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Appropriations Committee
March 19, 2015

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The Committee on Appropriations met at 1:30 p.m. on Thursday, March 19, 2015, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Ken Haar; Bill Kintner; John Kuehn; John Stinner; and Dan Watermeier. Senators absent: Jeremy Nordquist.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District and serve as Chairman of the Appropriations Committee. I'd like to start off today by having members do self-introductions. Starting here on my far left and your far right, Senator Bill Kintner from District 2, representing parts of Sarpy, Cass, and Otoe County, Senator Kintner will be joining the committee shortly. Sitting next to Senator Kintner is Senator Jeremy Nordquist from District 7, representing downtown and south Omaha. Senator Nordquist is absent from the Legislature today.

SENATOR KUEHN: John Kuehn, District 38, seven counties in south-central Nebraska.

SENATOR HILKEMANN: Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: John Stinner, District 48, Scotts Bluff County.

SENATOR BOLZ: Senator Kate Bolz. I represent District 29 in south-central Lincoln.

SENATOR HAAR: Senator Ken Haar, District 21, northwest Lincoln and Lancaster County.

SENATOR WATERMEIER: Dan Watermeier, District 1, from Syracuse.

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SENATOR MELLO: Assisting the committee today is Rachel Meier, our committee clerk, and our committee page for the day is Julia. Our first fiscal analyst is Scott Danigole. On the cabinet up here to your right you will find some yellow testifier sheets. If you're planning on testifying today, please fill out one of the sheets and hand it to Julia, our page, when you come up. It helps keep an accurate record of today's public hearing. There is also a white sheet on the right cabinet that if you do not wish to testify but would like to record your position on a specific budget item for a specific agency, you're able to do so. When we hear testimony today regarding state agencies, we will first hear from a representative of that state agency. We will then hear testimony from anyone who wishes to speak on the agency's budget request. We ask that you begin your testimony today by giving us your first and last name and spelling it for the public record. If you do have any handouts, please bring at least 11 copies and give them to Julia, our page, when you come up. If you do not have enough copies, please let her know so she can make more for the committee. We will be using a strict five-minute light system today except for those testifying on behalf of the state agency. When you begin your testimony, the light on the table will turn green. The yellow light is your one-minute warning. And when the red light comes on, we ask that you wrap up with your final thoughts. As a general matter of committee policy, I'd like to remind senators that the use of cell phones and other electronic devices is not allowed during public hearings. And at this time I'd ask all of us, including senators, to please look at our cell phones and make sure that they are on the silent or the vibrate mode. With that, at this time we will begin today's public hearings with Agency 7, Office of the Governor.

MATT MILTENBERGER: Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Matt Miltenberger, that's M-a-t-t M-i-l-t-e-n-b-e-r-g-e-r, and I'm the chief of staff for Governor Pete Ricketts. I'm here today to testify in regards to both the Office of the Governor and Lieutenant Governor, and would like to just start off by thanking the committee for including the Governor's recommendations in your preliminary budget report. As you're aware, the Governor's Office requested additional funding for two new strategic and performance management

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positions within the office, those positions being the chief operating officer and the chief human resources officer. Through conversations with members of the Legislature and constituents, it became clear to the Governor that more needed to be done to assist state agencies with driving operational excellence throughout state government. Felix Davidson, who serves as the COO, and Sharon Pettid, in the HR role, have both met with every code agency director already and have started the process of identifying ways that each agency can provide its services more efficiently and effectively. Felix is already in the process of working with Department of Health and Human Services on how we can improve ACCESSNebraska. He is also working with Director Frakes and the Corrections Department on a program to help calculate prison sentences so that we can eliminate most of the human error that would take place there. It's a priority of the Governor that we shift the focus of state government to one that puts customers first, and that's exactly what these two positions will be doing. The Governor has greatly appreciated the open dialogue we've had with Chairman Mello and members of this committee throughout this process and look forward to continuing that as the budget is formulated. And with that, I'll take any questions. [AGENCY 7 AGENCY 8]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Miltenberger. Are there any questions from the committee? Senator Stinner. [AGENCY 7 AGENCY 8]

SENATOR STINNER: Thank you, Senator Mello. Are these two positions, in your mind, permanent positions with the Governor's Office. [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: Yes, sir. I think as we go on, you know, we've got 31 directors throughout state government and our focus in the short term will be on some of the larger agencies, like HHS and Corrections. But there's definitely areas where we can drive operational excellence throughout all agencies of state government. [AGENCY 7 AGENCY 8]

