

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Government, Military and Veterans Affairs Committee July 30, 2024

**BREWER:** Good afternoon, and welcome to the Government, Military and Veterans Affairs Committee. I am Senator Tom Brewer, representing the 43rd Legislative District. And I serve as Chair of this committee. The committee will be holding a combined hearing-- well, a hearing today and an appointment hearing. And-- so we have a, a mix. So just be patient and we'll get through all this. Our hearing today is your public part of this legislative process. This is your opportunity to express your position on proposed legislation before us. Committee members may come and go during the hearing-- maybe, depending on what they have going on. I ask that you abide by the following procedures to better facilitate today's proceedings. First, I would ask that you either silence or turn off your electronic devices and phones. And then for the-- both the, the-- both processes, I ask that you come forward and state your name, first and last, and then spell it. If you are going to testify today, we ask that you fill out one of the green sheets and present it to the committee clerk when you come forward, or the page. Let's see. We will be using the light system today, but I feel fairly confident that we're going to be able to do the five minute. So you'll have five minutes. You'll get a amber light at, at two-- or, at, at one and a red light when your time expires. If you do not wish to testify today but you'd like to have it on your record that you were present for the hearing, there is a separate white sheet on the table that can be filled out. This will then make it that you are part of the official record-- official record-- that you are officially here today. If you have any handouts, we'd ask that you have ten copies. If you don't have them, we'll have our page help make more copies. No displays of support or opposition to a bill, vocal or otherwise, will be allowed from the audience. This is a public hearing. And we will go ahead and introduce our committee members, starting on my right. And, ironically, this will be the last time this committee gets to meet. Senator Conrad.

**CONRAD:** Well, I hope not. Or, wait. Maybe that's a good thing.

**BREWER:** Oh, that's right. We do have Friday.

**CONRAD:** I'll miss our committee either way, but. Hi, I'm Danielle Conrad. I represent north Lincoln.

**SANDERS:** Rita Sanders, District 45, which is the Bellevue-Offutt community.

**AGUILAR:** Senator Ray Aguilar, District 35: Grand Island.

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**LOWE:** John Lowe, District 37.

**HALLORAN:** Good afternoon. Steve Halloran, District 33, which is Adams, Kearney, and Phelps County.

**HUNT:** I'm Megan Hunt. I represent District 8, which is the northern part of midtown Omaha.

**BREWER:** On my right is Dick Clark. He's our legal counsel. On my left is Julie Condon, the committee clerk. And our page today is also my AA filling in, Krista. So thanks for being here and covering our six there, Krista. All right. So we're going to start today with our first appointment and our only appointment here today. We'll ask Dr. Matt [INAUDIBLE] to come up. Go ahead, Matt. Come on up. Welcome to the Government Committee.

**MATTHEW MCCARVILLE:** Thank you, sir.

**BREWER:** And you, you have unlimited time, so please just feel free to share whatever you need to share with us.

**MATTHEW MCCARVILLE:** All right. Again, I'm-- as his introduction said-- Dr. Matthew McCarville, M-c-C-a-r-v-i-l-l-e. Very nice to meet all of you today. Looking forward to extending my time with the state. I've been here a few months and been able to recognize some things that we're already working on. As far as my background goes for qualifications for this role, I was immediately prior the chief information officer for the University of Colorado, particularly centered on the Denver campus in downtown Denver. Before that, I was the chief data officer. Did a stint as the interim chief information officer and the interim chief information security officer as well at the state of Florida since those were vacant. And was able to implement a lot of new policies and procedures that the legislature funded and approved with the implementation of the first chief data officer in statute. So that was a great opportunity there. And then-- also, I'm from Omaha. So I spent a long time at Union Pacific Railroad. We lived in midtown. So the north side of midtown-- I'd love, love to talk to you about that side of town. And now we are back in Omaha, about 180th and Q under Kathleen Kauth's area. And it's a new area of Omaha for us, but we're very happy to be back with a young one in our house at one years old. It's nice to come back to our support system and our family here in Omaha and be able to bring the experience I was able to collect outside of the state into the state and be able to really benefit the state from those experiences and lessons learned and the ability to not recreate some of those missteps

that-- the way that, you know, the state of Florida took unknowingly, so. Very much looking forward to expanding what we're working on here. Three things that I've recognized in my first 90 days as OCIO is the ability for us to really look at mainframe modernization. That'll have a lot of different flavors. Of course, we have the infamous Health and Human Services' N-FOCUS system that has been around for a while. We've got revenue systems that were developed in the 1960s. And we've got a lot of different flavors of mainframe across the state that need a plan to plan. So since I've been here, we started a mainframe modernization plan, which is essentially planning to plan what the different flavors of mainframe future will be for our state. That way, we have estimates, we have knowledge, we have resources planned out at the right times where we need to make those decisions. The other one is working on, how do we manage and analyze the state's data assets? So whether that be centralizing the repository for interagency and external data sharing contracts-- which we need to add some robustness to those. We have a lot of those that are outdated across the state, and we even have agencies not sharing across the same agency. So we have a lot of goals and work to do when it comes to data sharing and the usage of data across our state, as well as the "analyzation" of it. The third thing I've noticed is that we have a lot of legacy websites and technology that the state has backboneed that need modernization. So we're going to be building a-- we're calling it constituent services administration area. That is going to allow us to modernize our state websites and bring along with that some revenue opportunities for the agencies to offset their general fund expenditures. Some lessons learned from Florida that we were able to do between DOT and DMV alone, the amount of data sales and transactions that happened in those two agencies, and the ability for those transactions to be turned into revenue to offset general fund expenditures for those agencies is a great-- really big opportunity for us. Florida brings in millions of dollars a year that offset general fund expenditures from those activities. So those three things alone, as well as everything that our agency already does-- so we maintain many agencies' backbone of data assets. We work across-- with infrastructure. We do all the backbone for our web phone systems. We're looking at converting all of our remaining hard line phones to soft phones so that if you get a phone call it comes on on your laptop. Ever since COVID, I think we instantly recognized the need for converting people's hard line phones to soft phones and also keeping that physical phone plugged in which can still go to your laptop so you can still pick up your physical phone, and it just is a soft, digital line instead of a hard line. So we're working on converting all of those over. That'll save the, the, the state hundreds of

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thousands of dollars in hard line phone cost, especially with so many people being remote still since COVID. We've got a lot of desks with phones that, that need to be turned off we're paying for. So we're going through that activity right now. Lots of opportunity, I think, for cost savings, for also increasing the ability for OCIO to serve the agencies and the constituents as well as do more with less mindset. So there are ways for us to grow the agency and our capabilities while saving money, and that's what we're looking forward to. I can go into my education, my background. I'm an Omaha guy, so. Undergrad at Creighton. MBA in Finance at Creighton. Master's in business intelligence at Creighton. Master's in software development and project management at Creighton. And my doctorate in business intelligence with applied artificial intelligence and strategy also at Creighton. So-- also taught at Creighton, economics and data science, marketing analytics, so. Very happy to be back and fending Creighton off on teaching another class there while I get settled in the role, so. I want to talk about something that happened this morning that was a mistake that I made. I have some printouts for the committee. What is going to be handed out is my response that was within roughly about an hour of my mistaken-- I directed a staffer in our agency to send out a message. And it was an, an, an accident. Didn't mean for a social media post that was inadvertently-- now I know it was from the Governor's campaign office and not the Governor's Office. And my intent was merely to communicate information about LB1 happening since it's such a hot topic. Our office is talking about it. I thought they'd want to make sure they knew when it was and where it was but also knowing that, as a government agency that serves state-- the state, they are not allowed to use government time to go to things like that. That is personal time. So put in the request that they have to speak with their manager for time off so it is used on personal time. But the intent was never to share that social media post. That was an accident. And I will own that. It was never intended to share that. It was intended to say, hey, here's a copy of a message. We should probably try and take some phrasing from that that had the location and the timing and everything. And it's my responsibility when I direct a staffer to do something, and I understand that. I do want to sincerely apologize. That was not an intention. That was an accidental message. That was just meant to communicate the details of the location of LB1's readout if anyone was interested. But I will own that and answer any questions having to deal with that circumstance.

**BREWER:** All right. Thank you for that intro. I guess I have one quick question before we start around the table here. You talk about

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mainframe modernization. That sounds like a pretty big undertaking and an expensive undertaking.

**MATTHEW MCCARVILLE:** Yes, sir.

**BREWER:** Got any swags on what that's going to cost to do that?

**MATTHEW MCCARVILLE:** So what we're doing now is to plan to plan, right? If we were to unplug the mainframe next week, we would have multimillion dollar expenses to replace it. What I need to understand is, how can we break it apart into areas that we can-- phased, manage, control, replace over time so we don't get stuck with a massive \$100 million bill? So as we plan to plan, it will give us the information we need to understand how we can kind of chunk out our current mainframe that has been kind of turned into Frankenstein since the '60s. We just keep adding more layers of complexity to it. Trying to unwire it, it's just not going to happen. Especially, you know, Health and Human Services' N-FOCUS system. It is so central to how they run. We can't just unplug it and we can't just replace it. They don't make anything like that anymore. No one makes anything like what mainframe systems did because it was all custom. So as we look at what is out there, do we create a new system? Do we buy something off the shelf, implement it, and then do integrations and, you know, make additions and customizations to it to make it fit? What we don't know is, how could we even do that right now? We don't know enough about our systems. We know that they're complex. We know what they do overnight. But what I don't know is the business processes that go into those mainframes and why. So with the help of the Epiphany Consulting team coming in, looking at throughput at the agencies, we're doing the same thing and analyzing the business processes of everything going on in the mainframe. Then we'll have an understanding of what systems even exist that allow us to start chunking off our mainframe into digestible, budgeted chunks because it won't be around forever. We need a plan. And kind of kicking it down the road even further doesn't help us unless we know what we're getting into. So that's the whole plan to plan with the mainframe modernization. We're not actually spending any money right now because what we're doing is assessing.

**BREWER:** OK. Because I would imagine that as quickly as things are changing, that those that understand that system have got to be a little long in the tooth, aren't they? I mean--

**MATTHEW MCCARVILLE:** Yes, sir. Our key resources are in their late 70s at this point in time, and we are just lucky they have not retired. They love the state of Nebraska and they're dedicated to their job.

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But they could go at any moment. And that's an opportunity for us to really put some analysis into our system to understand that when these people do take advantage of their retirement, we are ready.

