the people's will, wouldn't you say?

**DOUG KAGAN:** Well, unless you have mandatory voting, you just hope and pray that most people vote that can vote.

**BLOOD:** So why is one apathy better than the other apathy. Apathy, that's something I'm having trouble getting my head around because I feel-- from what I know and I don't live in Douglas County, all I know is as an outsider looking in, but I do know in Sarpy County how hard we've worked for transparency, how we had to-- to announce every meeting-- public meeting that we had in a certain window of time because that's under state statute. How each elected official has the opportunity and actually responsibility to share with their constituents when these public hearings come up. But yet you're telling me that people are apathetic and don't come to hearings. But yet we can get a bigger group of apathetic people if we go to-- to a vote which is not the majority based on the numbers that I'm seeing in Douglas County by-- by far. How is one better than the other?

**DOUG KAGAN:** Well, the statistics are what they are. But I think this is a prime example of why fewer people go to both-- both public hearings and go vote. In the 2016 county bond issue, everything is laid out for the public. Any document you wanted you could have from the county commissioners. They offered us everything. They even took us around to the county buildings out there on their West Maple campus and showed us exactly what they were doing. And that attracted more interest. In this instance, it's-- it's a situation in which you can go to the public hearing and testify, but they don't have to give you everything you want. We asked for documentation on everything they were doing using this model that they used in the-- at the UNMC Cancer Center and the Baxter Arena. And they did not furnish us with all the documentation we requested. And when you do that to people, they think, well, they get cynical and that's one reason they don't come to public hearings and another reason why they don't vote. I remember when the Baxter Arena they used the same kind of model and we asked one of the university regents why we couldn't have all the documentation showing what-- what they were doing. His answer was

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because we don't have to. So that's-- that's the kind of attitude we have from some public officials.

**BLOOD:** And those officials should be voted out. Right? Instead of making laws around their inability to be good public servants, shouldn't those people just be voted out?

**DOUG KAGAN:** You can vote them out, but between what they do and the election time, a lot of people forget who did what.

**BLOOD:** And that's why you then do a ballot initiative to get them out. So here's-- here's the concern that I have. Do you know the population of Omaha is?

**DOUG KAGAN:** No.

**BLOOD:** It's around-- according to what I just looked up really quickly, 561,620 people. So based on registered voters, there's 205,000 registered voters. The last election, no, 2016 election, I think there's like a 57 percent turnout. So that's a 116,850 people, so 20.8 percent, because we're only talking about Douglas and Lancaster County. That's all I'm looking at right now statistically, and numbers to me always means something, because numbers are the same in every language and they never lie. So we know that 20.8 percent of the Omaha population gets to come to the polls and make decisions for everybody else in the Omaha metro area. Right?

**DOUG KAGAN:** That's right.

**BLOOD:** How is that more effective than having a public hearing that's open to every resident regardless of whether they can vote or not.

**DOUG KAGAN:** I think there's a degree of cynicism among the public and that's why too few of the public vote and too few people come to budget hearings. But I think if the-- if the effort by the county commissioners was more transparent like they did in 2016, you would get more people to come out and vote because they know what the bond issue was for, it was very well publicized, it was very well supported, and it passed. That means a lot more people voted for it. Sometimes, like what county commissioner Cavanaugh said, two years previous that, 2014, they didn't publicize the bond issue, very few people knew what it was about. We didn't support it. And it failed because people didn't vote for it. They didn't know what was in it.

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**BLOOD:** So I present you with the same question, why aren't we putting those same efforts into public hearings?

**DOUG KAGAN:** Well, you'll get more people to public hearings if it's a more transparent process. So this is what I'm trying to convey to the committee, if you-- if they used a process like they do in the private sector and if they used the process they used in the 2016 bond issue, you'd get more interest among people. We went to the bond issue hearings in 2016 and there were-- there were plenty of people there.

**BLOOD:** How is-- I'm still trying to connect this. I'm sorry I keep asking so many questions, but I really have to get my brain wrapped around this. So how is it more transparent just because you put it up for a vote when the exact same information is available in a public hearing? You cannot go to a bond issue without sharing public information, it's not done behind closed doors because it's your tax dollars.

**DOUG KAGAN:** It's how, again, again, it's how an issue is presented to the public. I will say you will get more people to attend a public hearing if they know what's going on at the public hearing, if they know what they can do to go down and actually testify at a public hearing. If they don't have all the details, if they don't have all the documentation available, if they don't know what's going on, they're not going to go to a public hearing.

**BLOOD:** And I don't disagree with that. And all I hear-- but what I hear you saying is that we have public officials that aren't doing their jobs. And to me that means-- and those public officials need to be removed either through vote or through special election to get them out.

**DOUG KAGAN:** Oh I thoroughly agree.

**BLOOD:** So I always am concerned when we're trying to amend state statute based on concerns in this specific area. And I'm still not hearing anybody telling me that, that it's been an area where somebody has done purposely deceitful or they purposely haven't released information to the public. I just want to make sure we're trying to fix a problem that problems truly exists.

**DOUG KAGAN:** I can tell you that the public did not become aware of this proposed bond issue until several hours-- several months after it was put together. You don't have open bidding, you didn't have open

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meetings at first. Nobody even knew about it until last spring. And that's why-- that's why people are cynical about getting involved in politics. They think things are going on behind closed doors that shouldn't be going on behind closed doors.

**BLOOD:** And I don't disagree with that statement. But I-- I do have some concern when you talk in such broad terms about things that did not happen, because I follow Omaha and Douglas County very closely. And I'm-- I'm not sure that I concur that I agree with that statement, but that's something I think we can talk about outside of chambers.

**DOUG KAGAN:** OK. Thank you, Senator.

**La GRONE:** Thank you, Senator Blood. Any further questions? If not, thank you, Mr. Kagan, for coming down. Next proponent. Senator Fox, welcome to your Government Committee.

**NICOLE FOX:** Thank you. Good afternoon, members of the Government Affairs Committee. I'm here to testify today in support of this bill. The Platte Institute believes this bill helps to increase local transparency. And while Nebraska local subdivisions hold bond referendums in most cases, there are some that go without the input of voters. We understand that most of Nebraska's local subdivisions need to use their bonding authority to fund certain products-- projects, I'm sorry, however because in most states issuing bonds results in associated tax increases it is important that these are always put to a vote of the people. In some instances public building commissions can approve a bond without the vote of the people and we feel this bill will help close that loophole to ensure voter participation and more transparency. When subdivisions issue bonds without voter approval, it results in a lack of accountability and transparency with respect to local government debt. Lowering taxpayer exposure to municipal debt starts with two key rules. One, all debt should be put to a referendum vote concurrent with a general or primary election; and two, governments should report the full financing costs and expected repayment plan for any debt before a vote or put the tax increase amount associated with such debt on the ballot. LB20 make strides to accomplish these two key rules and the Platte Institute supports this attempt in a more government-- an attempt at more government transparency. I'd like to thank Senator Briese for introducing this bill and I'd like to thank the committee for the opportunity to testify today. I'm happy to answer any questions.