SENATOR STINNER: And your chief operating officer's duties will be? [AGENCY 7

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AGENCY 8]

MATT MILTENBERGER: So the chief operation officer, his duties are more the internal operations of the state agencies, so implementing technology, finding new processes, processes to streamline how these agencies operate is more where his focus will be, really on the operations of the agencies. [AGENCY 7 AGENCY 8]

SENATOR STINNER: Is that a duplication of what's already being done or is that something that's brand new or is he going to try to work with what's set up already? [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: This would be brand new. It's really a way, a new way to look at this. A couple other states have implemented a similar strategy, Utah and Tennessee I know for sure. And they've already seen improvements throughout their state government from having this position. [AGENCY 7 AGENCY 8]

SENATOR STINNER: Okay. These positions report, obviously, right to the Governor. [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: Yes, sir. [AGENCY 7 AGENCY 8]

SENATOR STINNER: Okay. The human resource office, I mean we have some people too. What precisely is that position going to do? [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: Sharon's position will be more strategic HR, so she's helping expand the pool of candidates that we're looking for as we're finding directors and things in state government. She's also helping with job descriptions for different positions. I mean we haven't had that in state government. And she's also working with setting up metrics and goals with the agency directors so that we have ways to measure the operations of these different departments. [AGENCY 7 AGENCY 8]

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SENATOR STINNER: Is one of her duties going to be to assess what the cost of turnover is? [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: She'll be...or I would say her and Felix together would be working on that. [AGENCY 7 AGENCY 8]

SENATOR STINNER: Okay. Thank you. [AGENCY 7 AGENCY 8]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Senator Kuehn. [AGENCY 7 AGENCY 8]

SENATOR KUEHN: Thank you, Chairman Mello. Thank you, Mr. Miltenberger. Just a couple of questions with regard to the Governor's budget, as proposed. There were a number of items since the Governor introduced his budget and presented it to this committee. The childcare cost survey was not completed and came in at a much higher estimate than was put in the Governor's original budget. Obviously, issues have emerged with regard to funding in the judicial branch with regard to children who have moved across in the transfer from HHS to the judicial branch. There was a 3 percent across-the-board increase given to the university in the Governor's budget, while they've asked for greater than 8 percent year over year. Given these items that we simply did not have included or were not taken into account in the Governor's preliminary budget, what kind of guidance would his office want to give this committee as we grapple with those rather substantial increases and still reconcile his guidance on the budget as a whole? [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: Well, I would say, you know, when we put our budget together, we knew that certain issues like TEEOSA or the increases in salaries for state employees were going to be an issue, and we had to work under the parameters that we had. And the Governor is happy to meet with the committee or members of the

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committee, however they would like, to help come up with a plan. [AGENCY 7 AGENCY 8]

SENATOR MELLO: Thank you, Senator Kuehn. Any other questions from the committee? Seeing none, thank you, Mr. Miltenberger. [AGENCY 7 AGENCY 8]

MATT MILTENBERGER: Thank you. [AGENCY 7 AGENCY 8]

SENATOR MELLO: Is there anyone else here wishing to testify on Agency 7, Office of the Governor? Seeing none, that will close today's public hearing on Agency 7, Office of the Governor, and take us to our next public agency, Agency 8, Office of Lieutenant Governor. We did just hear from Chief of Staff Miltenberger that he was representing Agency 8 as well, so I will take that as the testimony for Agency 8. Is there anyone else here wishing to testify on Agency 8, Office of the Lieutenant Governor? Gerry? (Laughter) Seeing none, that will close today's public hearing on Agency 8, Office of Lieutenant Governor, and take us to our next hearing of the day, Agency 9, Secretary of State. [AGENCY 7 AGENCY 8]

JOHN GALE: (Exhibits 1, 2, and 3) Good afternoon, Senator Mello, members of the Appropriations Committee. My name is John Gale, J-o-h-n G-a-l-e, Secretary of State for the state of Nebraska. First, I would like to thank the committee for your preliminary recommendations generally for the Secretary of State Office, and next I would like to address several specific items for your consideration. I would first like to refer you to Program 045, which is the Election Division, voter registration and vote tabulation contract increase. And I know, considering the big numbers that you do deal with the many agencies, these requests for a General Fund increase for fiscal year '15-16 and fiscal year '16-17 are pretty modest sums. Nevertheless, they were included in the Governor's budget recommendation for our office but were not funded by the committee, and perhaps this was an oversight or a technical error, but we do respectfully request that funding be as recommended by the Governor for this reason.