**BREWER:** All right. Let's go ahead and start around the room. Senator Hunt.

**HUNT:** Thank you, Senator Brewer. Thanks for being here today. You know, what you're describing sounds a lot like what we face in the Legislature too. We have a lot of really great, experienced staff and-- especially people in the Clerk's Office, and it's hard to find people to fill those positions when they know so much about the institution. So I appreciate you guys are going through that too, especially as it relates to technology because that has to be up-to-date. And it sounds like you have some good ideas. I appreciate you sharing this email. It looks like it was sent to everyone at OCIO. And it says--

**MATTHEW McCARVILLE:** The same distribution list as the original one.

**HUNT:** OK. And it says: I sincerely apologize for the inadvertent email to all staff this morning that used a social media post from the Governor's campaign team. My intent was solely to share information. I understand that OCIO is not involved in campaign or legislative matters, and in no manner did I mean to push either support or criticism of LB1 on behalf of the OCIO, merely information about the hearing time and place for those interested. What I wish you had handed out is the original email because I don't know if everyone on this committee is familiar with what it is you originally sent-- oh, you do have it.

**MATTHEW McCARVILLE:** Yeah. I-- yeah. This is what, what was handed out this morning in 1524.

**HUNT:** OK.

**MATTHEW McCARVILLE:** That was given back to me. But I only have one copy of it.

**HUNT:** OK. That's fine. Well, I have a copy of it and what it says-- it's sharing Jim Pillen's campaign post that he made on Twitter and it says: Please consider testifying tomorrow, July 30, in support of LB1 to cut Nebraska's property taxes by 50%. And it just says when the hearing will start and that, we need your support to show Nebraska's senators how much this matters to all Nebraskans. And the email that was sent out by your office said: Matt, our new CIO, wanted to share

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this information with OCIO teammates. He's encouraging teammates to participate in the hearing. Testimonies will begin at 9:45, but folks need to be there by 9:30 a.m. Please check with your supervisors about approval for time off. Thank you. So for your office to share this post which explicitly said "please consider testifying in support of LB1," it's hard to understand how that could be an accident or a mistake. And I want to know what you would say to state employees who are afraid that they will be retaliated against if they do not support LB1 or, you know-- to, to continue the same logic and line of thinking with this-- if they don't support this administration or the Governor.

**MATTHEW McCARVILLE:** Well--

**HUNT:** What would you say to those employees? And have you had any employees approach you about this yet?

**MATTHEW McCARVILLE:** No, I have not. I issued that re-- retraction as fast as I could when I got back to my office. What I wanted them to understand is that I did in no way, shape, or form mean to push promotion of it or criticism of it. Our office is a support agency, right? No matter who's the Governor, we-- our goal is to continue operations of technology. I am not trying to put any of our employees in the position where they need to promote or criticize that bill. What I only merely intended to do was communicate the location and the time of it. And what was mistranslated in my communication to the office assistant that did end up sending this note was that-- don't send out the social media post. That should have been more explicit. That was just shown because I wanted her to see the content of the 9:30 a.m., the 1524. And that was a misinterpretation. But I have to own that. That's not the staffer's fault. That's my fault. I should have known better.

**HUNT:** As a person who's running the office, the, the CIO office-- like, the technology, the internet, the website, the, the information technology, all those systems-- in the future, would you consider just going to the Legislature's website and looking at the schedule that we have on the website publicly instead of, for example, a political campaign statement made on social media?

**MATTHEW McCARVILLE:** Yeah, absolutely. No, no, I, I, I recognize, Senator Hunt, that that was my mistake. I, I know better. This isn't my first foray in government.

**HUNT:** Yeah.

**MATTHEW McCARVILLE:** Florida--

**HUNT:** It sounds like you have very impressive experience and also many degrees that you shared with us.

**MATTHEW McCARVILLE:** And it's fair to assume that I should know better and then that, that--

**HUNT:** I agree.

**MATTHEW McCARVILLE:** I agree.

**HUNT:** Thank you.

**MATTHEW McCARVILLE:** So I own that, and I, and I will own that. And it will not happen again.

**HUNT:** Thanks.

**BREWER:** Senator Conrad.

**CONRAD:** Thank you so much, Director, for your time and for sharing your deeply compelling personal story and your incredible professional achievements and academic prowess. I think that is all to be commended. And to kind of dovetail off the exchange you had with my friend, Senator Hunt, earlier, you have a very long history in public service, serving different governmental institutions in different states for most of your career. I don't pretend to be a legal expert as to the nuances of Colorado law or Florida law, but I'm guessing there's probably a pretty clear, bright line about the commingling of campaign materials and resources with public resources that exist in, in both states.

**MATTHEW McCARVILLE:** And I have the statute that specifically--

**CONRAD:** And I, I brought the copy as well in case you--

**MATTHEW McCARVILLE:** No, I saw it. And it was one of those things that once it happens and then you see it happened. And then I saw the message that went out because I got it when everybody else got it. I immediately went, uh-oh. We made a mistake. And I needed to own that as the agency head and as the person who asked that staffer to send the message. And I-- you're right. I, I know better. I should have known better. I've been in roles that have been very similar to this in their separation of legislature bills, activity, and the Governor's list of ach-- things that they're going after, and the ability for



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agencies to continue staffing with no pressure to the employees to support either direction.

**CONRAD:** So you, you are admitting and-- you're making an admission that you violated Nebraska state law with this, with this message that you sent out today?

**MATTHEW McCARVILLE:** Well, as--

**CONRAD:** Or you're not.

**MATTHEW McCARVILLE:** I self-reported to the Accountability and Disclosure Commission and the-- as well as the AG's Office, according to my phone call, are very well-aware of this, and neither of those entities believe that this was in violation.

**CONRAD:** The-- what you're telling this committee is that they've already completed an investigation.

**MATTHEW McCARVILLE:** According to my phone call I had with the-- the self-reporting today. Because after this, I, I called. And they had already spoken with the AG's Office and--

**CONRAD:** OK. And who did--

**MATTHEW McCARVILLE:** --this was already on their, their radar.

**CONRAD:** --who did you get that ruling from in the Attorney General's Office?

**MATTHEW McCARVILLE:** I will have to get you the name and the contact to make sure I have the right person I was on the phone with.

**CONRAD:** How long ago were you on the phone with them?

**MATTHEW McCARVILLE:** Couple hours ago.

**CONRAD:** And you don't remember who you talked to but you are giving assurances to this committee that the Attorney General has given you absolute--

**MATTHEW McCARVILLE:** I did not speak to the Attorney General. I spoke with the Accountability and Disclosure Commission.

**CONRAD:** And the Attorney General, you indicated.

**MATTHEW McCARVILLE:** No. They spoke with the Attorney General's Office.

**CONRAD:** OK. So you had one phone call with who?

**MATTHEW McCARVILLE:** With the general counsel at the Accountability and Disclosure Commission.

**CONRAD:** And no, no, no employees at the Attorney General's Office?

**MATTHEW McCARVILLE:** No.

**CONRAD:** OK. And that you've received some sort of informal insuran-- assurance from Accountability and Disclosure that they don't see this as a violation.

**MATTHEW McCARVILLE:** That's what I was told.

**CONRAD:** OK. And do you have anything to document that that you can provide the committee with?

**MATTHEW McCARVILLE:** I will follow up with the, the counsel there and ask for them to provide something in writing.

**CONRAD:** OK. And-- so you, you did self-report.

**MATTHEW McCARVILLE:** I did.

**CONRAD:** You have admitted that there was a violation of state law. Whether or not they've decided it's de minimis or otherwise, we don't really have any clarity on that yet. But you have self-reported a potential violation and you have clearly admitted that, that it was a violation.

**MATTHEW McCARVILLE:** I'm trying everything I can to do what I can to mitigate this.

**CONRAD:** We all make mistakes. Absolutely. Progress, not perfection. But let me, let me get a, a little bit deeper understanding about a couple of things leading up to that and then perhaps after that. Because I think in a leadership role, how you deal with mistakes makes a big difference. And you're seeking our nomination and confirmation for a critical leadership role. So in your tenure, either in other jurisdictions or over the last many months here in Nebraska, have you ever encouraged state employees to send out an advocacy blast on any measure?

**MATTHEW McCARVILLE:** No. And this was not--

**CONRAD:** Then why today?

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**MATTHEW McCARVILLE:** Because the intent behind me sending this message was not to advise on a position on this bill. It was to communicate the details of its location and time. And the message got misinterpreted along the way. And, and I will own that. And it's not the staffer's fault. That's, that's me not paying enough attention to what the message was before it got sent.

**CONRAD:** Had you ever, in this role in Nebraska or in your other governmental roles, sent out notice about time and place of legislative hearings on any issue?

**MATTHEW McCARVILLE:** Florida had a different stance on how they looked at that, communicating the location of things so that employees understood, but then they still took personal time off. It was just a different stance on how they looked at sharing that information. But typically, as Senator Hunt said, it, it was derived from, like, the Senate website. In the, the [INAUDIBLE] would put the link in for the location hearing details there. And-- I-- that would have been a much better way to handle this. I do. [INAUDIBLE].

**CONRAD:** So what, what would be your metric for deciding when something rises to the level of importance to send out notice about a legislative hearing to all public employees?

**MATTHEW McCARVILLE:** I don't know.

**CONRAD:** Because you've only utilized it in regards to the Governor's bill in special session thus far. So, so how did you come to that conclusion that this is the first time you should utilize public resources to send out an advocacy alert about a specific bill? What was the criteria, either formal or informal, that you utilized in that thought process and that decision-making?

**MATTHEW McCARVILLE:** It was because there's a, a lot of chatter and activity in our office about this bill and a lot of thing-- because we're referenced as part of it. So our-- it's drawn a lot of attention from our office. So for me, it was just making sure that if our staff had any voice that they wanted to have out there, that they expressed that-- pro, con, whatever that might be.

**CONRAD:** Your office is implicated in LB1 or LB2?

**MATTHEW McCARVILLE:** I, I don't want to put myself in a position where I know-- I know that there's a bill referencing the OCIO. So I-- that's all, all, all-- I don't want to put myself in a position where I own what number.

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**CONRAD:** But you, you, you did send out an advocacy blast in regards to this specific bill before the Revenue Committee in regards to the Governor's tax plan.

**MATTHEW McCARVILLE:** The intent was merely for information of location and, and time, but I understand--

**CONRAD:** And not just to your office, but to all state employees.

**MATTHEW McCARVILLE:** Oh, no. That only went out to OCIO.

**CONRAD:** OK. That's helpful clarification.

**MATTHEW McCARVILLE:** Yeah. No, that did not go out to all state employees, Senator.

**CONRAD:** OK. The other question I would have then in-- when you were doing a quick review-- and I know we all get too many messages and they come in different threads-- but it, it wasn't a small kind of image in regards to the message you sent out. There was a large campaign-branded logo on the message that you forwarded. So did you not see that--

**MATTHEW McCARVILLE:** Well, that I forwarded-- I wouldn't say that I forwarded it. When I showed that to our office assistant, that was the screenshot that I showed them. That was just a screenshot from my phone. And I referenced, here's the time and place and-- on the message. And what didn't get directly told is, do not use this exact screenshot. It was merely to show her the time and place so that I didn't have to memorize it.