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**La GRONE:** And before you get into questions, could you state and spell your name.

**NICOLE FOX:** I'm so sorry. Nicole Fox, N-i-c-o-l-e F-o-x, Platte Institute.

**La GRONE:** Thank you. Are there any questions? Thanks for coming down. Are there any more proponents? Welcome.

**ACELA TURCO:** Hi. Thank you so much. My name is Acela Turco. I'll spell that for you because I know it's different. It's A-c-e-l-a, and the last name is T-u-r-c-o. I am actually here representing our state director, Jessica Shelburn. I'm with Americans for Prosperity. So I thank you so much for this opportunity and I would like to thank Senator Briese for introducing LB20. LB20 take steps to close a loophole which allows public building commissions to incur indebtedness by the issuance of bonds. LB20 would prevent public building commissions from issuing a bond without the approval of voters who will be paying for said bond. Seeing that the bond issue could be put on the statewide primary or general election ballot, there would be no additional costs to the local government like you would see if it was proposed at a special election. Increased transparency is vital for keeping government spending in check and LB20 ensures taxpayers have the opportunity to more directly impact local government debt and decisions. We also support the fact that this bill would require the building commission to wait at least six months before proposing the bond issue again if it is defeated by the electorate. Americans for Prosperity Nebraska would encourage the committee to advance this bill to the full Legislature for the consideration and let the taxpayers decide what they are willing to pay for. Thank you so much for your time.

**La GRONE:** And thank you for your testimony. Are there any questions? OK, none, thanks for coming down.

**ACELA TURCO:** Thank you.

**La GRONE:** Next proponent. Welcome.

**DUSTIN ANTONELLO:** Hi. Good afternoon. My name is Dustin Antonello, it's spelled D-u-s-t-i-n A-n-t-o-n-e-l-l-o, and I'm here on behalf of the Lincoln Independent Business Association. The Lincoln Independent Business Association supports LB20. We believe that all Nebraskans have a right to weigh in on the bonds that will be paid for by their

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property taxes. LB20 promotes transparency and enables citizens to make an informed decision on the debt accumulated by public building commissions. Bonds are frequently used in Lincoln to pay for public facilities. Certain bonds called certificates of participation do not require a vote of the people and add to our public debt obligations. There have been nearly 50 million in certificates of participation bonds issued since 2009. In 2013, nonvoter approved debt from certificates of participation was only \$1.7 million. Today it's over \$30 million. In 2015, legislation passed that prohibited joint public agencies from issuing bonds without voter approval. A loophole in the JPA Act previously allowed JPA's to issue general obligation bonds, bonds paid out of the general tax levy without a vote of the people. LB20 will close a similar loophole for public building commissions. LB20 is a positive step toward limiting nonvoter approved debt obligations, but we believe a voter requirement should be extended to all bonds issued by public entities including certificates of participation. Thank you for your time. I'll be happy to answer any questions.

**HILGERS:** Thank you. Vice Chair La Grone had to go to Judiciary Committee, so I have the gavel. Any questions? Senator Blood.

**BLOOD:** Thank you, Senator Hilgers. I'm losing track. I'm going to run out of names soon. Thank you for your testimony. Can you tell me a little bit about what your membership is comprised of-- for-- it's LIBA you said, right?

**DUSTIN ANTONELLO:** Yes.

**BLOOD:** I think Lincoln Independent Business Association. What type of members do you have?

**DUSTIN ANTONELLO:** So we have close to 1,400 members and it involves all sorts of different industries throughout Lincoln: retailers, restaurants.

**BLOOD:** Construction, carpenters, electricians.

**DUSTIN ANTONELLO:** Construction, sure, um-hum.

**BLOOD:** All people that benefit from buildings being made or expanded?

**DUSTIN ANTONELLO:** Yes, in some cases they do.

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**BLOOD:** And so would you be concerned that if indeed there was a bond issue that that did not pass that people would be missing out on opportunities to-- to generate income for themselves and their families?

**DUSTIN ANTONELLO:** Well, we want to make sure that any project that is being proposed by a public entity is-- is a project that is going to gain support of the voters. And if that's not the case, we don't want to think of it mostly as, you know, this is a possible business opportunity for, you know, a handful of our members, because at the end of the day, our residents in Lincoln are all property taxpayers and we think it's more important to hold the line on property taxes than to go forward with something that may benefit just a handful of our members.

**BLOOD:** So do you believe that all bond issues generate higher property taxes?

**DUSTIN ANTONELLO:** Certainly not all bond issues. But there-- there are many instances where-- where that is the case with general obligation bonds.

**BLOOD:** What-- what percentage of bonds do you think generate additional property taxes in your personal opinion?

**DUSTIN ANTONELLO:** Well, I have to get back to you on that.

**BLOOD:** OK. So you're saying only a handful of people would benefit from new construction or expansions that will--

**DUSTIN ANTONELLO:** Well, you were--

**BLOOD:** --that created nicer-- and you live in Lincoln obviously, or your business is in Lincoln.

**DUSTIN ANTONELLO:** Yes, yes.

**BLOOD:** Since you belong to LIBA. Is it your personal opinion that when Lincoln does better and when Lincoln grows, everybody in LIBA does better and their businesses can grow?

**DUSTIN ANTONELLO:** Yeah, but I don't think everyone necessarily will do better by more bond issues because that raises their property taxes.

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**BLOOD:** But not always. Right?

**DUSTIN ANTONELLO:** Not always, but if we're talking about--

**BLOOD:** Let's not throw the baby out with the bathwater, so sometimes, right?

**DUSTIN ANTONELLO:** Yes, but, you know, they are bonds for libraries coming, and for-- LPS is planning a new bond issue that's supposed to be hundreds of millions of dollars so you-- if there's any-- and in those cases, they all have to be voted on by the people, which they should be. So I think if we're, you know, adding more on top of that already heavy load that it makes sense for the people to be able to weigh in on all these bond issues, not just a handful.