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This particular program involves a major contract with Election Systems and Software of Omaha, probably the largest election equipment and software manufacturer in the world. We're lucky to have them in Nebraska and they've been of wonderful service to us for a period of ten years. And we have just entered into a new contract with them to continue with the equipment maintenance for our voter tabulation equipment that we own as a state across the state of Nebraska in all 93 counties, as well as our voter registration system, which is a synchronized, statewide, Web-based voter registration system that we didn't have until we had the federal money under the Help America Vote Act. But we do need these increases because they're part of the contractual requirement over the next two years. Without these increases under that contract, we would have to cut back some phase of the operation that is going to push down costs to counties that we won't be able to pay for without these contractual increases funded. So it's just simply the Governor's recommendation included. We just ask you to include these funds as well so we can continue working with ES&S to maintain a smooth operation on maintenance of date of the equipment that ES&S provided for us. The second item is Program 045, Elections, elections' operations and HAVA replacement funding. For those who are new to this appropriation process or maybe even not on Government Committee, HAVA simply stands for the Help America Vote Act of 2002, which was that fundamental piece of Congressional legislation following the catastrophe of the 2000 election and the collapse of the Florida election system and several others around the country. And we received some \$21 million from the federal government, plus a 5 percent match by the state, in order to have this very sophisticated, synchronized, statewide voter registration and vote tabulation equipment. We asked for this funding to be General Funds and had truly expected that we would probably receive that, but the Governor's Office had recommended cash fund transfers rather than General Funds. And those cash fund transfers, while you look at the numbers you might say, well, those aren't such large numbers, but they are very, very significant numbers to us and that is for a couple of reasons. One is that we're just about out of federal money. We've been using federal money to prevent the counties from having to carry a load of expense and we used that federal money for that for ten years. And we still have

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a little bit left for this next biennium cycle and that's why this request is not as dramatic as it might be once we're out of...fully out of the federal money. Your committee has recommended funding half of this from General Funds and we appreciate that and that helps a lot. But to cash fund this from our two business service cash funds, UCC and business service cash funds, is virtually impossible for us to accommodate for the next two biennium cycles. And the reason is that those two cash funds fund the filing by all of the banks in the state of Nebraska of their priority liens for operating loans that they make, mostly to farmers and ranchers and small businessmen. And it's been an error-free, high-tech system and strongly supported by both the bar association and by the banking association. And this recommendation that even half of it come out of those cash funds presents us with a very, very challenging choice, and this is why. And you'll look at my testimony that I've passed out and there are two attachments to that, which help explain the financial difficulty that it puts us in. Those two cash funds have been transferred regularly by the Appropriations Committee over the past six or eight years, and the cash funds themselves are a very small percentage of the money that they generate. For example, the corporations cash fund over the last ten years has generated \$100 million to your General Fund. I mean it really generates a lot of money for the state of Nebraska. And the smaller percentage of that, less than 10 percent, comes into the cash fund and the statutory intent of that cash fund is that it support and sustain the systems that are necessary to handle both the filings by the banks under the Uniform Commercial Code, and the filings by the business entities under the Corporations Act and other business entity acts. The underlying operating system is 16 years old and major IT companies stopped supporting that in 2008. And that would have been the time we would have come in and asked for the \$2.65 million that we need to replace that operating system, except we were experiencing, of course, the Great Recession and tremendous fiscal crises in government across the board. So we've had to postpone it and postpone it until times were a little better. And times are a little better but the cash funds are in such a condition we need every dime in them in order to get through the next four years with the UCC cash funds and the corporate cash funds in order to pay for that system. So the system has been approved. It's been classified as