**CONRAD:** How much time would you say during work hours that you're looking at campaign materials on your phone?

**MATTHEW McCARVILLE:** I'm not. That was on my way to work this morning.

**CONRAD:** Was it a public phone or is it a personal phone?

**MATTHEW McCARVILLE:** I think that would have been my personal phone. I don't have Facebook on my public phone.

**CONRAD:** OK. I don't know how you handle your communications internally. So after you realized the error then, tell this committee about your process in the wake thereof. Did you reach out to the Governor's staff? Did you reach out to your staff? You've indicated you talked to somebody at Accountability and Disclosure.

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**MATTHEW McCARVILLE:** I spoke with our legal counsel and I self-reported. And our legal coun-- my legal counsel showed me the statute. And after reviewing the statute, that's when I wrote my, my email that was passed out to you, hoping that our staff would understand that I did not mean in any way, shape, or form to infer support or contra-- contradiction to the-- LBl.

**CONRAD:** OK. I'm going to ask one more question on this topic and then I want to move to some rate topics in relation to the jurisdiction of your office. But-- so you had said that you should seek leave from your supervisor if you want to engage in political advocacy. But you would be the supervisor of the CIO's office. So--

**MATTHEW McCARVILLE:** That only applies to the leadership team, which is only eight people. Otherwise, they all have supervisors.

**CONRAD:** OK. And what was your guidance and direction to the folks that you manage in, in your office?

**MATTHEW McCARVILLE:** I didn't communicate with them, so. I sent that message solely on my own. And, and my apologies for using someone as the middle broker that distributed that because-- shouldn't have asked an office assistant to send that kind of message.

**CONRAD:** So ques-- do you take responsibility for the action or are you blaming your administrative assistant?

**MATTHEW McCARVILLE:** Oh, I'm in no way, shape, or form trying to blame an administrative assistant. I was just trying to-- merely trying to--

**CONRAD:** OK. Because it seems a little bit murky there.

**MATTHEW McCARVILLE:** Well, it's very obvious on here that it didn't come from me. Came from an administrative assistant on here. But she cites Matt, our new CIO. So--

**CONRAD:** Right.

**MATTHEW McCARVILLE:** --the message I will own. I just wanted to make sure that it was understood as to the distribution channel how that got out.

**CONRAD:** And-- so how did that screenshot from Facebook make it to the administrative assistant who's paid for with public funds?

**MATTHEW McCARVILLE:** I showed it to her.

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**CONRAD:** You showed it to her. Just-- but the-- but it's actually transferred there. Did you text it? Did you email it? You didn't just show it.

**MATTHEW MCCARVILLE:** I will have to get back to you on that.

**CONRAD:** You didn't just show it.

**MATTHEW MCCARVILLE:** How she got this into the email, I'll have to get back to you [INAUDIBLE].

**CONRAD:** No, I mean-- you did it this morning. You don't have to get back to me on it. How di-- I'm asking how it happened.

**MATTHEW MCCARVILLE:** I will have to ask her how she got that. I don't mean to get into putting the staffer in front of this. This is not her fault. This is at my direction, and I will own it.

**CONRAD:** OK. All right. Thank you so much for providing a little bit more information about that matter. So I also want to talk to you about a lot of calls that I've been receiving from constituents over the past many months and whistleblowers within different agencies of state government who are concerned about how your policies and practices are diminishing access for citizens to public employees. I've heard a lot of complaints about agencies like the Department of Insurance and otherwise removing direct lines. And now citizens and businesses cannot get in contact with state employees when they're working through grant applications or licensure or audits or other function. So-- and it's primarily tied to Governor Pilleen's attempt to decrease state spending to prop up his property tax plan and the rate increases that your office is driving on state agencies. So can you provide kind of a general assessment to the committee about how many state agencies have disbanded direct lines in-- under your tenure?

**MATTHEW MCCARVILLE:** So there's a few parts of that that I can't answer. Anything before I got here, I would be very murky on trying to give you a real answer of how that happened. As far as phone lines, I think you're referring to, that would be at the agency discretion. That's not actually pushed by our office. So when we do, like, the soft phone conversion, that is always a one-to-one replacement, not actually a reduction of lines. That's at the agency's discretion if they want to reduce their phone lines. So I wouldn't have any purview under those decisions. When it comes to rates, I don't know where you're getting that we're increasing the rates. Ever since I got here, we've worked hard to decrease our rates. Data storage we're decreasing

heavily. We're decreasing rates across the board significantly, actually.

**CONRAD:** OK. So you also mentioned in relation to this issue that you're seeing a disconnect for more public employees in the wake of COVID, et cetera, et cetera. And it just doesn't quite make sense to me because the Governor has been very clear in his litigation and his executive orders that few, if any, public employees are allowed the flexibility to remove-- work remotely anymore. So there really shouldn't be empty desks. So can you help connect the dots there or provide some clarity there?

**MATTHEW McCARVILLE:** I can't speak on behalf of the Governor's policies on that, but what I can say is--

**CONRAD:** But you mentioned it in your opening.

**MATTHEW McCARVILLE:** I'm, I'm talking about since COVID remote work, right? I've only been here three months. So what I can say is our office doesn't have anybody remote unless they're on an ADA exemption. What we're doing is working on giving people the ability to work hybrid, which seems to be the new normal, if anyone is having to be home because they have a dishwasher repair guy at their house or something. Making sure that they have the capabilities to work at home in those circumstances, whether that be one day or two days, giving them-- like, the soft phone gives them a lot more flexibility as opposed to the hard line phone that only is in their office. And what we're trying to do from a technology perspective is to support our state employees no matter where they are. And that is without policy input. Like, we're, we're outside of the policy, so.

**CONRAD:** OK. You mentioned just briefly-- and I'm wrapping up here, Chair, because I know other people probably want to jump in-- that there were not any rate increases in regards to your policies and practices in the few months you've been on the job.

**MATTHEW McCARVILLE:** Yeah. If you--

**CONRAD:** Do you want to stand by that statement?

**MATTHEW McCARVILLE:** Yeah. If you want to look at the biennium rates that have been introduced, that's what I'm talking about. The biennium rates are the only thing I have influence on since I've been here. The rates through 2025 were done well before I got here. I think those would have been done in 2024.

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**CONRAD:** Right.

**MATTHEW McCARVILLE:** Or maybe even '23 because it would be a biennium. I have worked very hard to reduce our billing rates in the biennium rates.

**CONRAD:** OK. Because I did receive some emails and some PowerPoints from your office and-- dated, I think, on or around July 22, 2024, which shows, for example, that presently the cost per phone per line per month is \$25 a month. It jumps up under your plan in 2026 to \$38 a month and then goes up from there. The same for firewall services at \$160 per month now, in 2026 jumping to I think \$230-plus a month and \$365 a month in 2027. So I've definitely received a lot of concerns from legislative staff and other agencies about these exorbitant price increases that your office is planning to charge to state government agencies. So it doesn't-- you're saying you haven't increased rates, but you're sending out emails that show clearly significant and steep rate increases year over year over year.

**MATTHEW McCARVILLE:** I would love to have a conversation after this with the details of that and the actual presentation.

**CONRAD:** Did you not send that out to state agencies?

**MATTHEW McCARVILLE:** I, I don't know what presentation you're referring to.

**CONRAD:** OK. I'll give you a copy right here.

**MATTHEW McCARVILLE:** Yeah, without the information--

**CONRAD:** Is this from you?

**MATTHEW McCARVILLE:** --it's hard for me to see.

**CONRAD:** It's titled "OCIO Rates, Fiscal Year 2026 and Fiscal Year 2027, Nebraska State--

**MATTHEW McCARVILLE:** And what rate are you spec--

**CONRAD:** --Office of the CIO."

**MATTHEW McCARVILLE:** What rate are you actually looking at when you look at that? Because without the details, it'd be hard for me-- because I don't have that in front of me, so it's really hard for me to know.



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**CONRAD:** OK. Generally, are, are you charging more for phones moving forward?

**MATTHEW McCARVILLE:** No. We're trying hard anywhere we can to cut rates across the board.

**CONRAD:** Are you charging more for firewall services moving forward?

**MATTHEW McCARVILLE:** I would have to go see the rate table that we've introduced for the next biennium.

**CONRAD:** OK.

**MATTHEW McCARVILLE:** We've taken the position that, since I've got here, any rate we can reduce-- because, by statute, we're supposed to be pass-through on cost, right? So any rate we can reduce-- some of these-- like, Microsoft goes up every time. I think that's something everybody knows. There's nothing we can really do about that. There are certain vendor cycles where they go up. We're trying very hard to push back on our vendor community so that we can lower our rates across the board everywhere we can. I would have to see the exact ones and, and know which age-- because each agency has completely different utilization of those rates. So it'd be very agency specific as to what their increases would be and why and how many lines and how many firewalls they use. I, I would love to have more detailed conversation with you once I have the details.

**CONRAD:** So it's my understanding that significant state agencies-- say, for example, like the judicial branch-- have turned away from the services provided by the office of the CIO because of significant and steep cost increases. Is that your understanding?

**MATTHEW McCARVILLE:** That was years before I got here. I think that was about two or three years ago.

**CONRAD:** OK. And--

**MATTHEW McCARVILLE:** I'm trying hard to rebuild that and actually bring them back in. So we're-- I think that's actually a counter narrative. Because we're working really hard to bring the Justice Department back into how we work, where it makes sense. Now, they've done things like they've gone to Google, they'd-- they've done things where it's really hard-- multiyear contracts that are hard to reverse. But I'm trying hard to build that relationship back up because I think before I got here, it was a negative relationship. And-- trying really hard to rebuild that.

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**CONRAD:** OK. And the last question. Tell me about your budget. How, how large is it today and, and how is it primarily funded in your office?

**MATTHEW McCARVILLE:** For exact numbers, I, I don't have that information in me.

**CONRAD:** General is fine.

**MATTHEW McCARVILLE:** But-- I-- everything is recycling rates, right? So with exception of fund 101, everything else is based on our rate table that is published. That would be that document for the biennium that you have. And then it would be different for every agency based on their utilization of the services within those rates. I will get back to you on that exact number, though.

**CONRAD:** I'm-- just, just general bar-- ballpark. How, how big is the budget that you manage for your office?

**MATTHEW McCARVILLE:** I think it would depend on if you include 101 or not. Probably somewhere around \$500,000, \$600,000.

**CONRAD:** And how many employees do you manage?

**MATTHEW McCARVILLE:** Full-time employees: around 300, I believe.

**CONRAD:** You manage 300 employees on a \$600,000 budget?

**MATTHEW McCARVILLE:** I would really love to get back to you, Senator, with the details in front of me.

**CONRAD:** OK. I-- all right. Thank, thank you, Chair. Thank you. Appreciate it.

**BREWER:** All right. Thank you. All right. Before we get to the next round here, I'm going to jump back real quick. On your primary issues that you talked about originally, data sharing-- because I'm trying to sort out some of these data sharing things. I kind of need your help in understanding. So right now, if I've got problems where I have different divisions that can't talk, that's, that's going to ultimately be on your shoulders to figure out how you can get, say, Department of Motor Vehicles and Department of Veterans Affairs so their stuff matches and works and communicates.

