

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 5, 2021

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STINNER: [RECORDER MALFUNCTION]-- is John Stinner, I'm from Gering, and represent the 48th District. I serve as Chairman of this committee. I'd like to start off by having members do self-introductions, starting with Senator Erdman.

ERDMAN: Thank you. Steve Erdman, District 47: 10 counties in the Panhandle.

CLEMENTS: Rob Clements from Elmwood, District 2: Cass County and parts of Sarpy and Otoe.

McDONNELL: Mike McDonnell, LD5: south Omaha.

HILKEMANN: Senator Hilkemann, District 4: west Omaha.

STINNER: John Stinner, District 48: all of Scotts Bluff County.

KOLTERMAN: Mark Kolterman, District 24: Seward, York and Polk Counties.

VARGAS: Tony Vargas, District 7: downtown and south Omaha.

DORN: Myron Dorn, District 30: Gage County and southeastern Lancaster.

STINNER: Assisting the committee today is Brittany Sturek, our committee clerk. And to my left is the distinguished and honorable head of our Fiscal Office, Tom Bergquist. At each entrance you will find a green testifier sheets. If you are planning to testify today, please fill out a sign-in sheet and hand it to the committee clerk when you come up to testify. If you will not be testifying into the microphone, but would want to take-- be on the record as having a position on the bill being heard today, there are white sign-in sheet at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceedings, I ask you to abide by the following procedures. Please silence or turn off your cell phones. Move to the reserved chairs when you are ready to testify. Order of testimony is introducer, proponents, opponents, neutral, closing. When we hear testimony regarding agencies, we will first hear from the representative of the agency and we will then hear testimony for anyone who wishes to speak on the agency's budget request. Spell your

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first name and last name for the record before you testify. Be concise. It is my request that you-- that we limit your testimony to five minutes, except for the introducer. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand so the page can make copies for you. With that, we will begin today's hearing with the Governor's budget director, Will.

LEE WILL: Lee, thank you. Chairman Stinner and members of the Appropriations Committee, my name is Lee Will, L-e-e W-i-l-l, and I'm the State Budget Administrator of the Department of Administrative Services Budget Division. I'm appearing today on behalf of Governor Ricketts in support of LB379 through LB385, with the recommendation also including the following: LB387 military retirement benefits; LB388, the Broadband Bridge Act; and availability of \$2 million each year for Opportunity Scholarships to K-12 students. These pieces of legislation comprise the Governor's budget recommendation for the '21-23 biennial period. The biennial budget package contains funding for operations of state government, state aid for individuals and local governments, and capital construction, which are outlined in these bills. These contents have been summarized in the Governor's Executive Budget in Brief, 2021-2023 Biennium publication, dated January 14, 2021. I have provided a copy of this publication along with my prepared remarks to the committee clerk for your records. Also, we have posted to our website, budget.nebraska.gov, the comprehensive publication named Executive Budget, 2021-2023 biennium, also dated January 14, 2021. Several tables and reports are included on our website summarizing the Governor's recommendation for the biannual period, displaying appropriations for all agencies, programs and fund types. The Governor's recommendation for the '21-23 biennial budget are contained in LB379 through LB383, with fund transfers and changes to fund language included in LB384 and LB385. LB379, or otherwise known as the deficit bill, includes the transfer of \$88 million from the General Fund to the Cash Reserve Fund to ensure the property tax trigger is fully implemented from the newly passed LB1107 during the 2020 session. This provides for a total of \$596.7 million in property tax incentive credits for the biennium period. LB384 includes a General Fund transfer in each fiscal year of \$272 million to provide for a \$550 million total appropriation in the Property Tax