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Tier I, which means highly recommended. It means a highly critical mission for the agency and for the state. So it has the highest recommendations from the State Government Council and the Nebraska Information Technology Commission. We need it and the time now is to do it. And with further funds taken from those cash funds, we're going to be short of money. The other issue is the funding of our Election Division itself and there's a recommendation that that division continue to be funded by cash funds. And it's happened in the past, it may well happen in the future, but that Election Division needs to be funded with General Funds. We've advised the Appropriations Committee in the past, we've advised the Government Committee in the past that these are just a natural part of our election expenses and they shouldn't be paid for by fees that are generated by businesses and by banks, so in effect they're paying for elections and we think that the General Fund should pay for the support of our Election Division to carry out the tasks that need to be carried out. I would like to, before I complete my testimony, I would like to refer to two letters that have been distributed to you, one from Nebraska Bankers Association and one from the Nebraska State Bar Association, both of which are strongly supportive of our request that cash funds not be diverted until this new operating system be bid and be installed and launched and made to support both the UCC operations and the Corporations operations. We don't ordinarily ask for support on appropriations issues, but these are key to both of them. It's their clients who are paying into these cash funds. Also, on Exhibits 1 and 2, which are attached to my testimony, you'll see on Exhibit I--I guess either I'm out of time or about out of time--but on Exhibit I you'll see in about the middle under UCC it talks about the cash balance in June of 2017 and then below that is needed for IT project. So this is the UCC cash fund. We need \$880,000 out of that fund in 2017. You drop down to 2018 and we need another \$300,000 for this IT project in 2018. It leaves a balance of \$512,000 as of June of 2018 and that's about half of what it costs to operate that division. So in other words, we're going to have to count on future revenue after 2018, June of 2018, in order to support that division, which has never been true in the past. Under corporations you'll see, you get down to the bottom, needed for IT project FY 2018, \$1,450,000, so that's the other part of the \$2.65 million we need for that new operating system. And that leaves

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\$499,000 as of June 30, 2018, and that's less than half of what we need to support the Corporations Division for a fiscal year. So we're going to be very, very short without any cash funds transferred to any other purpose. We're going to be very, very short of accomplishing those two things. And the last thing I would like to happen during my tenure is to have those systems fail on our banks and our lawyers and our 100,000 of our business entities in the state of Nebraska. Thank you. [AGENCY 9]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Secretary. Are there any questions from the committee? Senator Stinner. [AGENCY 9]

SENATOR STINNER: I got to move a few things around to get up at the mike. Thank you, Senator Mello. Secretary Gale, that project is now going to cost \$2,630,000. Is that what the combined project is? [AGENCY 9]

JOHN GALE: Two million six hundred fifty thousand is... [AGENCY 9]

SENATOR STINNER: Okay. [AGENCY 9]

JOHN GALE: ...our best estimate. We did go out and, in effect, under a request for information, get quotes from a variety of different companies to see what it might cost. That kind of falls right in the middle range. [AGENCY 9]

SENATOR STINNER: Okay. So you have not nailed the contract down into a firm contract for... [AGENCY 9]

JOHN GALE: Have not yet. [AGENCY 9]

SENATOR STINNER: Okay. [AGENCY 9]

JOHN GALE: We will need to bid it in 2016 and hope to have it launched by 2017.

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[AGENCY 9]

SENATOR STINNER: Okay. Thank you. [AGENCY 9]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? I've got one question, Mr. Secretary. Usually someone else always asks it, so I'll ask on behalf of the committee. Can you give the committee an update of where you're at in regards to reappropriation funding that you would have at the end of this year? I notice that was not in your testimony where every other agency, essentially, we've had every agency come and ask us to reappropriate their unexpended balances at the end of the year. Do you have that number perhaps? [AGENCY 9]

JOHN GALE: We do...we do not anticipate any carry forward. [AGENCY 9]

SENATOR MELLO: Okay. [AGENCY 9]

JOHN GALE: We try to be conservative, fiscally conservative, when we estimate our budget and we don't expect to have any cash that we request to carry forward. If there is any cash, obviously, if you want it, it's yours. [AGENCY 9]

SENATOR MELLO: Okay. All right. Thank you, Mr. Secretary. [AGENCY 9]

JOHN GALE: Thank you, Senator Mello. Thank you. [AGENCY 9]

SENATOR MELLO: We'll next... [AGENCY 9]

SENATOR HILKEMANN: Just how much (inaudible)? (Laughter) [AGENCY 9]

SENATOR MELLO: We'll next hear any other testifiers on Agency 9, the Secretary of State. Seeing none, the committee should have received letters in support of the