**BLOOD:** So in general, you don't trust the people that are elected to-- to do what is best on your behalf.

**DUSTIN ANTONELLO:** No, that's not true at all. But I have been to public building commission meetings.

**BLOOD:** Good for you.

**DUSTIN ANTONELLO:** In fact, I was there a couple months ago and I was the lone person there.

**BLOOD:** Great.

**DUSTIN ANTONELLO:** This is in Lincoln. And frankly, I don't think it gives representation to the people, the people of Lincoln. You have a couple of county commissioners. You have a couple city councilmen, you have a private citizen. If you want to appeal to your city councilmen, they'll say well I'm not on the public building commission, so, you know, I don't think it creates a representative process. I think if-- if they are going to be able to bond without a vote of the people, then they should at least feel-- the people should have a say in who sits on that board.

**BLOOD:** So isn't that what public hearings are for and isn't that why we vote people in and out of office?

**DUSTIN ANTONELLO:** Well a public hearing doesn't necessarily mean that you're going to have much input on the situation. You can go and testify and they can hear what you have to say, but that doesn't mean

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that, you know, you get to say one way or another, or they can listen to whether or not that's-- your project is going to go forward. So.

**BLOOD:** So they can't call the representative and tell them how they feel or write a personal letter or talk to them before or after a meeting?

**DUSTIN ANTONELLO:** Certainly they can. But just one person doing that, I don't think it's going to have the same effect as, you know, being-- it being put toward a vote where thousands of people, some cases millions of people get to weigh in.

**BLOOD:** You and I are going to disagree on that statement because I do truly believe that one person can and does change the world. So sometimes I think it just depends on who that one person is. But I appreciate your honesty and I appreciate your answers. Thank you.

**DUSTIN ANTONELLO:** Thank you.

**HILGERS:** Thank you, Senator Blood. Any further questions? Seeing none, thank you for your testimony.

**DUSTIN ANTONELLO:** Thank you.

**HILGERS:** Do we have any other proponents on LB20? I see none, any opponents? Good afternoon. Welcome.

**CHRIS RODGERS:** Good afternoon to all of you. To the presiding senator and other members of the committee, my name's Chris Rodgers spelled C-h-r-i-s R-o-d-g-e-r-s, and I'm appearing this afternoon in opposition to LB20. I serve as the chairman of the Douglas County Board; and a majority of the Board of Commissioners oppose this legislation. The board has not had an opportunity to ratify its opposition since it was introduced, but at our next meeting on Tuesday, January 29, we plan to. I think you heard earlier in some comments what the makeup of the building commission is, is two city council members, two county board members, but also another member at large. The Nebraska law set forth the deliberative and collaborative approach for cities and counties to provide design, construct, and maintain and operate facilities for the benefit of the general public. This is not an easy process for the public building commission to issue bonds. The process for issuance requires a public hearing and a vote before the Douglas County board; a public hearing and a vote before the building commission; and a public hearing and a vote before

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the city council; and a final approval by the mayor of Omaha. The public policy rationale for-- was to provide the city and the county with a mechanism for financing and operating jointly-occupied facilities. This has been a cost efficient way to leverage economies of scale by sharing cost of construction and operating through a third governmental entity. The bonding authority was provided in the spirit of efficiency. The current bonding authority assist in avoiding long delays that can unnecessarily lead to added expense and inefficiencies. Since the inception of the Douglas County-- the Omaha Douglas Public Building Commission they have been good-- they have been good stewards of the tax dollars and provide efficient management of joint facilities. I believe that if the time comes where this third-party entity is not a good steward of taxpayers' dollars, the voters have the opportunity to vote out those elected officials who made those decisions. And with that I'd like to entertain any questions you have.

**HILGERS:** Thank you for your testimony. Are there any questions? Seeing none, thank you very much for coming.

**CHRIS RODGERS:** Senator, if I could.

**HILGERS:** Please.

**CHRIS RODGERS:** If-- and I'd just like to just make a couple of points that were made up here in some respects. I think there were a lot of points made about some of the things going on in the county. And I just think it's-- it's hard to say that, you know, going through this process would not be a tax increase, yet technically it wouldn't be a mill levy, but it's a tax increase. And you know there were comparisons made to the Omaha Public Schools. The Omaha Public Schools couldn't go-- they had to go the bond route, because as a school district their bond is up to a certain level. And they didn't have room under there, so they had to go to the public to kind of override that. And I just wanted you to know, there's never been abused in any extent since I've been there. Now there were a couple of statements made, and I understand in all due respect and respect those statements that this is kind of a property tax relief issue, but I certainly think in this context it's more of a local patrol issue because, you know, it's not a loophole. The fact is is that we've been in existence for almost 50 years and we've had no complaints about this. And so I can understand some of the feel where the people saying the board hasn't been transparent in this one issue. And I would hate for the state Legislature to be the judge and arbiter in a local issue that's

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been decided by a majority of the board on a 5-2 margins. So with that, I just want to reiterate that every bit of information that could have been provided on our project was provided at the time that it was ready. And to say that the bond-- a bond issue-- a public bond issue is the best way, the board chose its decision based on what was economically efficient to the public. And this project is an oddity in itself because the project, as you may have seen, if you kept note of it, has contributions from the public. And we can't safely expect others, so the fact is we expect some of this to be supplemented. And we went about the best way to be as cost efficient and as low a cost as possible.

**HILGERS:** Thank you very much. All right, any more opponents? Any more senators?

**BEN GRAY:** Are there any senators in the house.

**BLOOD:** We're the ones that really count.

**BEN GRAY:** The ones that really count; you're right about that, Senator Blood, I agree with you.

**HILGERS:** Good afternoon. Welcome back to the Government Committee.

**BEN GRAY:** Thank you all. My name is Ben Gray. My address is 1819 Farnam, LC1 is the suite; and I'm the president of the Omaha City Council; but I'm also involved in the 501(3)(c) committee that was talked about earlier.