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Credit Fund for the biennium. The bill also provides for transfers from the General Fund into other cash funds in the amount of \$14.8 million in '22 and '23. LB385 transfers \$50 million from the Cash Reserve Fund in '22 and \$65 million in '23, with \$115 million in ongoing costs to construct a new multicustody correctional facility. A \$50 million transfer is also reserved for the U.S. Space Command operations at Offutt Air Force Base. In addition, the bill provides for \$5.6 million in '22 and \$4.1 million in '23 from the Cash Reserve Fund to the Nebraska Capital Construction Fund, or NCCF, to facilitate multiple capital construction projects. LB386 provides for increases the judges' salary of 3 percent each year, which has been referred to the Judiciary Committee. The Governor's budget recommendation for the '21-23 biennium provide for a two-year average increase of General Fund appropriations of 1.5 percent while maintaining quality services to the citizens of Nebraska. The recommendation also provides for a total of \$1.36 billion in property tax relief for the biennium. The recommendation includes a \$437.6 million balance in the Cash Reserve Fund at the end of the '21-23 biennium. Agency directors will be prepared to discuss specific recommendations related to their respective agencies during the upcoming budget hearings. Also, the staff of the State Budget Division and I will be available throughout the process to discuss specific recommendations to assist the committee, if necessary, in establishing a final recommendation for the '21-23 biennium. On behalf of Governor Ricketts, I want to share my appreciation for the work of the Appropriations Committee. And we look forward to working with you over the next two-month period and as we finalize your recommendations. And thank you, I'd be happy to take any questions.

STINNER: Questions? I have-- Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you for coming today. So the \$50 million transfer to the Space Command center, do you know something about that that we don't?

LEE WILL: I don't, Senator Erdman. That was included in the recommendation for the project that ultimately decided where it was going to go. But we're hopeful that what the new Biden administration, that they may reconsider that action. But as of now, I don't know anything that you wouldn't know, sir.

ERDMAN: What if they don't.

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LEE WILL: Then that money would stay in the Cash Reserve Fund.

ERDMAN: OK. The other question I have, is you may have seen the article in the paper about the failure to, what shall I say, account for revenue in the correct way. And it mentions your department. Do you have any comments about that?

LEE WILL: Yeah, so I think you're referring to the CAFR report. The Accounting Division takes all the reporting capability functions from state government and puts it in an underlying report. I will say that the report was in error \$21 billion, but it was not a misuse of funds and other things. And I know Director Jackson is looking to mitigate that situation and working with the Auditor to make sure that we get this right. But there was not a misuse of funds, it was a misuse of reporting functionality

ERDMAN: That seems to be a problem.

LEE WILL: That is problem.

ERDMAN: Pretty significant.

LEE WILL: We are-- we are--

ERDMAN: The article, the letter from the Auditor went on the say we only did a brief analysis and there are other errors than we think there are. So how many did they not get?

LEE WILL: That's, that's a fair question, Senator Erdman. And the only thing I can tell you is we're working to make that report the best we can make it and we're trying to mitigate all the errors. Twenty-one million-- \$21 billion-- \$21 million is not acceptable, let alone \$21 billion. So we're doing everything we can to make sure we, we do better.

ERDMAN: So what number is acceptable?

LEE WILL: Zero.

ERDMAN: That's good.

LEE WILL: Yeah. We want to make sure that it's accurate as possible.

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ERDMAN: Right. Yeah, this is a problem. Yeah, and, and just by saying, hey, we're going to fix this, you know, and it's not the first time. And so we expect agencies and departments to have more money like they should and account for it correctly. This is a, this is a huge problem. And this, this needs to not be swept under the rug.

LEE WILL: I'd agree.

ERDMAN: Thank you.

STINNER: Additional questions? Seeing none, I have a series of questions, and I think you're familiar with our budget book that we turn out. And then in the back of the budget book, we have projections for the next biennium. We call it "out years." Tax Rate Review also has that in there. We, we reference to it all the time. And in that, embedded in that report is provider rates. And I think you're aware that we have been using 2.5 percent for provider rate increases. I also did a 20-year lookback on provider rates and found that every year, except for two bienniums, where we had substantial shortfalls in revenue, we provided anywhere between 1.5, we meaning the Legislature, to 2.5 percent increases in provider rates. The question that I have, and this is not an indictment of the current Governor, because in talking to Tom, apparently no governor has put in increases in provider rates in, in their budget. But in this case, obviously, it's a fairly substantial number. I mean, 2 percent would be about \$90 million, 2.5, I think, is \$115 or \$112. I can't remember exact numbers. But would you enlighten me as well as the committee, the, the idea that we don't have to increase provider rates?