**MATTHEW McCARVILLE:** Yes, sir. We're trying to tackle that right now. It's layers of complexity because sometimes the systems don't match.

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And then we have to create a new system that is the bridge between the two. But, yes.

**BREWER:** OK. And, and the reason I brought this up is we're, we're working on some issues now, those two, and then mix in there the, the military department, which I understand they have a little bit different wheelhouse of, of what they can and can't do as far as matching everything, but. All right. Well, that's, that's what I want to share. Next. Ray, I think you were up first.

**AGUILAR:** Thank you, Mr. Chairman. And thank you for being here today, Mr. McCarville. Appreciate it very much. And I really appreciate your letter of apology here for your, shall we say, lack of good judgment in sending out that mail. Unfortunately, in this scenario, once the horse is out of the barn, it doesn't do a lot of good to close the door.

**MATTHEW MCCARVILLE:** Understood.

**AGUILAR:** OK. And with that being said, I hope you're being very honest and from the heart when you say this won't happen again. Appreciate that very much.

**MATTHEW MCCARVILLE:** I am. I will ensure it will not happen again. I, I knew better. I--

**AGUILAR:** Thank you, Mr. McCarville.

**BREWER:** All right. Questions? Yes, Senator Raybould.

**RAYBOULD:** Thank you, Mr. McCarville, for being here. I am also a very proud Blue Jay and have graduated from Creighton University. And I have to tell you, this incident is, is really alarming, particularly your follow-up explanation, that you weren't claiming support or to be against something. But the message that was communicated clearly says testify in support of LB1. And so, to me, that is a little upsetting that-- some-- the comments that you made right there. Like, in what way do you anticipate your agency notifying teammates about future legislation, if at all?

**MATTHEW MCCARVILLE:** I don't plan on doing it at all ever again. Learned my lesson the hard way, and I'm sorry about that.

**RAYBOULD:** What my concern is-- you know, you have showed clear partisan favoritism in this action. So tell us how your approach would be to deal with third-party contractors when you get bids from

multiple maybe off-the-shelf IT companies or different contractors, IT specialists that can morph your old, antiquated systems into something much more current and contemporary rather than being antiquated and obsolete. I mean, how, how would you handle-- like, if the Governor came in front of you and said, you know, I, I really like this company. They're, they're good, they're good people. They're our people. And, you know, I really want you to consider them. How-- tell me how you will demonstrate true impartiality to some of these pressures, political pressures to award a contract to, to someone who may be less qualified, may be more expensive, may have less benchmarks. I know coming from the county and city side, we have a very extensive purchasing practice of reviewing bid and bid analysis that I would love it to include in my own office. But tell us, tell us your approach to third-party contractors and trying to avoid any, I guess, perception of favoritism or your due diligence in providing the taxpayers of Nebraska the best opportunity out there for improvement. Because it sounds like you're going to have to be dealing with a lot of upgrades to existing systems and--

**MATTHEW MCCARVILLE:** We're going to have to rely on a lot of vendor partners to help us. We don't have the staff, and we can't afford to staff to that, that level, right? We're-- we have a lot of contractors. And as long as they're project bound, that makes a lot of sense. Since I've got here, I've worked very hard to ensure that our vendor community is aware that we will only choose them if they are the best and the best priced for whatever we're going after, right? You know, enter a hundred things here that we use vendors for. I try extremely hard to remain-- this is-- what-- I personally am let down by myself with what happened this morning because I feel very adamant impartialness. And even with vendors, I try very hard to remain impartial because it shouldn't matter what vendor they are. If they can provide the best service for the best price, that's the best relationship for the state of Nebraska. And I'm working hard to bolster our procurement department in IT. They've been understaffed for some time. And trying to get them the staff they need to ensure that we have new software in place that allows us to-- we get into this position in this state since I've been here of, we have six weeks left of a five-year contract, but we need to do an RFP, right? That takes nine months to a year. So we need to start stepping back and really start getting our contracts that we have currently in a place where we have those alarms, those activities set a year ahead of time so we can start getting ahead of this and get more competitive bidding processes as we go, start renewing these multiyear contracts that, that I'm inheriting now, and ensuring that we main-- we remain

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impartial and we keep the position of the best product or the best service for the best price.

**RAYBOULD:** So I'm guessing because of your years experience in the technology field, you probably have developed a lot of relationships with a lot of contractors and other IT specialists. Are you willing to be very transparent and probably state that you, you may or may not have a conflict of interest because you've dealt with this, this contractor in your capacity in another state or in another position that you may have held?

**MATTHEW McCARVILLE:** Yeah. Yeah, absolutely. If I-- if there is any conflict of interest, I would definitely remove myself from any vetting procedures. You know, the, the problem with technology is I haven't been introduced to most vendors that are out there, right? There's always going to be the Microsoft, the Googles, the Amazons, the big players that are in every state. What I do know is how to leverage those vendors. Having worked also on the consulting side of this and implementing them, I know how they work. So they're not very happy with me right now because I do understand how they price margin and how they can actually negotiate on things that they don't go out and openly communicate on. So I'm playing hardball with many of them right now based on my previous exis-- experiences. So I'm hoping that experience actually lends us better contracts. And if there is any conflict of interest, I will absolutely remove myself.

**RAYBOULD:** Do you have, like, a task force or team that will assist you? I know as a city councilperson and on the-- county commissioner. I was on our IT committee in, in both jobs for about five or six years. And so we had-- it wasn't just one person negotiating. We had a team of people reviewing, evaluating, and, of course, working with our purchasing department to make sure that they quantified if they fulfilled these criteria that were well-established in the RFP that went out to avoid any hint of favoritism or anything like that. So are-- is it something that-- I don't know your style. And it sounds like you like to negotiate [INAUDIBLE].

**MATTHEW McCARVILLE:** Well, I, I definitely am not the only player in negotiating, right? We do have a procurement team. And, and actually, most of the procurements at the agency level, they go through the, you know, Central Budget Office. And the Central Budget Office will communicate with our office if they'd like us to weigh in on, on any of those, especially if they're technology-related. But we are-- in the bolstering of our procurement division, we're building a kind of a cross agency vetting team for these big IT procurements so that we

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make sure that we get the big and the small agencies and their opinions on board before any of these big-- you know, I haven't done any big procurements since I've been here, but I know they're coming. We have a lot of contracts that are coming up. So trying to get these things in place before they happen so that when they do arise, we have a system in place that allows the small and the big agencies to voice their opinion so that, you know, we don't get HHS buying something that works really well for HHS but doesn't work well for some of our smaller agencies.

**RAYBOULD:** I have another question. You know, in many ways, the counties and some municipalities are very dependent upon the state of Nebraska and their technology. I don't know if you're aware of that, but I just want to caution you and, and just ask you to be mindful of whatever system that you may jettison and discard, it could had unintended adverse consequences and financial consequences for counties and municipalities that dovetail with what the state has provided, not only their servers or other elements-- you know, the mainframe. You know, we-- I know that there's a tremendous reliance from counties and cities with UNL's mainframes and their servers, as is-- as the state. And so I just am fearful that in your zeal and effort to, to upgrade and modernize the mainframe, that, in many cases, this might have some adverse impact on a trickle-down to the counties and the cities who are, are also very reliant on these symptom-- systems. And so that, that is, you know, one of my big concern, is that, that-- this transformation may, may be something that they just can't afford to do at this point in time.

**MATTHEW McCARVILLE:** And I am working hard to bolster our relationship with the counties. I think it was a, was a lacking on its relationship. So we've met already a couple times with Nat-- the Nebraska Association of Counties. We're meeting with many of the ESUs. We're making sure that things that run through NITC, like cybersecurity-- right-- that is changing greatly and very fast. And in order to serve the counties, we need to understand what their needs are and make sure that they aren't forgotten about when we go buy platforms and products and offer services. So we're working really hard to, to bring their input to the table to ensure that they don't get out of the loop when it comes to cementing those changes.

**RAYBOULD:** I know Senator Conrad focused a little bit on your budget, budget expectations, budget allocations, and I, I don't know in your mind-- you know, you're probably already working based on some of the notifications that Senator Conrad pointed out on some rate changes. So

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do you know-- like, a ballpark. Do you anticipate your budget increasing by 3%, 5%, 10%?

**MATTHEW McCARVILLE:** Well, the take on--

**RAYBOULD:** What-- has the Governor expressed his concern to you? What has the Budget Office said these are your constraints?

**MATTHEW McCARVILLE:** You know, it's under the mindset of do more with less. So be more efficient with our dollars, be wiser with our spend. That is the general mindset that we're trying to take right now. So trying to ensure that any dollar we spend is for maximum effectiveness of the taxpayers and constituents in the agencies. It's-- we, we're here to serve the agencies. So that kind of goes across the board when it comes to that. As far as the budget concerns, to take on many of these new areas, we are going to have to staff up, right? But then in the same sense, over the long term, it ends up saving money because we're paying a contractor to do those things now. So we're trying to balance out the immediate needs with the long-term needs. And sometimes we're-- as we look at this, of course, we're planning with the Central Budget Office-- any, any dollar we spend-- because we're appropriated on our spending authority. So it's-- if it's not part of the spending authority, it can't increase, so. Once we look at this, we're really looking at, as we approach the Legislature for next year, ensuring that we can communicate clearly if we need to increase spending authority or decrease our rates, increase our rates, whatever those might be, we have logical reasons why any of those decisions need to be made and that there's a long-term benefit for it.

**RAYBOULD:** So you're saying that you have not been given any direction on how to structure your budget except make it a flatline budget or--

**MATTHEW McCARVILLE:** We're trying to just be as efficient in the budget as possible. We've got a lot of-- we, we've got a lot of things like-- we're remodeling those OCIO office. That has been long due. We did one floor and then we're trying to do the other floor. That's-- you know, we have to move people out of the floor. We've got things like that that are affecting our current cash flow that we're sitting on. So trying to ensure that we remain within appropriations and we, with the 90-day vacancy pull, we are requesting some net new positions that just keeps us within our spend authority. So we're just trying to manage it within our spending authority that's been approved by the Legislature.

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**RAYBOULD:** I have a couple more questions, you know. Real quick: I am, I am very unfamiliar with the state's technology because I haven't stopped to even think about it. But I know that I've used the phone in my office maybe five times total. I'm mostly on my cell phone. Is the city-- has, has the state converted all to VoIP, or what percentage-- you mentioned the hard, hard lines. So what percentage of conversion needs to happen going forward? Or, like-- or what percentage is converted to VoIP?