**HILGERS:** Councilman, could you spell your name, please.

**BEN GRAY:** Ben Gray, B-e-n G-r-a-y., not e-y. OK.

**HILGERS:** Thank you.

**BEN GRAY:** Let me just get straight to the point here. As Commissioner Rodgers talked about, this-- there have been no issues for 50 years that this has been in existence. And for-- and even the sponsor of this bill when you ask him the question why are they bringing this forward, was there a specific incident, they could not think, they'd said they said there was no specific instance, but that there was a loophole, some alleged loophole in the law that they thought needed to be corrected. Now to assume that there was-- this loophole came up at the same time of the juvenile justice center would be a stretch. So let's talk about what the real issue is here. And when people talk

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about the process not working, for those of you who may not know, and I just got the information about an hour and a half ago, the building commission voted down this project. They voted it down 3 to 2. So in all-- in all probability and in all essence what the individuals who are in favor of this legislation wanted has occurred. To assume that there was no public hearings is ridiculous. There were at least five public hearings that the county board had. They were all notified. They were all published. They were all in other newspapers other than the Public Record. They were in the Omaha World-Herald. They were at the old station that I used to work for, Channel 7, on a number of occasions, stories that we did. So to assume that there was no transparency begs the question and does not really answer it. And in this particular piece of legislation, where is the problem here? What we're talking about, quite frankly, senators, we're talking about representative government, and we're talking about-- we're talking about a process that has been in place for years and years and years where we elect representatives, they come, they-- we vote on various issues. Sometimes we vote to raise taxes, sometimes we vote to lower taxes. But in every instance, the public has a right and an obligation and a right to weigh in and those opportunities are provided in a number of public hearings. So this is about the juvenile justice center. The juvenile justice center for all intents and purposes right now is a nonissue because the board-- the-- the building commission voted it down. But we are talking about representative government. And as you said, Senator Flood, and I said-- and I think correctly--

**BLOOD:** Blood.

**BEN GRAY:** Senator Blood. Thank you. Senator Blood, I think that if you-- if you-- when you look at the-- when you look at the process of how we do things and how-- and how government has worked for over all these years, and for 50 years we've had this in place, no problems, all of a sudden we got a problem. The problem is we want to build the juvenile justice center. And we can talk about the pros and cons of that all we want to. But to assume that there was no public involvement, that there was no public engagement, and there was nothing that-- that the public had an opportunity to weigh in on is absolutely false. They had an opportunity. They weighed in. The building commission listened. And in this particular instance, they didn't vote the way that I wanted them to vote. But that's the process. And so now we move on and see what else is next. But to assume this legislation is closing some sort of a loophole begs the



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question and really does not answer it. I'll answer any questions that you all might have. Thank you for allowing me to testify.

**HILGERS:** Thank you for being here, Councilman. Are there any questions? Senator.

**KOLOWSKI:** Just one, Senator Gray-- Mr. Gray. Thank you very much.

**BEN GRAY:** Wishful thinking.

**KOLOWSKI:** Part of what has happened, in my lifetime and your lifetime in Omaha, is the expansion of Omaha, the growth in the suburb areas, as well as other parts north and south and that have continued.

**BEN GRAY:** Yeah.

**KOLOWSKI:** And now for the first time, I've seen written in the World-Herald articles about the backfilling of things, say from 72nd Street back to the river.

**BEN GRAY:** East. Yes.

**KOLOWSKI:** And that's really taken place. I've observed it. I've seen it. And that's a remarkable part of a rebirth of parts of Omaha which has really been good. How much does that continue to impact the decisions you're hearing as far as people understanding and voting for issues in a bigger picture as they're seeing themselves being part of a larger section of Omaha.

**BEN GRAY:** I think it plays a major role to a certain extent, Senator. But let-- let me say this, the number of people in the backfill and all the things that you see going on east of 72nd Street--

**KOLOWSKI:** Yes.

**BEN GRAY:** I think that bodes well for our future property taxes. Because it brings in more people, it brings in more individuals that are going to pay taxes, that are going to participate in our services, that are going to go to our restaurants, all of those sorts of things. So I think it bodes well for the future in terms of our tax situation whether it be property tax or whatever, it bodes well for our future in terms of seeing this growth occur. But I want to get back to-- to make sure that we-- we really understand here that what has been said here about the-- the-- the lack of transparency, I don't see that as being true. The-- The-- The-- The inability of-- of constituents to

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come and have their voices heard, that is not true. So, and in fact, they were heard enough that the building commission voted it down today. So what we have here is- is a, in my judgment, a bill that is a problem, it is a solution in search of a problem. That problem doesn't exist.

**KOLOWSKI:** Thank you, Ben.

**HILGERS:** Thank you, Senator Kolowski. Any other further questions from the committee? Seeing none, thank you, Councilman.

**BEN GRAY:** Thank you. Senator Blood, sorry; I was-- when I get going--

**BLOOD:** I can tell you that Senator Flood goes around and says I'm his long lost sister.

**BEN GRAY:** Thank you.

**BLOOD:** Thank you, Councilman.

**HILGERS:** Any more opponents to LB20? Welcome, Ms. Abraham.

**CHRISTY ABRAHAM:** Hi, Senator Hilgers. Government Committee, it's so nice to be back. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m; I'm here representing the League of Nebraska Municipalities. And I hate following Ben Gray. He is so eloquent, but here it goes anyway, friends. What the League would like for the government committee to sort of understand is the public building commission's law, in addition to a lot of other provisions in state law were enacted to really allow local governments to work together. The public building commissions obviously are about cities and counties working together to create public buildings that they both can use. And part of the intent of this language is, and this act, is that you get some incentives for doing that. You get incentives for working together. I think the Interlocal Cooperation Act is another good example of this Legislature trying to get local governments to work together. And we think when they work together, there are tax savings, there are efficiencies created, and this is what these acts are really intended to do. So we don't consider it to be a loophole. We consider it to be very carefully crafted legislation that was really intended to have these local governments work together for the betterment of their taxpayers. I also want to mention when Councilman Gray talks about the 3-2 vote that happened today, we were at a lunch with Mayor Stothert and two of the city council members were supposed

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to be there but because that hearing lasted five hours, they weren't able to make the luncheon. So I think that's a good example of people can be engaged in these issues when it's something they feel passionate about. So I'm happy to take any questions anybody has. Thank you.

**HILGERS:** Thank you, Ms. Abraham. Are there questions? Senator Blood.

**BLOOD:** So for clarification, was that five-hour meeting an open meeting and open to the public?

**BEN GRAY:** Yes. Yeah.

**CHRISTY ABRAHAM:** It was.

**BLOOD:** You can't do that.

**CHRISTY ABRAHAM:** See, he's even more persuasive from the four rows back.

**HILGERS:** Councilman, I would get out of there.

**BLOOD:** He'll throw you out.

**CHRISTY ABRAHAM:** Yes. Yes. Yes, Senator Blood. And I think what both Mr. Rodgers and Mr. Gray pointed out is another important part is, not only did the building commission have to have this public hearing, but both the city and the county have to have public hearings also. So you have a lot of elected officials looking at this issue before a bond is issued.