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Secretary of State's budget from the Nebraska Bankers Association and a letter of support for the Secretary of State's budget for the Nebraska State Bar Association. That will end today's public hearing on Agency 9, the Secretary of State, and take us to our next public hearing of the day, Agency 10, Auditor of Public Accounts. Good afternoon. [AGENCY 9]

CHARLIE JANSSEN: (Exhibit 1) Good afternoon, Senator Mello, members of the committee. My name is Charlie Janssen, C-h-a-r-l-i-e J-a-n-s-s-e-n, and I would like to thank the committee for their preliminary budget report. As you all know, I'm the new Auditor of Public Accounts. While previously serving in the Legislature, I wasn't fully aware of all of the duties of the office. So I thought it would be helpful for the committee if I explain briefly some of the duties and mission of the office. And I won't go into detail with that, but I did include it in Exhibit 1. And I'm fully aware that the NCAA basketball tournament is underway, so I've chosen not to go into detail about the ins and outs of the duties of the office but I thought I'd include it for your reading. I'm doing so in support of my request that the Legislative Appropriations Committee please increase Program 506 preliminary numbers in the amount of \$293,830 for both FY '16 and '17. In addition, I'd like to request a deficit increase in FY '15 in the amount of \$149,915. This modification is an increase of...is for an increase of five audit staff members. On January 28, 2015, I provided this committee with an early communication of my present request since the office budget has been submitted prior to taking my office. As auditors, it is our mission to provide information to all policymakers and taxpayers using the knowledge we obtained from our audits. "An investment in knowledge pays the best interest." That's from Benjamin Franklin. As you all know, it takes money to make money, and I would say in this case it takes money to save money. As can be seen on the charts on Exhibit 2, since 2005 state expenditures have increased by 39.41 percent overall, while the Auditor of Public Accounts' General Fund appropriation has decreased overall by 2.18 percent. Those charts show also that only two-tenths of a percent was spent through General Fund Program 506 to audit over \$10 billion of expenditures. Currently, there are 78 state agencies expending funds, which I have included a graph

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in Exhibit 3. For the details of actual agency expenditures by fiscal year for years 2010 through 2014, the Auditor of Public Accounts is 44th on the listing of total expenditures. And this includes Program 10, which is for my salary; Program 506, which is General Funds to audit state expenditures; and Program 525, which is cash funds collected for audit of political subdivisions and state entities, such as lottery, school retirement, and the state single wide audit that are required to reimburse the Auditor of Public Accounts for their cost. It is well known that my predecessor had a rocky relationship with the corner office on the second floor, which was largely responsible for the reduction of appropriations in the Auditor's Office, in my and my staff's opinion. I have taken great strides to improve and increase the working relationship with that office, as well as the Legislature and other offices. The lack of funding over the past years has resulted in my office being seriously understaffed. Currently, the Auditor of Public Accounts must prioritize the many audits to be conducted. Audits required by statute, such as the CAFR, the annual audits on the university and state colleges, Retirement Board, and the lottery, are my office's first priorities. With the time remaining, other audits are selected based upon management evaluation and potential high-risk conditions and circumstances. In addition to auditing, we review over 2,000 political subdivision budgets and audits and waivers, while maintaining a political subdivision databases found on our Web site. The following agency audits are behind our standard three-year rotational cycle, which is in Exhibit 3 as well. Consequently, each of these agencies is long overdue for a detailed individual, as opposed to the more generic overview presented by the Comprehensive Annual Financial Report, often referred to as a CAFR, financial audit. As you can see, the need for updated individual agency audits goes back to 2004. As I looked at this, one really glaring example of a need for increased audit staffing is the Department of Health and Human Services, which has spent over \$3 billion in fiscal year 2014. In order to conduct a complete financial audit of the entire department, we estimate it would take approximately 6,000 hours, or ten auditors 15 weeks, to complete with the current staffing. It is necessary. It is nearly impossible to complete this task at that level. The second glaring example is the Department of Corrections. This agency had not been subject to an agency audit since 2008. However,