**MATTHEW McCARVILLE:** We're working on that right now. So a lot of the agencies have done this on their own, kind of outside of our purview. And so I'm trying to collect all the information from the agencies to kind of get a current state of where we are. And we're testing soft phone technologies between Microsoft and Cisco that give us the best capabilities because you do get sometimes some signal iss-- cell phones are just a different technology, right? But kind of like you said, we have people even in OCIO that have either unplugged their hard line or turned it on mute because the only people that have that number for some reason are 800 numbers, you know? So I, I think we have a changing of times now where we are looking at converting things to the most useful technology for the spend that we're spending. One of those is the hard line phones. And I just don't have the data right now to be able to tell you how many remain, what the, the cost savings are. You know, I've got the-- Central Budget Office is asking me the same thing, is, what's our cost savings if we convert hard line phones? We're in the middle of getting that data from the agencies. Because what I don't know is what have they done on their own already and what can we help them do while ensuring that, like Senator Conrad said, we don't cut lines that support constituents, right? It would be a one-to-one replacement ratio.

**RAYBOULD:** OK. Thank you.

**BREWER:** Senator Conrad.

**CONRAD:** A couple quick follow-ups. Thanks. Just to be clear, Director, did, did the Governor or anybody from his office ask you to send out that email this morning?

**MATTHEW McCARVILLE:** Oh, God no. No.

**CONRAD:** OK. That's helpful. And you sought advice from agency legal counsel immediately thereafter in your professional capacity or your personal capacity?



**MATTHEW McCARVILLE:** I asked to ensure that he re-- removed himself from the conversation if it turned into a personal capacity because I know his role is only to advise as to a professional capacity.

**CONRAD:** OK. And then two, two final. Just to clarify for the record-- and I know how nerves go and you're busy with a million things and had a-- another issue pop up today that has probably taken a fair amount of brain space. But in our earlier exchange, you had talked about one metric for your budget being generally 5, 10-- \$500,000 to \$600,000. It's, it's actually over \$120 million that you manage.

**MATTHEW McCARVILLE:** \$120 million?

**CONRAD:** Yeah.

**MATTHEW McCARVILLE:** OK.

**CONRAD:** So that's kind of a big difference.

**MATTHEW McCARVILLE:** I'd have to-- I, I, I don't have those in front of me, Senator. So you were asking me to speak from memory. I got a lot of things memorized but that wasn't it.

**CONRAD:** I understand. And then just the last line of question. So there's been a kind of a, a systems-level approach to identifying waste, fraud, and abuse in government-- which I think actually Governor Pillen will find a lot of agreement and consensus around-- but it's being led by a private consultant called Epiphany and Associates. They've been paid millions and millions of dollars of taxpayer funds to essentially say, do a better job on procurement, get some federal funds, slash the cash reserve, and then also slash critical human services, and things of that nature. So you've been talk-- and they've, they've talked a lot about IT services. And I've heard Governor Pillen talk a lot about IT services. And you're leading the IT services. So it's also well-established over, you know, many years-- and some predates Governor Pillen, to be fair-- but there's a pattern and practice of state agencies spending millions of dollars of taxpayer funds on various and sundry computer programs that never go anywhere and never come online. Have you reviewed those failures? And how would you change things moving forward?

**MATTHEW McCARVILLE:** So the conversations I have with Epiphany, because they're more focused on the ag-- I'm rec-- recirculating funds. So it's a-- I-- a little bit different. They're looking at general fund expenditures, for the most part-- so agencies that are funded by that. A lot of the conversations I've had with them have been under HHS IT

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because we have a lot of shared IT resources. So it's increasing throughput of processes. It's ensuring that instead of buying the latest and greatest IT platform and thinking it's going to solve our problems, we try to work on the process and tweak the process first. Because we end up buying a-- the next platform and spending a ton of money on it and then we implement it but we do the same thing we were doing before. So we didn't actually change anything. So trying to make sure that, as we look at this, we're looking at the business processes and that we kind of have a checklist before we approve new IT investments that ensure that we aren't just going to re-- replicate what we were doing as bad behavior prior. Those were the conversations I've been having with Epiphany and making sure our office is, is in support of reviewing business processes of these IT programs. And having only been here a few months, it's starting to get in-- HHS seems to be the area of concentration right now and working with them on their IT resources. Now, a lot of theirs is the mainframe, right? And so it's reviewing the mainframe processes. So we've put that under the mainframe modernization. We're, we're really analyzing the business processes to ensure that if we do spend any taxpayer dollars on IT investments, that we're going to modernize our practices and increase our throughput of processes, not just do the same thing we've always done and just-- with a new label on it.

**CONRAD:** So who would you say leads those conversations, Epiphany Consultants or your office or HHS?

**MATTHEW MCCARVILLE:** It would be probably between HHS and myself with Epiphany kind of on the side. That's how I've seen it.

**CONRAD:** OK. How often have you met with Epiphany Consultants during your last couple months on the job?

**MATTHEW MCCARVILLE:** To give you an exact number, I'd have to go look at my calendar, but I think probably a handful of times.

**CONRAD:** OK. OK. Very good. Thanks so much. Thanks.

**BREWER:** OK. Any additional questions? Senator Hunt.

**HUNT:** Thank you, Chairman Brewer. Just to be clear, because I was unclear, this morning, you spoke to the NADC general counsel or the-- or your agency general counsel?

**MATTHEW MCCARVILLE:** Both, yes.

**HUNT:** You spoke to both?

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**MATTHEW McCARVILLE:** Well, well, OCIO legal counsel and then the NADC legal counsel [INAUDIBLE].

**HUNT:** Who did you talk to the first?

**MATTHEW McCARVILLE:** The legal counsel for OCIO because I wrote-- before I self-reported, I wrote my retraction email.

**HUNT:** OK. What was the conversation like with the NADC general counsel? Did--

**MATTHEW McCARVILLE:** I self-reported--

**HUNT:** --because the impression you gave was that they kind of said, no big deal. Don't worry about it. Is that fair?

**MATTHEW McCARVILLE:** No, that was definitely not what they said. What they said was it was a mistake. It was-- especially the social media thing. Should not have happened. I recognized that. I agreed with that position. But as far as a violation of state law, I think that was where the-- held that it was, was not-- its intention was not in violation of state law.

**HUNT:** Not that they held it, quote unquote--

**MATTHEW McCARVILLE:** Yeah. They did not say that they held any--

**HUNT:** --they told you on the phone that--

**MATTHEW McCARVILLE:** Yes.

**HUNT:** OK. That, that it was--

**MATTHEW McCARVILLE:** How they see it right now was what I was told.

**HUNT:** OK. Thank you.

**BREWER:** OK. Any additional questions? All right. Thank you for your testimony.

**MATTHEW McCARVILLE:** Thank you, sir. Thank you, committee.

**BREWER:** OK. We will start with proponents. Any proponents to Dr. McCarville's appointment as the chief information officer? All right. Seeing none. We will go to opponents. OK. We'll go to any in the neutral. All right. With that, we will close. Let's see. There are no letters. So with that, we will close our appointments and transition

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to our first bill, our only bill of the day, LR1CA, Senator Blood. Welcome back to the Government Committee.

**BLOOD:** Well, thanks. I was missing you guys, so.

**BREWER:** Well, you have spent a lot of time in your life in the Government Committee, so.

**BLOOD:** I, I did. And soon, there'll be no more committees.

**BREWER:** Well, we're, we're glad that you're here.

**BLOOD:** I'm, I'm happy to hear that. I had the, the Chair of Revenue tell me she was happy to see me too, so. I kind of feel like I'm dreaming.

**BREWER:** Whenever you're ready.

**BLOOD:** So good afternoon, Chair Brewer and members of the Government and Military Affairs Committee. My name is Senator Carol Blood. That is spelled C-a-r-o-l B-l-o-o-d. And I represent District 3, which is the western half of Bellevue and eastern Papillion, Nebraska. Thank you for the opportunity to bring forward LR1CA. I've been before this committee many times talking about the same issue, so I know that I'm preaching to the choir. So here we go yet one more time. Unfunded and underfunded mandates are a persistent and growing problem for all of our political subdivisions. When we were told that all ideas would be considered last session, that was clearly not true, wherefore the second time this constitutional amendment that allows Nebraskans to decide once and for all that we need to stop this practice was never given full and fair debate. In this special session, we as a body-- we as a body are looking for ways to cut property taxes and ease the burden of government spending. This is especially true when we think about our schools, municipalities, counties, and others whom we continue to point at as the main reason for our property taxes being so high. It's insane that we never take responsibility for the role the state has played in placing these financial responsibilities onto our political subdivisions. Mandates that we pass down, such as certain tasks, services, programs, office space, and other costs that the state requires political subdivisions to provide-- often with little to no reimbursement for the costs associated with these services and programs-- is a massive burden for our political subdivisions, who then pass it off to the taxpayers. We all know that mandates like certain tasks, services, programs, office space, and other mandates that the state requires political subdivisions to

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provide-- often, again, with little to no reimbursement for the costs associated with these services and programs-- that's redundant. Didn't I just say that? It's a massive tax burden. All right. So I, I know who reprinted this for me. LR1CA is a constitutional amendment to prohibit the Nebraska Legislature from imposing any financial responsibility for new programs or increase levels of service under existing programs on any political subdivisions after this year. As I had mentioned in my past introductions for unfunded mandates, Nebraska is a Dillon's Rule state. And that means counties have little flexibility because we have put very restrictive guidelines within state statute as to how they can pay for items and how these funds may be used. In other words, when an unfunded mandate is passed onto that political subdivision, they have few options to fiscally fund whatever program it may be. In 2014, the Government, Military and Veterans Affairs Committee released a report with LR582 regarding the size and scope of unfunded mandates to counties. The 2014 report details 16 actionable steps the Legislature could take to address some of the most pressing unfunded mandates to counties from Arthur to Douglas. These were suggestions then, and we have since moved forward on some of those ideas. Suggestions included increasing user fees such as marriage licenses, permits and registrations, and to index these for inflation, restore state aid to counties, appropriate money to counties to cover the cost of supervision and transportation of juvenile offenders by law enforcement, require DHHS, parole, and other state offices to pay for their own office space, compensate counties for the costs involved with printing ballots, ballot space for statewide elections, constitutional amendments and referendums, require the state of Nebraska rather than the county to pay for costs associated with an autopsy and grand jury if an inmate dies in state custody, and a long list of other issues. Many Nebraskans, state representatives, and others feel that they have not been heard on this issue. In 1996, the Legislature passed LB299, which created a task force for unfunded mandates to review programs or services passed by the Legislature and their effect on political subdivisions. LB1192 and LB311 were introduced in 2003 and 2004, respectively. The Nebraska Legislature was to produce a fiscal report on any legislation that would impose an enforceable duty on local governments in our state. LR544 was introduced in 2013, and it was also intended to study the fiscal impacts of unfunded mandates on local governments in Nebraska. Moving forward, LR149 in 2019 was meant to examine the burden unfunded mandates imposed on the budgets of a county government. Needless to say, it fell by the wayside, as did every one of the Legislature's efforts. We all know because of my past presentations that, nationally, several states have brought forward similar legislation,