**BLOOD:** And I have one more, sorry.

**HILGERS:** Please, go; take as much time as you'd like.

**BLOOD:** Oh no, you don't want that. So just take a nap. So as you know, I served on the League of Municipalities on the legislative committee for eight years and so I have some competitive advantage in this area, maybe more so than some of my peers, not all my peers and that's why I'm really having a hard time getting my head wrapped around this. So, do you-- do you, first of all, I heard two answers on this, and I don't agree with one of them, do all bonds require that they must raise your taxes?

**CHRISTY ABRAHAM:** Do all bonds--

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**BLOOD:** Like I know that-- and I'm going to answer that on my end. I know in Bellevue we've bonded before without having to raise property taxes. Sometimes bonding is also about shifting and being able to-- to-- to pay what you can afford. Is that not true?

**CHRISTY ABRAHAM:** Yes, I think that's true; and I don't want to get too far into the weeds, Senator Blood, because you-- you are truly an expert. But there's-- there's also sometimes an issue of, as you know, there's levy limits and restricted lids and sometimes the bonding will help to sort with your budgetary process, so it doesn't necessarily always raise property taxes.

**BLOOD:** Right. I just wanted to get that on record. Thank you. I didn't mean to lead you to the answer.

**CHRISTY ABRAHAM:** No, no, I'm happy to be led. Thank you.

**BLOOD:** And secondly, can you ever think, in your time at the League of Municipalities, and I know Lynn Rex would definitely know this answer, can you ever remember a time when there was a bonding issue that the doors were closed to the public in Nebraska?

**CHRISTY ABRAHAM:** In terms--

**BLOOD:** Where they didn't allow for a public-- so if there was a decision being made by a body such as a city council, such as a county board, such as a school board would that ever have been discussed behind closed doors or would it be an open forum?

**CHRISTY ABRAHAM:** And let me answer this, as far as I know of, all of the bonding issues that come before the city council are done in the open. Now, we work very, very hard to train our local officials on the open meetings act. I don't want to represent you that never in the history of our 529 municipalities did they go into closed session for a reason that was not authorized. I don't mean to imply that. But if they're following state law, then yes, all of that is going to be open in a public hearing.

**BLOOD:** And what happens if they don't follow state law, what can happen?

**CHRISTY ABRAHAM:** There are-- there are a lot of remedies: they can contact the Attorney General, they can be sued by the citizen. There's a lot of provisions in both the open meetings and public records act

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that allow citizens to come forward and say, you know, this wasn't followed correctly and there are remedies for that.

**BLOOD:** So residents have options to hold people accountable, not only when they vote, but also when the incident actually happens. they can get some immediate type of a reaction.

**CHRISTY ABRAHAM:** Absolutely.

**BLOOD:** Thank you.

**CHRISTY ABRAHAM:** Thank you.

**HILGERS:** Any further questions? I do have one brief question. And it's kind of come up as kind of a theme with some of the opponents. Senator Briese will come and have the opportunity to close, but I think it's important to have it on the record. What I'm hearing at least so far today is not a suggestion that there's no transparency at all, that the public cannot weigh in in any way, but what I am hearing is that there's a difference between weighing in at a public hearing and weighing in through a public vote. And so my first question is you would agree that those-- those are two different forms of accountability from the public, the ability to weigh in at a public hearing and weigh in on a vote.

**CHRISTY ABRAHAM:** I think those are two different forms of how to-- yes, express your opinion on an issue. Yes, I think that's true.

**HILGERS:** And so from your perspective, I'm trying to suss out sort of the main arguments against it, and it seems like one is that there hasn't been a problem in 50 years or for some long period of time, so it's worked well, is one reason. And the other reason might be that the public has some ability to weigh in. I mean there-- are there any other reasons other than those two that you're articulating today?

**CHRISTY ABRAHAM:** No, I-- and I think my-- my main point is, you know, again we want to encourage folks to work together. And I hate to say this, Senator Hilgers, but I'm going to go ahead and say it anyway. There are some things that local governments have to do that aren't very popular. Sometimes-- and sometimes they're part of the fundamental things that public entities need to do. Sometimes we need to build a jail; sometimes we need to build a court house. These are not maybe terribly interesting and sexy things, like you know, the public may have very different ideas on how they want their money

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spent. But they're really critical fundamental things local governments need to do. And so you're always going to hear the League say we love representational government. We think our local city councils are doing a great job, you know, being responsive to their constituents and sometimes they have to make hard choices like building a jail. And if those kinds of issues are put out for the vote of the people, that may make things very difficult.

**HILGERS:** And sort of following the logic, so I follow, in other words, what you're saying is, and correct me, I'm not trying to put words in your mouth at all.

**CHRISTY ABRAHAM:** I appreciate that.

**HILGERS:** Just want to make sure the record is clear that part of the argument is, hey, these things aren't-- they aren't very glamorous. And so if we put a vote for the people, maybe it will lose a lot of those votes so we won't be able to do that sort of the unsexy things that government requires, Is that--

**CHRISTY ABRAHAM:** Yeah.

**HILGERS:** Is that fair? I don't want to-- and I don't want to put words in your mouth.

**CHRISTY ABRAHAM:** And I shouldn't use the word sexy in public hearings, I apologize. That's what-- that's what's going to be read out. Look Christy Abraham's talking about sexy things. Yeah. Yeah, I guess my point is that I think that, like I said, there are fundamental things that local governments have to do, like building jails. That's just part of what we have to do. And I don't know that people are always going to understand that that's really important, or that there's a federal mandate, or a state mandate, or something else that is compelling this local government to have to do what they're doing. And so if that vote fails, then, you know, that-- that is a difficult situation.

**HILGERS:** My last question is that you made an interesting point earlier which is that one of the enticement, I think that was the word you used, is an enticement to get these governments to work together was this authority to bond without a vote, is that-- I mean, from the League's perspective, you certainly are the experts on how the, you know, municipalities work. Is it-- is that one of the primary enticements for that initial-- for that initial authority or is there

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other enticements that go along with. In other words, if that enticement wasn't there, would you see-- predict that there would be fewer-- fewer interlocal agreements?

**CHRISTY ABRAHAM:** Well, yes, I mean, I think the interlocal--

**HILGERS:** It's [INAUDIBLE] interlocal agreement. I'm sorry.

**CHRISTY ABRAHAM:** Yeah. And of course we heard Senator Briese's bill, I mean.

**HILGERS:** Backfill, right.

**CHRISTY ABRAHAM:** Yeah. And I think the Interlocal Cooperation Act is a great example of local governments working together. There's hundreds upon hundreds of interlocal agreements. And part of the reason that there is, is there is incentives built into that act for these local governments to do that. One is the bonding issue, you heard that from Senator Briese today. But there's also things like you get to go outside the lid restrictions in some cases with interlocal. So I think the Legislature has written in a lot of incentives on these kind of acts to sort of encourage that cooperation.