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that audit is currently underway. We anticipate having this audit completed by May. We currently have nine auditors working on this audit, which started in February of 2015. The Auditor of Public Accounts auditors are required to have bachelor's degree with a minimum of 24 hours of accounting. Currently, my staff well exceeds that minimum and many of them have various credentials, such as CPA, certified public accountant; CFE, certified fraud examiner; and CISA, certified information systems auditor, which I've included in Exhibit 4 also below here. We strongly encourage our staff to pursue professional credentials as a way of continuing to improve and enhance their professional capabilities. And just recently we had one of our auditors pass the CPA exam. As with any transition, there's been some turnover in our office. Some of the positions have been filled and we are currently in the process of filling one part-time intern and two full-time auditor positions. As you can see from the exhibit, Exhibit 4, over all the staff has fluctuated over the years, some due to cash funded audits. You can also see on Exhibit 4 that 93 percent of our budget goes toward personal services. This means the majority of appropriation given to the Auditor of Public Accounts is for professional individuals who actually audit the financial records and documents of the state. In a perfect world, fraud would not exist; however, sometimes the hardest crimes to see are the ones perpetrated by people who are trusted. When times get tough, fraud becomes more prevalent. Since 2007, some of the alleged frauds disclosed by the Auditor of Public Accounts are listed, which I've included on Exhibit 5. All of the full reports can be found on our Web site, which I've listed the link as well. As you can see, these all involve types of entities from state agencies, counties, villages, to even nonprofit entities. This listing does not include all the audits that have alleged frauds, other comments and recommendations, or question cost. The ones in green involve funds received from or due to the state. Since taking office in January, I have taken the following steps to improve operations of the office, which was operating quite effectively, I might add. I've adjusted wages and salaries within the office; asked to have legislation introduced that would provide better auditing tools to help provide better end products and help ensure taxpayers' monies are adequately accounted for and reported; assisted senators who were asking for legislation to audit certain projects across the state as it

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comes to their districts, which is happening more and more often. Additionally, I've taken steps to get some agencies audited that have not been done for a long time, for instance, like Corrections. However, other audits, like DHHS, are still not getting done and due to the time constraints will not get done without additional staffing. I am requesting the following additional budget appropriation for the Auditor of Public Accounts to staff five auditor positions. This would help to get my office back on track to where it should be, given the sharp increase in state expenditures over the past decade, and enable me and my staff to more effectively safeguard taxpayer monies, which is included in Exhibit 6. While I understand this is a 15.8 percent increase in my General Fund appropriation, I strongly feel it is necessary and important. The quote that is above the front steps of the Capitol, the salvation of our...of the state is the watchfulness of the citizens, by H.B. Alexander, is a constant reminder to all of us to protect our state tax dollars. Having auditors is a great asset to the state in accomplishing this goal and is well worth taxpayer money in providing protection for them. Just knowing the State Auditor's Office might be doing an audit of an entity often helps keep auditees honest. As a result, the savings are passed on to the state. My request also includes a deficit request for FY '15. While I understand the need for constraints, the time to hire auditors is now. May is a big graduation month and many graduates are currently looking for jobs to acquire upon graduation. In fact, I've had two right now that were set to graduate that could not wait to find out if the appropriations were there, so they had since moved on and taken positions with other CPA firms. As such, we need the money in the current budget to enable us to hire up some of the graduates and not lose them to competition because they couldn't start until July. Thus, I'm requesting the additional appropriation to cover the expenses for the hires and, in doing so, these five new staff will start us on a journey of getting our audit caught up to a more timely rotation. I want to thank you for your time. As always, I'm open to any questions and appreciate all of the hard work you do on this committee. There's a reason I always kind of avoided this committee when I was serving with most of you folks. [AGENCY 10]

SENATOR MELLO: Thank you for your testimony this afternoon, Auditor Janssen. Are

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there any questions from the committee? Senator Stinner. [AGENCY 10]

SENATOR STINNER: Who do you report to? [AGENCY 10]

CHARLIE JANSSEN: The Department of Revenue does our...audits the Auditor of Public Accounts. [AGENCY 10]

SENATOR STINNER: Okay. [AGENCY 10]

CHARLIE JANSSEN: And my wife. [AGENCY 10]

SENATOR STINNER: Ah, well, we all have that. Or maybe we don't all have that. I'm sorry. Sorry about that, John. (Laughter) Just kidding. The scope of the audits, now it's lined out in these duties the scope of the audit and the timing and the staffing issues that you talked about. Do you actually have a big schedule that we could review and take a look at and try to match up with what you have today? [AGENCY 10]