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including Alabama in 1998, Colorado in 1991, and Maine. In Oregon, the voters went to the polls. In 1996, they decided that the state government shouldn't pass any laws unless it could be shown how the new law could be paid for. They liked this bill so much that, in 2000, when they went back to the polls, they eliminated the sunset provision. There is precedence for attempting to find a solution to overwhelming our political subdivisions with programs they struggle to finance. We heard this from Douglas County as well when we're-- we were at the Omaha property tax townhall. Senator Sue Crawford's LR582 report made it clear how much of a burden unfunded mandates are to counties and therefore Nebraskans in the form of ever higher property taxes, yet we as a body have done nothing with these findings. And guess what happened? Exactly what all of these reports predicted. We did little to nothing, and everyone's property taxes continued to rise to a point where many people are now in fear of losing their homes. Sorry. Since this is my third time, I'm going to be a little crass. So what the hell were we thinking by ignoring and blocking these efforts? We did the research. We have the evidence. So I guess for those that have blocked the efforts, it's just a matter of them not wanting to be told how to spend taxpayer dollars. And that turns my stomach. Unfunded mandates also have a negative effect on school districts, serving as a prime example of why we should fix this problem today. Recent legislation passed over the last few years has done things like require additional training and instruction for teachers on topics like violence training, suicide and awareness, and substance abuse. These requirements are definitely needed. And they're noble. But the Legislature failed to address the funding for these programs and left it up to school districts to scrape together the cash. Changes in curriculum also require expenditures from school districts themselves. Teachers must vet and choose materials, make sure they align to state standards, develop a curriculum guide and new assessments for teaching new curriculums. Teachers would need to log additional hours in the summer or during the school year to implement new curriculum, and therefore more taxpayer dollars. Imposing a financial burden and wiping our hands without finishing the task of actually funding programs-- it's bad government. We often pass good legislation but do only half of the job and rely on our political subdivisions to do the difficult work of actually finding the money for these programs. NACO's findings from their 2022 survey of 93 counties in total and found nearly \$53 million in unfunded mandates. This will be the third time I've introduced this legislation. And while it got out of this committee twice 8-0, it has never received full and fair debate on the floor. This special session, we have yet another chance to stop unfunded mandates and contribute to the Governor's goal of tax relief

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for all Nebraskans. In fact, Governor Pillen did mention the role unfunded mandates play in high property taxes in his Cass County town hall. So it's not a foreign concept to our executive branch. In past presentations, I've given you a more comprehensive history. But to refresh your memories, we have known and had research from as far back as when Ben Nelson was our Governor and was concerned about the long-term effects of these mandates on property taxes. I'm sorry to say that they were 100% right. And shame on us for never taking action to strive to fix this flaw in the government that hurts the hardworking people of Nebraska. Instead, we're more interested often in helping the wealthy and well-connected. So let's quit repeating the sins of those who came before us. Let's vote this ballot initiative out, hopefully also pass the change in the window of time for the ballot so folks can vote on it this year, and set the stage for future policymakers to be more mindful of Nebraska's tax dollars when they craft new laws. I'd like to close by thanking you for the previous two times you all voted this out for debate. Let's bring the hammer down. Let, let's let folks know that it's time for us to put our money where our mouths are. And no more shenanigans to prevent debate. I thank you for your time today and your consideration for LR1CA.

**BREWER:** Thank you, Senator Blood. The LR1CA may seem familiar to some of you because that is the exact number that Senator Blood on-- had on her previous one that did pass out 8-0. And then before that, it was LR263CA. So we, we have yet to hear how many proponents and opponents, but I have a hunch it's going to be pretty heavy on the proponents side. So my intent is that we exec and kick it out today, and then we'll put the-- well, providing the committee agrees. We'll, we'll, we'll get it to the floor and then it's up to the system once we get it that far.

**BLOOD:** I almost feel like I should go buy a lottery ticket or something.

**BREWER:** Anyway, questions for Senator Blood? Yes, Senator Halloran.

**HALLORAN:** Thank you, Senator Blood, for bringing this bill again. And obviously 8-0, voted for it the last two times. Other than the broad term of shenanigans, can you give us your more specific opinion on why it didn't receive full and fair debate?

**BLOOD:** Let's see. How can I do it and be politically correct?

**HALLORAN:** No, it's OK.

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**BLOOD:** I-- you know, both time, it pertained to the Speakers. I don't know if you remember the one time that it got to the floor and we had the votes and it made it through the first round of debate-- oh, you know, who was in here? You were and you were. And we were scheduled for a second round of debate and we were next. And for some bizarre reason, the Speaker decided that we were going to recess early, which killed the bill for the year.

**HALLORAN:** Just wanted that for the record.

**BLOOD:** I'm sorry. I could-- I, I ha-- I can't fib, but that's what happened.

**BREWER:** OK. Yes, Senator Conrad.

**CONRAD:** Thank you. Thank you, Senator Blood. Was that instance that you were referring to under the leadership of Speaker Mike Hilgers?

**BLOOD:** Yes, ma'am.

**CONRAD:** OK. I thought that was the timeline, but I just--

**BLOOD:** I was trying to be super polite and not say names.

**CONRAD:** Well, I mean, it's all public record.

**BLOOD:** It is what it is. I don't want to make anybody angry  
[INAUDIBLE] voted out.

**CONRAD:** Two quick questions after that. You-- pro-- property taxes are on-- are top of mind for all of us in political life, generally, but particularly on acute display during this extraordinary session of the Legislature this summer. There's been a lot of press stories. There's been a lot of conversations, communications amongst senators, amongst citizens, amongst stakeholders, amongst, amongst the executive branch about these issues. As you noted, Governor Pillen has specifically lifted up solutions regarding ending unfunded mandates at the local level and in the schools as critical to his, his efforts-- his laudable efforts to reduce property tax pressures. We have a disagreement with the how, but I, I think we have agreement on the goal. Are you familiar-- di-- and his team just left the hearing room. Di-- are they sending a letter of support in regards to your measure? Do we, do we have that available?

**BLOOD:** The Governor made it clear in the Cass County hall-- town hall that he has never reached out to me in reference to this issue.



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**CONRAD:** Are you aware-- because I know you always do your homework, Senator Blood. I did a really quick look at all the bills that were introduced through day three through yesterday-- which is the deadline for bill introductions in this short session-- the Governor's bills I think were LB1, LB2, and LB3, maybe LB4. I have to go back and double-check that. Do you know-- were, were there components in regards to ending unfunded mandates in that legislation?

**BLOOD:** You know, he does touch down on it, but there's really-- the mech-- there's no mechanism for it.

**CONRAD:** More of an intent language kind of--

**BLOOD:** Right. And that was my interpretation.

**CONRAD:** OK.

**BLOOD:** There was a lot to read the night before it was dropped.

**CONRAD:** Yeah, I know. Thank you. Last question. Sometimes when we're looking at these issues-- I know from the Education Committee side of things and evaluating our relationship, which is ever evolving with our partners in local schools. I think about this at my home from the kitchen table perspective. Is there ever a time to ask partners in local government to do more with less, to take on additional responsibilities without picking up the cost? Is there, is there ever a time to do that? Can you think of instances when that does make sense? Or is it better, perhaps, to have a bright-line rule that says if you're going to pass on obligations, you got to pass on the resources-- which is generally at the heart of your measure?

**BLOOD:** That's a really good question, and I have two answers for that.

**CONRAD:** OK.

**BLOOD:** So I think that if we have a relationship with our political subdivisions, our municipalities, our counties, our schools, et cetera, that, that is something that we would want to work with them in front of passing the legislation. Because when we're talking about mandates, that means we're doing something. We're passing a law and mandating that they do that. And there have been oftentimes when we have passed some really bad legislation and told them, tough. You know, like, what were people thinking when an inmate dies in a state prison-- to come to a state prison-- we'll use that as an example-- in a very small revenue-generating county, that inmate dies, then who's

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going to pay for the autopsy? And who's going to pay for the grand jury investigation? Well, you would think--

**CONRAD:** I see what you're saying. Right.

**BLOOD:** --it would be the state. But it's the county. I went through all this on the previous two bills. You, you [INAUDIBLE].

**CONRAD:** Right. I remember. Yes. Right. Right.

**BLOOD:** You know, I hear what you're saying, but, but if we're going to do that, then we have to make them partners, and we're not doing a very good job of making them partners. Basically, we're telling them to bend over and take it. Like, we're-- sorry. You told me to say how I feel.

**CONRAD:** [INAUDIBLE] free speech.

**BLOOD:** I've been on the receiving-- I've been on the receiving end of that. Having-- as has Senator Sanders, where, you know, you're just basically told, tough.

**CONRAD:** Yeah.

**BLOOD:** And to be really-- to be really-- and sorry, Senator Raybould, as well. But you're in a different part of the state. So I did-- I forgot that. I'm sorry. You know, I've, I've got to say that it is our jobs to be fiscally responsible. Our first two years, all we ever heard was death by fiscal note, right? And we got some great legislation passed without fiscal notes. We figured out how to do it. Then we got money, and all of a sudden it was like it was a big ATM. And I, I, I don't know how many times I shook my head. Why, why are we sending millions of dollars to this? And who's going to pay for it in the future? And-- well, we know who's going to pay for it in the future, but all of us will be gone. Like, we've, we've got to take back responsibility. And if we can't figure out how something can be paid for, maybe it's not the-- that good a bill, Senator Conrad.