LEE WILL: Sure. So Senator Stinner, I think I shared with you as well that the CARES Act for this year anyway, provided over \$800 million in direct financing support to providers in the state of Nebraska. That touched over 2,500 providers in the state. The other thing is, I know HHS is in frequent contact and does surveys and other things with providers to see if they, they believe that that is sufficient. And they indicated that it is sufficient rates, especially because so much of that money went to providers this year.

STINNER: So because they got extraordinary dollars for an extraordinary event to cover extraordinary expenses, you think that's sufficient to hold them up?

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LEE WILL: I don't think that that's wholeheartedly sufficient. I mean, like I said, HHS goes through these surveys. They communicate with the provider community and they just haven't been hearing a lot of the outcry that these provider rates need to be increased.

STINNER: OK, we did in our preliminary, for your information, put zero in there. We're, we're looking forward to the providers coming in and building a case for us.

LEE WILL: Sure.

STINNER: I have heard from, you know, DD providers. I've heard from, now from the behavioral health people. I've heard from nursing homes. And indeed, there is extra cost, there's ongoing cost. You know, even if I look back and I say, you know, we've given our employees at the state level 2 percent, acknowledging that inflation does impact, impact the carry-- the cost associated with doing business. These providers also have those costs. So it's inconsistent in my mind not to try to at least understand what's happening at that level. And we will cover that probably in our posthearing. We'll again have the providers in taking a look at it. I want to go through, the second thing I want to go through is, and I think you probably listened to the testimony we gave on LB1107.

LEE WILL: Yep.

STINNER: And I will highlight for you what we, what we as a Legislature agreed to do, what we as a committee of six people and what I presented as safeguards as LB1107 was supposed to have been. LB1107 really was about offering property tax relief by and an in-- by, by revenue growth. And the first thing we did was to say, and debated certainly within the six of us and we brought it to the floor, is what is normal and customary expenses for the Legislature to incur. And we debated 2.5, we debated 3 percent because, you know, 3 percent, this committee has predominantly funded everything with a 3 percent raise. But then there was discussion, oh what about unusual items? So we went to 3.5 percent as the first threshold, OK, before we ever put a dollar into the, the property tax relief. The other thing that we were concerned about is the level of the rainy day fund. And the rainy day fund had been depleted over the years for the obvious reasons and we wanted to make sure that that was also taken care of during this five-year period of time. And it was a five-year window of time that

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we're going to provide \$375 million additional, would be at 650, but we were going to fund it through growth. So the 3.5 became a threshold. And then, of course, one half until you get to 500 would go to the rainy day fund, one half would go to property tax relief. In your budget, I will ask you this. COVID is an unusual item.

LEE WILL: Sure.

STINNER: OK? I think we both agree with that. I think you're a whole lot younger than I am, but I can tell you through my entire business career, I've never seen a filing date moved by the federal government due to something, artificially moved. That artificial movement obviously caused \$270 million now to be recorded in this, this part of the biennium, right?

LEE WILL: Yep.

STINNER: Interestingly, that 270, if I divide it into, into this number, it's 5.1 percent. And you're basically looking at the 7.1 as the threshold amount, three-- 3.5, the 7.1 that provided you, I guess, what I would call compliance with LB1107. But if I want to normalize and really look at a normalization of everything, one would say \$270 million artificially came in where we depleted the other year by \$270 million. So I've got 5.1 percent artificially high in this year, but interestingly, because I pulled that base down, the percentage actually goes up.

LEE WILL: Yep.

STINNER: So if I adjust that back up, I actually have negative growth on a normalization basis.

LEE WILL: All right.