**HILGERS:** Thank you very much.

**CHRISTY ABRAHAM:** No, thank you.

**HILGERS:** Any other questions? Senator Blood.

**BLOOD:** Purely an opinion question. What is your opinion that only 20.8 percent of Omaha's population came out to vote in 2018?

**CHRISTY ABRAHAM:** Well certainly, Senator Blood, and I'll-- on a personal note, I used to have Dick Clark's job and I loved being counsel to the Government Committee because we had all those election bills that talked about how to increase voter participation. How do you get more people to register and vote? I think that's a critical thing that this committee does. And I wish I had great answers how to-- how to increase participation. And I apologize that I don't have those answers, but I certainly wish the numbers were higher.

**BLOOD:** I think Senator Briese is definitely one of my favorite senators, he's got a good heart. He's always trying to do what's right and I always respect that. But this is one time that I have a lot of questions about what this bill can and can't do. I-- I-- I-- Omaha is

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my neighbor and they're pretty good neighbors in general. And they do, I think the people that are on the city council, the people on the county board, they do a good job and they work well together. And as a league, we knew that those partnerships were invaluable, they did save taxpayer dollars. So I hear us creating a three-tier system basically. And correct me if I-- if I'm say anything that doesn't sound right.

**CHRISTY ABRAHAM:** No, you're--

**BLOOD:** And generating more expense to allegedly create greater transparency when we already have transparency to resolve the issues that people don't want to show up at the hearings, although it's everybody's right to be able to show up at a hearing even if they're not a registered voter. And we say leave it to the voters, but when we leave it to the voters as the minority-- of minority of the population. So are we solving a problem or creating a secondary problem? So I guess that was rhetorical. So--

**CHRISTY ABRAHAM:** No, I-- I-- I appreciate your musings and your thoughts about these.

**BLOOD:** It is amusing. And I apologize.

**CHRISTY ABRAHAM:** These are good questions. And I would just like to say on the record that the League also very much appreciate Senator Briese. He is a friend to cities and--

**BLOOD:** I concur.

**CHRISTY ABRAHAM:** We are very sorry to oppose his bill today.

**HILGERS:** Thank you very much for your testimony.

**CHRISTY ABRAHAM:** Thank you.

**HILGERS:** Thank you. Any other opponents? Commissioner, welcome.

**SEAN FLOWERDAY:** Good afternoon, Senators. My name is Sean Flowerday. Sean is spelled the right way S-e-a-n. Flowerday is spelled like it sounds F-l-o-w-e-r-d-a-y. I'm a member of the Lancaster County Board of Commissioners, I represent District 1 and I'm here to testify in opposition to LB20. Lancaster County Board did have a meeting this morning and we actually voted to oppose LB20 unanimously. Just my understanding is Douglas County is intending to do the same thing soon. Frankly, this is, as has been-- been discussed by previous



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testifiers, this is an issue about representation-- representational government. The voters elect representatives to-- to govern on their behalf, to use their best judgment, to use their best wisdom. And, you know, sometimes-- sometimes we need every tool in the toolbox to get that done. Bonding is just one more tool in a representative's ability to finance that government. Please don't hamstring us, you know. Sometimes bonding is not always the right fit, it's not always going to be the right tool, but there are times when it absolutely is, just like there are times when interest rates are down and a mortgage is appropriate for someone in their life. Sometimes a bond is an appropriate tool and we're in a-- as a political subdivision, we're in a much stronger position if we have that ability to be able to use our best-- our best wisdom and our best judgment on this. Frankly, I think this is a Douglas County issue that has the potential to hamstring other communities in our state and I hope it doesn't. So--

**HILGERS:** Thank you, Commissioner. Any questions for Commissioner Flowerday? Seeing none, thank you for coming down today.

**SEAN FLOWERDAY:** Thank you very much.

**HILGERS:** Any other opponents for LB20? Seeing none, anyone wishing to testify in the neutral capacity? See none, we have a few letters. Proponents: Chris Chappellear from Bennington. And opponents: Dr. John Christensen, chairman of the Omaha Douglas Public Building Commission; and Brandon Kauffman, Director of Finance for the city of Lincoln. And with that our hearing on LB20 is closed. I'm sorry. I'm sorry, I did not give you the opportunity to close. I apologize it's not closed. Senator Briese, I apologize.

**BRIESE:** No problem. Thank you, Vice Vice Chairman Hilgers.

**HILGERS:** I heard it just now.

**BRIESE:** Remaining members of the committee. Just a few comments I wanted to make. And I had one-- I would have one admonition here. Don't assume too much. For me it's certainly not about the juvenile justice center. I truly am an outsider looking in on that issue. And as I said earlier, I'm not passing judgment on what's going on there and what's happening there. Somebody suggested this is a solution in search of a problem. Well, it's our job to be proactive and prevent problems before they occur. And that's what this legislation is designed to do to the extent I can't point out a problem. I'm being proactive. I assume there are other folks that could come forward and

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talk about what they perceive as a problem in the past. But I haven't searched those folks out. And whether they exist, I'm not positive of that. But, for me it is truly about being proactive. And someone else talked about local control. And to me there's nothing more local than a public vote of the electors of the community. And another-- there was a concern about the lack of voter turnout at elections. But you know, I would submit that a 110,000 voters, or whatever the case may be, is a fairly representative-- probably is a fairly representative cross-section of the community. Probably more representative than a-- than a handful of folks that show up at a hearing. And we talked also about a representative democracy. And-- and the fact that sometimes our elected officials have to do something that the public won't support. But as an elected official, there's one thing I believe in and I believe in it truly, and that is that the voters are smarter than I am. They know what they need. They know what they want. And my belief is on something this weighty, this important as a bond issue is indebting the public for the construction of whatever we're talking about, the voters that deserve a chance to weigh in at the booth. But anyway, thank you, I'd be happy to answer any questions.

**HILGERS:** Thank you, Senator Briese. Any questions? Seeing none, thank you very much.

**BRIESE:** Thank you.

**HILGERS:** Apologize for doing that out of order. Now that does close our hearing on LB20. And our last bill of the day is LB52 from Senator Stinner. Senator Stinner is on his way.