**CONRAD:** Fair. Thank you.

**BREWER:** All right. Additional questions? Yes, Senator Raybould.

**RAYBOULD:** Senator Blood, I want to thank you for your tireless efforts on unfunded mandates. I know the answer to the question that Senator Conrad had asked you-- or, I think maybe it was Halloran. Senator Halloran, you asked that. Why hasn't this been embraced wholeheartedly

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or taken up for broader discussion and actually passed after so many efforts? And it's, it's because it's inconvenient. It's just-- it, it, it's inconvenient to think of the impact it has on other agencies down the line. It takes too much work, too much effort to do the analysis. But I just want to say thank you for your persistence on this issue because it could be the greatest financial gatekeeper besides our fiscal notes that we get if we could implement this gatekeeper and saying, how much is going to-- how much will it cost the counties? How much will it cost municipalities for these type of efforts that are brilliant? Like, we want-- you know, the time that we created more probation and parole officers because we wanted to make sure that folks were getting out of prisons and getting the support they need to succeed out in the communities. But they didn't recognize that the county was the one that had to build out all the spaces, provide the furniture, fixture, and equipment, computers for all these wonderful parole officers to allow them to do their jobs successfully. So it is frustrating. But, you know, I think that one of the best things that this committee did was certainly when we worked on voter identification. There was that tremendous communication with the counties, asking them, how's this going to impact you, your operations, the cost of doing the work that you do? Is it going to increase the cost? Is it going to streamline it, decrease it? And we got feedback from, I don't know, 92 counties on exactly how it was going to impact them. So I don't know if-- have you envisioned that the unfunded mandate would be another layer of requirement besides the fiscal note that you have to reach out to, you know, a mixture of 15 counties across the state, from the rural to the urban ones, and get their fiscal input and feedback on this. So tell me how you envision an unfunded mandate would work. Because I'm 100% supportive of it. I've seen it. I've lived it. It's-- it is so burdensome. And I'll just give one more example. When we were at the Omaha listening session, we had the, the folks that represent the correctional officers--

**BLOOD:** Mary Ann Borgeson?

**RAYBOULD:** Yeah-- come up and-- well, Mary Ann Borgeson was there, and then Roger Garcia with the county. But we had the correctional officers come and say, you know, in Omaha, we manage the largest mental health behavioral health facility in the entire United States, but we're not getting funded from the state for all the efforts. And, you know, I can talk about Lancaster County. You know, those inmates that have been adjudicated to either go to the regional center to be restored to competency. And then once they're restored to competency, they have to go to the penitentiary to serve out their sentence. But the point is those inmates stay in the county jails way past the time

they should be, but we're not getting reimbursed for that. So how do you envision this getting implemented on the state level? And how do you envision the partnership with the counties being more enhanced?

**BLOOD:** So I'm going to put it into a very simple sentence based on what I saw from the other states, that, as a senator, you don't pass a bill unless you can show how you can pay for it. That's how I see it. So I go back to death by fiscal notes. Those first two years, we didn't pass a bill unless we could prove how we could pay for it. We got very creative on how to pay for things. Unfortunately, some of them were passing it down to political subdivisions. But other things had to do with partnerships. Or maybe we could take something away from that bill that was causing that cost. I had that happen with one of my breastfeeding bills. We took out the part that, that created cost and passed a really good bill still. So that's how I see it. I think that we've ignored the data for decades, and it's time-- we, we know that these costs raise our property taxes. We know. It's no if. It raises our property taxes because we're a Dillon's Rule state because we give those political subdivisions very few tools of which to use to pay their bills. And so-- I, I mean, I could make it more complicated, I guess. But I'm saying, to simplify it, you don't pass a bill unless you can show how you can pay for it. And that doesn't mean passing that down to somebody else. It means, how are you going to pay for it? Does it come out of general funds? Is it a public-private partnership? Is there a way you can do it without there being a cost, which often is the case if we're really creative? So it's being done successfully in those states that I mentioned. Colorado's our next-door neighbor. I think it'd be worth a tour.

**RAYBOULD:** I think it would be a great idea to do that and figure out what are the mechanisms that they've put in place in their fiscal office that makes sure that nothing gets moved forward onto general debate until it has satisfied these conditions of doing this type of fiscal analysis on the impact it would have. But, you know, we could go to Alabama. We could go to Oregon. We could go to Colorado. Any one of those states--

**BLOOD:** Colorado's closer.

**RAYBOULD:** Yeah. But just to, to see, OK. What are the mechanisms you have in place that make this, this work?

**BLOOD:** I-- you know, I guarantee that if it goes to the polls, it's going to pass.

**RAYBOULD:** Mm-hmm.

**BLOOD:** Because we're asking taxpayers, should we pass bills without showing first how we pay for them? I mean, do you go out and buy a car and then, like, huh, I wonder how I'm going to pay for this? But we do this-- that all the time here in this body. I'm going to pass this bill. It's going to be \$1 million. State can pay for it. County can pay for it. Schools can pay for it. Who's going to pay for it? Like, we just-- we have to do better. People expect us to do better. I traveled all over the state talking about this for years. I have yet to have somebody say, God, that's a dumb idea. And they'll tell me if I have a dumb idea, by the way, so-- especially social media. So-- God, can we just listen to the voters for once?

**BREWER:** OK. Additional questions? Just for clarification, Senator Blood, so this would apply only to the new mandates once they become a law?

**BLOOD:** Yes.

**BREWER:** OK.

**BLOOD:** Yes.

**BREWER:** Just want to make sure everybody--

**BLOOD:** But that-- there's nothing that would stop any senator from coming back and helping with the other remaining mandates.

**BREWER:** OK. Are you going to stick around for close?

**BLOOD:** Pardon?

**BREWER:** Will you stick around for close?

**BLOOD:** Yes, sir.

**BREWER:** All right. Thank you. Thank you for your testimony. All right. We are going to begin with proponents to LR1CA. And we have a very familiar face back in the Government Committee.

**CHRISTY ABRAHAM:** Senator Brewer.

**BREWER:** Welcome. Welcome back to the Government Committee.

**CHRISTY ABRAHAM:** Thank you. It's so good to be with you. And every time I hear Senator Blood talking about that report in 2014, it

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reminds me of the good old days when I was the counsel for Government. I was the one who helped with that report in 2014. So who am I? Sorry, I need to back up. My name is Christy Abraham, spelled C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities. What's being distributed to you is a list of unfunded mandates on municipalities. This was put together by league staff and some city officials that we reached out to. My dear Government Committee, I don't want to promise that this is absolutely everything, but these are some of the things that were brought forward to us as unfunded mandates on municipalities. So I just wanted to share that with you just to sort of get a flavor of what our, what our city officials are thinking about when they talk about unfunded mandates. Just a couple of them that I would like to just lift up specifically. And one I think is a really good example of what Senator Conrad was talking about, and that is the state economic development programs. Those are, like, LB775, the Nebraska Advantage Act, the ImagiNE Act. Cities are really-- they're very passionate about economic development. They want to be a partner with the state on economic development. What happens with these state economic development programs is not only a state sales tax use, but local option sales tax is also taken. So as you know, municipalities vote for their local option sales tax. So that's a vote of the people that has to happen in order for that sales tax to happen. And then these companies come in and they get all of these funds, including the local funds. And it's not that municipalities don't want to partner with the state. We do. But it is an example of that was something that was, was put on the municipalities to do. And, and there's that extra wrinkle of municipalities have a really, really hard time finding out how much sales tax is going to be taken from them. So that's also often a budgeting problem for them when they don't know. The other one I just want to lift up a little bit just because league staff get called about it so much is these publication requirements. And, again, everybody loves their local newspaper. Publication requirements are expensive. And for cities-- Omaha, Lincoln, first-class cities, they all have to publish their public meetings in the newspaper. That's a requirement in state law. And so we often get calls-- well, is it possible that we could publish on our own website? Like, we have a lot of people that that's where they go to find that information, is on their website. Is it OK if we just do that? And league staff have to say, I'm so sorry, but that is something that's in state law. You have to publish in a newspaper of general circulation. And league staff have tried to count up how many publication requirements are. There's over 90 in state law right now. So it seems like a small thing. It actually does add up, though, sometimes. So I just wanted to lift

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those two up. If you have any questions about the sheet, I'd be happy to answer those. And we just stand in strong support. We're just so grateful for Senator Blood to introduce this measure again.

**BREWER:** All right. Thank you for your testimony. And thanks for the sheet that's--

**CHRISTY ABRAHAM:** Sure.

**BREWER:** --a little more extensive than I realized once I see everything that you got listed here.

**CHRISTY ABRAHAM:** Yeah. And we-- Senator Brewer, we tried to put it on-- make it a one-pager, so of course we want the font to be-- you know, we want you to be able to take a look at. It's, it's pretty small font but--

**BREWER:** All right.

**CHRISTY ABRAHAM:** --there's a lot of things on it.

**BREWER:** Let's see if we got questions for you.

**CHRISTY ABRAHAM:** OK. Thank you.

**BREWER:** Are there any questions for Christy? Yes, Senator Raybould.

**RAYBOULD:** So-- Christy, thank you so much for being here. So how long have you been fighting this battle against unfunded mandates?

**CHRISTY ABRAHAM:** That's such a great question. And I love it that you want me to talk about me. That's always exciting. I started with the Government Committee in 2000. And-- so I was counsel for Government for 14 years. And that was a familiar theme. As everyone on this committee knows, that's something that you work a lot with, with-- particularly with counties and the unfunded mandates that they face. So I spent many years doing that. And then, of course, now working at the League for 8 years. We also always are very concerned about any unfunded mandates that come down the pike.

**RAYBOULD:** Thank you.

**CHRISTY ABRAHAM:** You bet.

**BREWER:** OK. Additional questions? All right. Thank you for the handout and thank you for your testimony.

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**CHRISTY ABRAHAM:** You bet. Thank you so much.

**BREWER:** All right. We are still on proponents. Come on up. Oh, there we go. Green sheet. It's official. Welcome back to the Government Committee.

**BETH BAZYN FERRELL:** Thank you. Good afternoon, Chairman Brewer, members of the committee. For the record, my name is Beth, B-e-t-h; Bazyn, B-a-z-y-n; Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing in support of LR1CA. We'd like to thank Senator Blood for her tireless commitment to this issue, to providing relief from unfunded mandates and underfunded mandates for counties. This is a significant issue for us. And, normally, Jon Cannon would be here to testify on this, but he is downstairs in line waiting to testify on the Governor's property tax bill. And-- so we kind of think it's interesting that this bill is up here today while downstairs they're talking about what hard caps could be doing-- could be put onto counties. And so it's kind of an interesting series of events. So as, as you know, counties rely on property taxes and inheritance taxes for all the things that we do to run fair elections, to provide good roads, provide law enforcement in courts and public defenders and county attorneys to keep us all safe. The list goes on and on. And I can talk about some of the, the unfunded mandates that the counties have beyond that, but I think the discussion today has been really good. Senator Blood just handed out the list that we had put together. The League has their list. So I won't go into those unless you'd like me to. I think one thing that's really important to note is something that Senator Blood brought up, Senator Raybould mentioned as well: providing services is really a partnership between the state and local governments. We think LR1CA is really an example of how that partnership can work, if the state implements something that's a new program or service then there's funding to help local governments provide that. So, it, it is that partnership there. So we strongly support this. And we'd be happy to answer questions.

**BREWER:** All right. Thank you. Let's see if we got questions. Senator Conrad.

**CONRAD:** Thank you so much, Chair. Thank you for being here. Appreciate that. And I-- this just kind of popped into my brain as I was having a chance to review this handy sheet that was passed out detailing some of the unfunded mandates at the federal level and the, the state level. And I, I guess I need to go back and double-check this specific language in Senator Blood's cons-- proposed constitutional amendment,



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which I remain generally supportive of. But Beth, can you help us understand-- you know, some of these things that I see listed here in terms of unfunded mandates-- which I think it's important that we do address and take responsibility for-- are also just general legal obligations. Like, how, how do you-- maybe it's in the eye of the holder-- but, like, how do you provide kind of a, a distinction in that regard, like asbestos compliance, like-- yeah, everyone should actually do that. Is that an unfunded mandate? Is it not? I mean, you know, some of the basic law enforcement requirements that, of course, are, are borne by, by local taxpayers in many regards, you know, again, are, are, I think, kind of more general legal obligations than perhaps specific, intentional unfunded mandates on local government. Can you maybe just help to kind of walk through some thinking on that if there is a distinction? If there's not a distinction, it all shakes out the same way for the local taxpayer. Just-- if you can help me tease that out a little bit, I think that'd be helpful.