STINNER: So to use the 7.1 as justification to all of a sudden accelerate what we had planned to go to the floor with-- and interestingly, when we, when we went to the floor, it was 125 and 125 for two years. We weren't projecting anything.

LEE WILL: Yep.

STINNER: OK, so now all of a sudden we're going to take an, another move that you used was the ADA transfer to get to 500, so you're in

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full compliance and we're offering property tax relief. But we haven't provided for provider rates, which is an ongoing cost. Now, if I throw provider rates in there, obviously we can't afford both of them. And so that's the position that you've put this committee in, is to take a look at that cost associated with accelerating is \$173 million. On top of that, you've come in with a request for \$115 million for a prison. OK? I think we had that in as an offset. We haven't appropriated that in our, our preliminary budget simply because we don't know. Program statement isn't even going to come out till April. There's a lot of discussions that have to happen before we can do that. But I'm referring back to the \$173 million. Now, if I do provide rates at \$75, \$80 million, I got enough for the prison in the General Fund. And oh, by the way, the rainy day fund isn't depleted to 300, it actually stays well above 600 or 500, 550. If I take the 50 million out, the SpaceX, and I do general funds for the first part of the prison and I provide for provider rates, don't I check all the boxes in that?

LEE WILL: Can I offer on that, sir?

STINNER: Yes.

LEE WILL: So the thing I would say is, yes, there will be, have to be a decision that the committee is going to make between provider rates and property tax relief. What I hear in my role is from farmers who are, you know, they're sick of it. You know, they want more property tax relief. So do we want to do more government expenditures on provider rates or do we want to do property tax relief? And to us, it was an easy answer to give back property tax relief to the people.

STINNER: But still, even with the projections we have, we're going to be at 211 in the biennium as opposed to the 121 or 125 that we offered. So we are actually increasing--

LEE WILL: Sure.

STINNER: -- what we had committed to to the Legislature, to the people in Nebraska, more dollars. The other thing that, that you can't dismiss at this point in time, because you've depleted in your summary the rainy day fund, only one half has to go to over 3.5 percent. You've depleted under 500 million because of the way you put the structure.

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LEE WILL: Yeah, I mean, I don't know if depleted would be the word I would use, Senator Stinner, 437.5, I think, was the number that would be available on the rainy day fund at the end of the biennium. As you know, this year we're exceeding receipts, fairly substantially, even what was projected, the \$286 million over. So I would estimate that that number is going to even be higher after we end this fiscal year.

STINNER: And there was a potential for that. And you and I don't have crystal balls.

LEE WILL: Correct.

STINNER: These are all based on forecast. I get that. I tend to agree with what you're saying as well. But the fact of the matter is, I'm better positioned with my budget because I'm over 500 starting out. So if we do get 4 percent growth, that half a percent automatically, 100 percent goes to property tax. Where if you're below that line and you're-- only one half goes. So we're better prepared in putting together a robust rainy day fund, which is your fiscal posture, which a lot of people actually rate the state of Nebraska on, right?

LEE WILL: Right.

STINNER: One of the first things, if you look at the Moody's ratings on bonds for the University of Nebraska, for example, how strong is that source that comes from the state of Nebraska that supports the university? The first thing they talk about is the rainy day fund.

LEE WILL: Right.

STINNER: So it's important to me. It always has been important to me. The rainy day fund, making sure that we've hedged our bets. That's our hedge against future risks that are out there.

LEE WILL: Yeah.

STINNER: I think it's-- I think you have to when you're putting a budget together, put that as one of your major priorities. And I get the fact that we've got to do something on prisons. I have no idea what the outcome of that's going to be. Judiciary and Appropriations will probably be in joint sessions. We've got to have a lot of hearings, we've got to have a lot of information, a lot of briefings. That's a long way, maybe, off. Maybe we don't start the prison for the

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first part of that biennium. I don't know that. But that needs a tremendous amount of study. But those are the things that we're going to have to deal with in this committee. And as I look at it, I'm checking boxes. I'm hitting the goal. I'm providing for provider rates, I'm providing for property tax relief over and above what we had projected. We're providing for all the Governor's incentives in this, we're leaving 46 million for the floor. And I've got a rainy day fund that's positioned, fiscally positioned superior to what the projections are in your budget. And actually, it puts us in a better position because we're well above that 10 percent threshold that is considered to be a minimum.