**DICK CLARK:** I saw Mitch Clark going to get him.

**HILGERS:** He will be here in a minute.

**KOLOWSKI:** Can we take a five-minute break?

**HILGERS:** We stand at ease, yes.

**KOLOWSKI:** Thank you.

[BREAK]

**HILGERS:** We're back on. OK.

**STINNER:** How did you get in here?

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**BLOOD:** It's a long story.

**HILGERS:** Our Chair and Vice Chair, and the gavel has been passed down to me. So Senator Stinner, welcome to Government Affairs Committee and you're welcome to open on LB52.

**STINNER:** Good afternoon, Chairman Hilgers 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 District 48, all of Scotts Bluff County. The intent of LB52 is to clarify the definitions of public and special purpose funds and to establish an enforcement mechanism to accomplish state accounting standards. LB52 require state agencies to remit all public and special purpose funds as defined under this bill to the State Treasurer and enter those funds into the state accounting system. Failure to comply with those position-- provisions of LB52 would result in withholding up to 10 percent of appropriations. I will note that LB52 specifically excludes pensions and trust funds. Trust funds would mean all funds pledged for the payment of bonds and all accounts held by a trustee related to bond issues, a leasing financing or similar financing. And just as a note, I did pass out an exhibit for you to take a look at it. During the interim, might we conducted, and actually the Appropriations Committee is now by statute tasked to follow up on audit exceptions. And one of those audit exceptions, and you probably read about that was a \$2.6 million that the State Treasurer had off the books of the state. And of course, he made his contention about why he kept it off the books; I don't even want to go into the merits of it. But what the-- what had happened in the meeting was I became aware of a statement that he made and it was basically the statement that they had been concerned about this several years ago, had sent a letter, found out that there was over 200 accounts that weren't on the books of the state of Nebraska. Obviously, my antenna went up so, but when I looked at our statues, we don't have a deterrent. We have no way of saying, you know, this is unacceptable and if you're caught doing this what's the consequence. So that's really kind of the catalyst behind this. I know we can get caught up in different kinds of languages; I've actually passed it through four-- four different attorneys, and in all four of them had different language, so. And I get that. But really what-- what-- if you don't have a discipline of accounting, if you're not accounting for it, it makes our job much harder. And I just want to talk about the budget process. And, you know, I brought this just to remind myself to do this, but here's-- here's-- here's really the budget that we look at and that we look at,

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not only us, but the Budget Office-- Governor's Budget Office looks and passes it to us. Fiscal Office looks at it and digs into it. But I know we talk about General Funds, \$4.5 billion in General Funds and that's what we talk a lot about. But cash funds, interestingly, are \$2.4 million of our total budget; Fed Funds are \$2.93 billion; and then we've got revolving funds, and that makes up a \$10.8 billion budget that we actually in Appropriations take a look at. On a line-by-line basis. And a cash fund is set up within an agency and we do have fully cash funded agencies for a specific purpose. It's set up in statute. We've got 267 budget programs, and each one of those programs has a statute behind it. That statute tasks that agency with certain things, certain programs. And many times we have to set up a cash account to take in the revenue by fees, by whatever-- whatever we are going to charge. Sometimes it comes from gambling funds, sometimes it comes from the lottery, those funds fund that cash fund. And the cash fund by statute has certain obligations to pay certain things. That's what we look at. That's what we try to appropriate the amount of funds that is necessary for that institution or agency to carry out in accordance with statute, and certainly to look at the fact that it needs to have a sustainable source versus how much they're paying out. In other words they at least got a break even, otherwise we can't appropriate that money. In appropriations and expenditures, many times, never the two shall meet. We can appropriate more or we can appropriate less. We're giving them the opportunity to spend up to what we, in our investigative process, goes through. And we look at the recommendations to the Governor. We're doing that right now. That's what the budget that we're working on is his recommendations. But we have to have this discipline in place, and it's accounting discipline, if it's not on the books, then we can't account for it. In the case of the nets that the Treasurer had, I will say this, the Treasurer, if it would have been turned over, first of all there's a pledging requirement. OK, if you're above the FDIC limit in a bank, you have to basically pledge assets to it. And many times it's-- it's either government bonds or something-- municipal bonds or something you have to pledge against it, or get a letter of credit. And that letter of credit has to be from a recognizable institution, there's a whole bunch of laws behind that. So that 2.6 didn't have that characteristic, wasn't pledged against. The other thing is is when you turn over these funds to the Treasurer, what happens? He invests the money. So you get a rate of return; the dollars rate of return goes back to the agency to help them carry out their duties. In the case of the Treasurer, we did not earn a dime on those funds. So there was a loss of income. There was collateralization. I give you this one, same

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identical thing. So we do have some examples. And this was uncovered several years ago. I just brought it as an example of some of the things that are discovered from time to time. And I'm responding really to the hearing, to the State Auditor. I'm trying to, first of all, define what-- what these various funds are, whether they be public funds; public funds coming in from collection of tax revenues, special funds from fees. They're all state funds. They all have to be pledged against. They all have to be basically taken care of by the State Treasurer and they should all be invested. And without that deterrent, without there's some recourse that we have, I just I feel that we need that. That's what this statute is about. So with that I'll open it up for questions.

**HILGERS:** Thank you, Senator Stinner. Are there questions? Senator Blood.

**BLOOD:** I-- and thank you so much for sharing your bill. And thank you for sharing this. Can you just give me a general idea of how often this happens? I didn't hear that.

**STINNER:** Well, I was reflecting on the testimony by the-- the Treasurer this summer. He said several years ago, he said he became aware that there were some-- some accounts set up outside the Treasurer. And he indicated over 200 accounts. Now how big or how small, I just brought one that really came up in the last audit report. But there has been from time to time agencies that will go out and set up a bank account. The Treasurer is the only one by statute is capable of setting up a bank account with the federal tax I.D. And I think that's what it says here.

**BLOOD:** So that was only found because there was an audit? And nobody-- we didn't know about it until--

**STINNER:** This one was found because it was an audit, the NEST Account, the one-- this-- because of an audit, right.

**BLOOD:** Was somebody like not watching the chicken coop?

**STINNER:** So hopefully this deters, as if we-- if we do find out or do discover that there are some things, we're going to offset 10 percent of your appropriation as a deterrent. So hopefully the agencies will come around and report those funds.

**BLOOD:** Are you going to--

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**STINNER:** So how bad the problem is, I can't tell you. I'm hoping that it's not a big problem. But in order for us to go through the budgeting process, account for all the assets, budget for all assets, that's-- would need to have that.