**BETH BAZYN FERRELL:** That's something that we've talked about a lot internally, is, what is a function of government and what is a newer additional function of government that ends up being an unfunded mandate?

**CONRAD:** Sure.

**BETH BAZYN FERRELL:** And that, that is kind of a gray area about what, what is and what isn't.

**CONRAD:** OK.

**BETH BAZYN FERRELL:** I think this would help determine what is and what isn't, especially the fiscal note and the analysis there would help kind of narrow that down.

**CONRAD:** OK. That, that's really helpful because I'm like-- I'm thinking, for example, like, compliance with nondiscrimination laws. Yeah? Businesses and government have to figure out how to comply with those. But I wouldn't necessarily say that's an unfunded mandate. Maybe you see it differently. And that's just one kind of general example. But I, I think that this is actually a really helpful list, and it just kind of generated perhaps some of those kind of policy questions as, as a follow-up. But, but having clear parameters can, can help to make that assessment. And, and I appreciate that. And I'm sure Senator Blood has more [INAUDIBLE]. Thank you. Thank you.

**BREWER:** All right. Senator Raybould.

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**RAYBOULD:** Thanks for coming, Beth. Are you familiar with what some of the other states that have passed unfunded mandates and how they have implemented them and some of the mechanics that have been put in place to help make sure the state lives up to that commitment of not passing on any, any more unfunded mandates down to the counties and cities?

**BETH BAZYN FERRELL:** That's something I'm not familiar with, but I think that's something we should really look into and see. I think that's a great idea to see how they're making it work.

**RAYBOULD:** So I, I first learned about this-- I got invited to go to the, the National Association of County Officials in Washington, D.C., and I got to meet with the delegates from Oregon who had just worked successfully-- and other county officials that were able to get this implemented, and they were super excited. But that was, you know, 2011. That seems like so long ago. But I think-- I would, I would like to learn more if NACO can reach out to their counterparts and-- because most likely you've-- it is a partnership with the state. And how can we work better in making sure that we're respectful of each other's budgets without encroaching and cost shifting on each other's budgets? So I, I'm hoping that maybe NACO can help us and-- or we'll just have to go to-- out to Colorado, I guess.

**BETH BAZYN FERRELL:** I'd be happy to look into that.

**RAYBOULD:** OK. Thank you.

**BREWER:** All right. Senator Halloran.

**HALLORAN:** Thank you, Mr. Chairman. And thanks, Beth, for being here. It's good to see you again. So in your estimation, would funding education be an unfunded manda-- mandate?

**BETH BAZYN FERRELL:** Being with the counties, I can't really speak for education.

**HALLORAN:** You can give us your opinion.

**BETH BAZYN FERRELL:** You know, the constitution does require there to be education provided. As far as parsing out who actually does what of that, I think I would leave that to someone who's more well-versed in that.

**HALLORAN:** Boy, it's almost as we anticipated that question.

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**BREWER:** All right. Any additional questions? All right, Beth. Thank you for your testimony. All right. Next proponent. And welcome back to the Government Committee.

**TIM GAY:** Thank you, Chairman Brewer and members of the Government, Military and Veterans Committee. My name is Tim Gay, T-i-m G-a-y. I'm a registered lobbyist for Sarpy County, Nebraska. Anyway, two great testimonies before me. They know a lot more than I do about this, but I would add a few things. Sarpy-- first of all, I'm here-- I did want to say-- Senator Raybould brought up Sarpy County. Wanted to thank Senator Blood for continually doing this. I think seven out of eight years she's probably introduced bills on unfunded, underfunded mandates in this constitutional amendment. So we appreciate that. And Chairman Burmeister wanted to be here today. That's why he got me instead. They're-- they have a county board meeting. And one of their long-term employees-- the fiscal administrator, unfortunately-- is leaving. I don't know if he's leaving because all this talk going on or not. Anyway, today's his last day, so they're giving him an award and doing some other things. So she asked me to kind of pinch-hit. But-- anyway, I know-- and, and also we've been-- with that said too we, we've had Senator Sanders and all our Sarpy County senators-- the first thing we do is talk to them about this every year it seems like. And I know Senator Sanders probably gets sick of it, hearing it. But as former mayor, she, she, she, she knows what's going on. But I was looking around the room when I came up to see what I was going to testify, and I was thinking-- I was so pleased to hear that from Chairman Brewer, hopefully we'll kick this out and we'll have a-- your colleagues can have a good discussion about it. But I was looking around the room and I was thinking of all the business owners that are at this table, all the leadership, the di-- the different things going on. But as business owners, you know, you probably get hit up, well, wouldn't this be a great idea? Well, it sure would. But how are we going to pay for it? You know, this is not in the budget or whatever. How could we sustain it? So just business practices. This kind of makes sense, to pay for what you decide to do. But then looking around at all the experience that's still here-- and I know several of you are going to be, be leaving the Legislature here soon. But all the experience of the Chairman on this thing, Appropriations members, plus people who, who have experience in, in local government, county, city, whatever. You've got a wealth of information right here. If you want to push this, it would be super exciting to get done. So what I was thinking back there a little different-- and, and Senator Raybould brought this up-- is-- remember, the counties are probably the, the closest thing you've got to enforcing whatever you pass, right?

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Anything you pass, counties have to do it. There is no, eh, we don't want to do that. We're going to pass on it. So especially now as Beth talked about with some of the lids coming in, it's going to be super important that your own programs get passed and funded properly. So I think that's important. I wanted to add that. The second thing was maybe, how would this work? She said, well, we get the fiscal note. So somebody calls and we look through all the bills and-- you, you know as Government Committee members how many bills that are introduced every year that deal with government, county government, city, whatever. But it's a tremendous amount. So the Fiscal Office then calls our fiscal administrator. You know, we're, we're looking for someone to call real quick because I got a fiscal note to get out. Can you tell me about this? And they find one that answers, and pretty soon they keep calling back to that person. And the-- it says, I don't have time. I mean, I run a hundred bills. So I think if you did do something like this, it would be very good. Those people would respond, I guarantee you under partners. But they knew it wasn't maybe just falling on deaf ears. And I don't mean that in a bad way. But at some point I think you'd get a better response. The second thing I was thinking about if you implement this would be you put the cell phone-- you know, you can only introduce however many bills it is, I forget, for the coming years. So you're-- you kind of put that imposition on there. I think future senators would probably look and say, hey. Maybe I should talk to the people this is going to impact. I want to write a decent bill. I don't get to choo-- you know, put a hundred bills in. So I think that could be a good benefit too to think about when you're going forward. So that being said, I did want to also thank-- I know there is-- NACO's working on interim studies and unfunded mandates. They're doing an interim study that Senator Holdcroft introduced, LB-- LR394. And then I won't go over all these, but these are just Sarpy County's. It's \$15 million a year that we spend right now that's unfunded or underfunded. And that's mostly unfunded. So, again, when you say to do something, we, we have to do it. So that being said, I'll, I'll shut up and, and let you go. Thank you.

**BREWER:** All right. Thank you, Tim. It will be noted that you're the only one that went to the yellow light, but it's OK. All right. Questions for Tim? OK. Thank you for your testimony.

**TIM GAY:** Thank you.

**BREWER:** All right. Any additional proponents? Anybody in opposition? Anybody in the neutral? Senator Blood, come on up.

**BLOOD:** All right.

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**BREWER:** Well, as I predicted, there was a lot of support and no opposition, so I think we will probably have a Exec Session if my committee agrees, and we'll get things moving.

**BLOOD:** Well, and I have to say I think it's interesting that there's yet another interim study on it to-- whether we should know whether unfunded mandates affect property taxes or not, so.

**RAYBOULD:** Well, I think Beth would know. It's, it's primarily on inheritance tax. And correct me if I'm wrong. Because what can counties do-- or, what can they do in conjunction with the state of Nebraska to help supplant that lost funding?

**BLOOD:** Interesting.

**RAYBOULD:** But it kind of-- it comes down to unfunded mandate, and it always digressing and talking about unfunded mandates anyway, so.

**BLOOD:** So you g-- you all gave me a, a task, unknowingly, about how we would implement this.

**RAYBOULD:** Yes.

**BLOOD:** And I remembered reading the article four years ago, and I found it on my phone. So actually, there is a, a website: [orcities.org](http://orcities.org). It was put up by the League of Oregon Cities, [INAUDIBLE] municipalities, and it's called "Understanding Oregon's Unfunded Mandate Law," and they walk you through exactly how it is implemented. But I don't want to put the cart before the horse. All this does is ask the voters, should we pass a bill without showing how we're going to pay for it? And then it's going to come-- just like every constitutional amendment, it's going to come back to you to figure out, how do we do this in a way that is, is fair and balanced? For example, in Oregon they do have exceptions. And one of the things they do that you may or may not agree with is that if they pass down an unfunded mandate and they're not going to pay for it, in general that municipality can opt not to comply because they can't pay for it. They also have an arbitration as part of their process. And they have certain exemptions as well. And so I think that there's just some really good templates that we could use-- I wouldn't say we-- that you can use. And however you do it, I hope that you're-- I, I just hope that we can get to the point that we can get it on the ballot. Like I, I feel embarrassed that-- I mean, this goes all the way back to Governor Nelson. How long ago was that? Somebody help me out. Decades ago, we'll say. Like, he had two different groups study it. One of

them was on schools. Like, there hasn't been a single research paper or a single hearing where people said, ah, this, this is baloney. This doesn't raise property taxes. None of them have said that. They've all said the same thing. And we come up with all these grandiose ideas and we act like we're a piggy bank and that's going to lower our property taxes. But we have this foundation hitting us in the face that we keep ignoring, and I find it so frustrating. And I just, I just pray that we can get it out. I pray that we can have a fair and full debate. I'm sick of people saying, oh, we'll take any suggestion. Well, that's also a load, right? Like, I, I just-- I've been so frustrated and I just feel so strongly that this is so important. And this is one thing that we can do. And it's not going to give me anything. This is-- I'm done. I wouldn't even be here if hadn't been forced to come back this summer. But this is what I have to contribute to lower property taxes. And I'm just begging you guys to help me get this moving forward.

**BREWER:** All right. Questions for Senator Blood? All right. I need to read in. We had 4 proponents, 2 opponents, and 1 in the neutral on LR1CA. And with that, we'll close the hearing on LR1CA.

**BLOOD:** Thank you.

**BREWER:** We will take a--