LEE WILL: Yeah, my response is there's \$176 million in property tax relief that would not be mechanized through that process if we don't pull that trigger. And people have expressed that's the number one issue that we always hear is property tax relief. And I agree it's more than those projected 125. But it's still not enough when people are seeing their property tax bills go through the roof.

STINNER: You know, I truly get that. That's why we worked so blasted hard last session--

LEE WILL: Right.

STINNER: -- to try to bring something that is significant to the floor that, that really kind of mitigates or answers some of the property tax questions. But the other side is, is I think the constituents in Nebraska look at the state as you've got to be financially responsible. You've got to provide for the basic needs, which is, you know, the 3, 3.5 percent. So we've done that in this budget. But you also have to make sure that our fiscal posture stays in place.

LEE WILL: Sure.

STINNER: And that's the rainy day fund. And I-- it frustrates me that we-- that I even have to have this conversation. In any event, is there any additional questions? Senator Dorn?

DORN: Thank you, Chairman Stinner. Thank you for coming today.

LEE WILL: Sure.

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DORN: This is more-- could you explain the situation with St. Francis a little bit? And, you know, what's happened since the Governor's budget came out and what impact or your view on that?

LEE WILL: So we had conversations with Director Smith in regards to that during the biennial budget process. And we asked if there was additional financing in that specific program that would need to be had in order to facilitate the addendum to the contract. Their existing base appropriation and the recommendation contained within the Governor's '22 and '23 appropriation is enough financing to provide for that addendum contract, new contract or additional financing to support that contract.

DORN: You know, I hear you right and, and I'm not trying to--

LEE WILL: No, no.

DORN: -- pick or whatever, but then you in your-- in the Governor's proposed budget, you were kind of aware of this and you did, I call it structure it such that that will be able to be handled within the current proposal.

LEE WILL: Yeah, we knew negotiations were under way. We didn't have a specific dollar amount. We had a pretty good idea of what the threshold it was going to be. And then we followed back up after those negotiations happened. And it is sufficient within their current program to sustain that contract. So in the Governor's recommendation, it would be enough to support St. Francis' contract.

DORN: Explain a little bit in their current programs. The Department of Health and Human Services, they have enough, I call it leeway in their--

LEE WILL: Yeah.

DORN: -- funding available that they can adequately this, through this budget, handle that?

LEE WILL: Correct.

STINNER: Any additional questions? I just have one more. You know, we passed LB1107, and embedded in that is that 300 million contingent

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liability. It's going to be interesting to see, and do you have any
idea how you're going to disclose that in the financial statements?

LEE WILL: Not at this time, Senator. I'd have to follow up with you on
that one.

STINNER: OK. Additional questions? Seeing none, thank you.

LEE WILL: Yeah, thank you.

***JON CANNON:** Good morning members of the Appropriations Committee. My
name is Jon Cannon. I am the Executive Director of the Nebraska
Association of County Officials. I appear today in a support of
provisions within the base-level budget request of LB380 for Riparian
Vegetation Management. NACO supports incentives to strengthen county
weed control authorities and fully fund the state's noxious weed
control and riparian invasive species programs. Cooperation between
the Nebraska Department of Agriculture's noxious weed program and
county weed control programs is essential to maintaining strong weed
management efforts in the state. Sustainable, stable funding for
invasive plant management in riparian areas is essential to increase
flow conveyance, increase wildlife habitat, and increase water
available for human uses. Counties support the Legislature's 2016
appropriation of funds for noxious weed control and continued joint
efforts to develop ongoing funding sources to meet these needs. The
bill was a truly bi-partisan bill that passed 48-0-1 and provided \$1
million annually to fight invasive vegetation along the waters of the
State. It had been reduced as low as \$456,000 and last year was
increased back to \$706,000. We ask you to please consider our thoughts
prior to taking action on LB380. Thank you for your willingness to
consider our comments. If you have any questions, please feel free to
discuss them with me.