**BLOOD:** So if I hear you correctly, you're trying to make sure that it doesn't become prevalent.

**STINNER:** Right.

**BLOOD:** Thank you.

**HILGERS:** Thank you, Senator Blood.

**STINNER:** That's the intent.

**HILGERS:** Any other questions?

**STINNER:** I actually started out with the death penalty. I'm just kidding.

**HILGERS:** Seeing no other questions, thank you Senator Stinner.

**STINNER:** Thank you.

**HILGERS:** Will you stick around for closing?

**STINNER:** Yes, I will.

**HILGERS:** All right. Any proponents? Good afternoon.

**RUSS KARPISEK:** Senator Hilgers, the Government, Military and Veterans Affairs 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, Charlie Janssen. I wanted to look at what the senator handed out, because I also have that. And just to be clear, that was July 16, 2018. A letter from the Treasurer to the BELF, which is the Board of Educational Lands and Funds finding that they had money in an outside account and saying you can't do that, put it back in. What Senator Stinner then was talking about, when we discovered in the NEST account that the Treasurer also had an account outside of E1, or the state accounting, what they use for the state. So it was not accorded with the state accounting, again, which is E1, \$2.6 million; again, not in an interest bearing account, which is not reflected in the state budget or the state comprehensive annual financial report, or

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the CAFR, which the Auditor's Office does annually. It was not disclosed to the Nebraska Investment Council. And now I will pass out the statute where the NEST account was created. Now, I don't want to come here and try to beat up on the Treasurer's Office, because this has been not a-- not a real fun thing when there's the Treasurer and the Auditor and the staff not agreeing on how this works. They had these funds were from the fees on the-- the NEST account. So as you can see, (1) there, it says there's three different things that need to be set up: the program fund, the savings plan expense, and then the administrative fund. Again, then jumping to (4), it talks about: if any of that is to be used, the Treasurer shall report to the budget division of DAS and to the Legislative Fiscal Office or analysts the amounts transferred during the previous year. And it also says the expense needs to be permitted by the Legislature. Well, the Legislature didn't know that this was there. So again, yes, in an audit we did find that. And, Senator Blood, it was over looked. Our office, Charlie's-- Auditor Janssen's office cannot do every line of every state agency every year. We try to do them on a four-year rotating cycle. Again, you pick so many lines out of an audit, so many things to look at, and you just can't find them all. So that's our way of saying we need more money to do more things, which we always try to throw into Senator Stinner. So again, we are not trying to argue this with the Treasurer's Office. We-- both offices asked for AG's Opinions. The AG's Opinions kind of came back the first time saying, yes, it cannot be an outside account. But they didn't answer if this was public funds or not. Treasurer Stenberg asked them, are they public funds? Well, they may be or they might not be. So are they or are aren't they? That's what this bill, I think, gets to the heart of, to say that any funds, whether they're collected by state-imposed taxes, fees, and similar charges are state fees. Now, I suppose you could argue is this a state imposed tax fees similar on the NEST. I think so. It's a voluntary to get into the NEST, so it's not a tax, but it is a fee, administrative fee. Again, as Senator Stinner had talked about, Treasurer Stenberg said that there were over 200 of these accounts. That didn't come from our office, because we don't know what we don't know. How do we know what's out there if they're not on E1 or disclosed to us? So then how can we audit them. There was an argument made, well, banks are audited every year. Well, that's the bank, that's not the Auditor's Office making sure that it is going to the right place and all the way through. I will be glad to try to answer any questions for you if I can.

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**HILGERS:** Thank you, Mr. Karpisek. Are there any questions? Senator Blood.

**BLOOD:** Just-- just a quick question, because now I'm curious. So every four years he says basically when you have an opportunity to audit a particular organization?

**RUSS KARPISEK:** We do, but we also do have the capper that we would go in and that is everything every year. But again, we kind of have to pick a small sample size out of that every year because of all the agencies, you know, HHS, there's no way that we could ever do that in a year or maybe even four years. So you have to cut down your sample size and then try to find different-- or go into different places every year, so not all of them are being audited, in my opinion, not-- not the Auditor's opinion, my opinion, as much as it should be. But we also audit cities, counties.

**BLOOD:** I read the audits that you guys send me. I think it's your group.

**RUSS KARPISEK:** Yes, yes, our group; I hope so.

**BLOOD:** I just read the context, I don't really pay attention [INAUDIBLE].

**RUSS KARPISEK:** Right. So there's just not enough of us, our staff is roughly 50 people to do all these things.

**BLOOD:** So when you do stumble across an infraction, as-- as the ones that the senator just referred to, do you bring in a forensic accountant from outside of your organization?

**RUSS KARPISEK:** No.

**BLOOD:** It all handles-- it's handled within your organization.

**RUSS KARPISEK:** Yes. Yes.

**BLOOD:** OK, thank you.

**RUSS KARPISEK:** Now, if we have questions, we can go to the State Patrol, we can go to the AG's Office; we cannot file any charges, because we don't have that authority. So we have to go the Attorney



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General's Office. Again, we try to work in coordination with whoever we can. But it's handled in our-- in our office.

**BLOOD:** Thank you.

**RUSS KARPISEK:** Thank you.

**HILGERS:** Thank you, Senator Blood. Any further questions? Seeing none, thank you.

**RUSS KARPISEK:** If you have any further questions, please get a hold of us. Thank you, Senator Stinner, for bringing this.

**HILGERS:** Thank you for coming down today.

**RUSS KARPISEK:** Thank you.

**HILGERS:** Any other proponents for LB52? Seeing none, anyone wishing to testify in opposition? Seeing none, anyone wishing to testify in neutral capacity? Seeing none, Senator Stinner, would you like to close?

**STINNER:** Well, thank you very much. This was something that occurred this fall in, in the testimony. I just want to reiterate that. We spent a lot of time, meaning our office spent a lot of time with-- with four sets of attorneys trying to craft the appropriate language. I just want to emphasize that part. And, of course, all four attorneys had a little bit different ideas about what we're trying to define here. We're trying to define public funds, as well as specialty funds, and they're all state monies. I think there was a question in the Stenberg testimony about that. So we needed to clarify that in the statute. The other thing is to try to provide the Legislature with some level of deterrent. And that's what we're trying to do here. So with that I'll take any questions.

**HILGERS:** Any last questions for Senator Stinner? Seeing none, thank you very much.

**STINNER:** Thank you.

**HILGERS:** We have no letters for the record for LB52, so that will close the public hearing on LB52. And that is our last bill for the day, so that will close our public hearing for today.