***DAVID GEIER:** Chairman Stinner and Members of the Committee: Please
accept this written testimony by David Geier, Director of the Nebraska
Gamblers Assistance Program, offered on behalf of the Nebraska
Commission on Problem Gambling. This year for the first time the
Commission on Problem Gambling appears to offer testimony on the cash
funds transfer bill. I am offering testimony on two cash fund transfer
proposals. First, I am requesting a transfer in the amount of \$400,000
each year to the Compulsive Gamblers Assistance Fund from the
Charitable Gaming Operations Fund. Last year, in LB1009, the

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Legislature amended section 9-1,101 (3) (b) and (3) (c). These changes eliminated a statutory appropriation from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund and replaced it with a discretionary transfer. This explains our request today. I am also requesting a renewal of the transfer of \$250,000 from the Health Care Cash Fund to the Compulsive Gamblers Assistance Fund. This transfer has been approved each year since 2005, and is an essential part of our program's revenue. Attached is an outline of the history of support for Compulsive Gamblers Assistance that has been derived from the charitable gaming tax and the health care cash fund, and an outline of the current sources of revenue that support the operations of the Gamblers Assistance Program. The two cash fund transfers will combine with the other sources of revenue to provide a total of \$1,800,000 to support the Gamblers Assistance Program. This is less than our proposed appropriation, but enough to support ongoing operations during a period of transition in Nebraska gambling.

STINNER: Due to COVID, we have different options that people can, can use. And one of those options is to turn in an hour before written testimony that normally those testifiers would show up. And we have two of those written testimonies. One of them is from Jon Cannon. I'm the Executive Director of the Nebraska Association of County Officials. I appear today in support of provisions within the base-level budget request of LB380 for Riparian Vegetation Management. NACO supports incentives to strengthen county weed control authorities and fully fund the state's noxious weed control and riparian invasion-- invasive species programs. Cooperation between Nebraska Department of Agriculture noxious weed program and the county weed control programs is essential to maintaining strong weed management efforts in the state. Sustainable, stable funding for the invasive plant management in riparian areas is essential to increase the flow convenience, increased wildlife habitat and increase water available for human use. Counties support the Legislature's 2006 appropriation, which was a million dollars, which passed 48-0-1. It has been reduced as low as 456,000. We did increase it to 702,000 last year. Please consider our thoughts prior to taking action on LB30-- LB380. Thank you for your willingness to consider our comments. If you have any questions, please feel free to discuss that with me. I am reading this testimony. I don't necessarily have to, but I figured we got time. So you have to put up with my, my bad reading. Then I have another one in support-- or a comment on the budget committee hearing. Please accept

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this written testimony from David Geier, Director of Nebraska Gamblers Assistance Program, offered on behalf of Nebraska Commission on Problem Gambling. This year, for the first time, the Commission on Problem Gambling appears to offer testimony on cash fund transfer bill. I am offering testimony on two cash funds transfer proposal. First, I'm requesting a transfer in amount of 400,000 each year for Compulsive Gamblers Assistance Funds from the Charitable Gaming Operations Fund. Last year in LB1009, the Legislature amended Section 9-1,101. These changes eliminated statutory appropriations from the Charitable Gambling Operations Fund to Compulsive Gamblers Assistance Fund and replace them with a discretionary transfer. This explains our request today. I'm also requesting to renew the transfer of 250,000 from the Health Care Cash Fund and the Compulsive Gamblers Assistance Fund. This transfer has been approved each year since 2005 and it's essential to be part of our program revenue. Attached is the outline of the history of support for the compulsive gamblers assistance that has been derived from the charitable gaming tax and Health Care Cash Fund, and an outline of the current sources of revenue that support the operation of the Gamblers Assistance Program. The two cash fund transfers will combine with other sources of revenue to provide a total of 1.8 million to support Gamblers Assistance Program. This is less than our proposed appropriations, but enough to support ongoing operations for Nebraska gambling. These will be made part of the record. I would also like to include in the record opposition to the budget from RISE or RISE organization. Nebraskans for Prison Reform, LouAnn Biek, Katherin Wilson. OK. I don't believe we have anything left, so I will take a motion to adjourn, I guess.

CRAIG BECK: Senator.

STINNER: Oh.

CRAIG BECK: I have testimony in opposition.

STINNER: Oh, I'm sorry.

CRAIG BECK: No, that's fine.

STINNER: I thought with the big crowd we had, there was nobody-- everybody was in support of the budget. I am sorry about that.

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CRAIG BECK: No, no problem, Senator. So good morning, Chairman Stinner and members of the Appropriations Committee. My name is Craig Beck, that's C-r-a-i-g B-e-c-k, and I am the fiscal analyst at OpenSky Policy Institute. And I'm here today to testify in opposition to LB380. While we appreciate that the committee faces an unprecedented task in crafting a budget during a global pandemic, we do have several concerns with the Governor's budget proposal. First and foremost, we are concerned with the proposed increase of LB1107's refundable income tax credit. As Senator Stinner said, in passing LB1107 last year, legislators enacted fiscal guardrails to protect the budget and ensure the cash reserve fund was strong enough to help weather economic downturns. These guardrails were a key factor for many lawmakers in supporting LB1107, and we are worried the credit increase called for in the budget works counter to these guardrails. Under LB1107, one key guardrail is that the income tax credit only grows when the state's revenues increase by over 3.5 percent in the first few years. However, last year's change of the income tax filing deadline triggered an increase in the credit that was based on artificial growth, again, as Senator Stinner mentioned, rather than real revenue growth. This budget proposal again triggers an increase in the credit that is not due to revenue growth, but rather by a transfer of money into the rainy day fund this fiscal year that brings its balance to \$500 million. This credit-- excuse me, this increases the credit by an additional \$173.4 million over the biennium. This acceleration of the credit would set a new baseline of \$298 million annually beginning in FY22. Even though state revenue receipts are projected to decrease in FY22 over '21, the credit will stay at that \$298 million base level, which in essence prioritizes the LB1107 credit over funding for other state priorities like health care and education. We also are concerned that the budget proposal would counteract the LB1107 guardrail designed to maintain a healthy cash reserve. The Governor's proposal increases the cash reserve in the current fiscal year to accelerate the LB1107 credit, but then draws the reserve down. At the end of the "out years", as Senator Stinner was mentioning earlier, the budget proposal would take the rainy day fund to a projected level of less than 6 percent of receipts, which is well below the recommended level of 16 percent. I have provided a chart that shows that as well. The proposed acceleration of the LB1107 credit could also be problematic given the kitty-- committee's expedited budget timeline. As you know, the LB-- the LB1107 credit is a tax expenditure, not an appropriation. And so if the credit is accelerated, this revenue comes off the top.

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This means that if the budget passes before the April forecast and then the forecast is reduced, the Legislature could very likely find itself forced to hold a special legislative session to enact funding cuts for services that Nebraskans are depending on more than ever amidst the pandemic. The final concern we'd like, also like to note, as Senator Stinner mentioned, is that the budget does not include increased funding for behavioral health provider rates. We believe increasing these provider rates is a necessity, particularly given the pandemic. It is for these reasons that we oppose the current budget proposal. And with that, I'm happy to answer any questions the committee may have. Thank you.

STINNER: Any questions? Seeing none, thank you. And sorry I missed you.

CRAIG BECK: No problem, Senator.

STINNER: Is there any more testimony in opposition? Seeing none, is there any neutral testimony? Seeing none, that concludes our hearing on the budget. Thank you, Director Will, for your first maiden voyage. Very well done. Thank you.