CHARLIE JANSSEN: I do, Senator, and we send that out weekly. And the logistics move around quite a bit, depending on the timeliness of the information that we can get. But I certainly would get that information to you and, in fact, the entire committee, as a matter of fact, if that works. [AGENCY 10]

SENATOR STINNER: Thank you. [AGENCY 10]

SENATOR MELLO: Thank you, Senator Stinner. Are there any other questions from the committee? Senator Watermeier. [AGENCY 10]

SENATOR WATERMEIER: Thank you, Chairman Mello. Thank you, Auditor Janssen, for coming today. I'd kind of forgotten about your request of the five. I remember you had sent the letter. And then I'm going back in memory and trying to think in 2013 we

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had talked about an additional appropriation, right at the end of the budget cycle, for the Auditor's Office. Does that kind of match up to that, that five FTEs you're you're looking at? Was that what we were talking about? But I don't think we filled it in the following... [AGENCY 10]

CHARLIE JANSSEN: It did not...it did not pass, as far as I can recollect, but I'm going on my recollection as well. [AGENCY 10]

SENATOR WATERMEIER: Yeah. [AGENCY 10]

CHARLIE JANSSEN: Like I said, there was a bit of a tenuous relationship previously, something I'm trying to overcome so and to get our budget back on track because I think the money spent in this office, it's been eye-opening for me in my short time being in the Auditor's Office, to see how much good the auditor can do to help with your mission as well. And it's also a fresh breath of air, I guess, to know that you guys appropriate the money and I don't have to agree or disagree with how you appropriate it. I just have to make sure it's spent the way that you intended it to be spent. So...and this would be a great help for us to move forward. You know, the one thing I'd like to point out is what we're statutorily required to do, and I have an exhibit that explains what our staffing is, but it takes 21 of our full-time personnel just to do what we're statutorily required to do. And you move beyond that and then you've got over 2,000 political subdivisions that we can do. And there's other agencies, for instance, the Department of Corrections this year, you know, that took nine of our additional people and it's going to take...and the more you dig in, it takes more and more time. So I guess specifically I can't answer your 2013 question, but certainly I can look at the budget numbers and see that they have not increased. [AGENCY 10]

SENATOR WATERMEIER: Well, I kind of remember, if I can keep going, ask maybe questions, it might come to mind, but I remember it becoming late in the process. It wasn't a formal request. And I think actually Senator Chambers and I had found...or he

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had brought it up and we kind of pushed it a little bit. And it didn't have enough momentum to carry through to get a deficit appropriation for the next year even. But I do remember the need being very specifically talked about and I had forgotten about it until you had sent the letter as well. So how did you come up with the five though, the five additional? [AGENCY 10]

CHARLIE JANSSEN: When I first took office, in fact I thought it would be a little sooner but we all want that in a perfect world. We had just initiated the Corrections audit, which took nine of our auditors off of other areas that we were looking at, and we thought we wanted to hire up right away. So I also would like to, as you looked at, you know, our certified fraud examiners and our information system examiners, those are areas that I think are kind of moving forward to 2015. We're seeing more fraud happen in those areas. And in my opinion, we're understaffed in that area. We have three information system examiners right now. The fraud examiners, I think they're doing a great job, but that's the majority of what we hear from the office when people call in on the tip line, is, you know, fraud that is happening somewhere. And a lot of times it's...sometimes it's Dan and I, we...Senator Watermeier, I don't like you, you don't like me, which is not true at all. But you know, sometimes it's that type of information that you get from people in the agencies that work together. Just they might have a bad relationship. And we look through that, through the General Fund expenditure. We'll spend a couple days actually looking through everything. And if there's something there; we'll go and we'll pursue it. [AGENCY 10]

SENATOR WATERMEIER: Okay. Thank you. [AGENCY 10]

SENATOR MELLO: Thank you, Senator Watermeier. Are there any other questions from the committee? Senator Janssen, I...and if you don't have this information available, if you could get it back to the committee. Will you...do you know, will you have any reappropriation funds that you'll be requesting at the end of the year or will you...any reappropriated General Funds that you will be requesting? Most agencies

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we've had have been requesting to reappropriate any money they haven't spent at the end of the year back to them. Do you know, will you have any funding available?

[AGENCY 10]

CHARLIE JANSSEN: I looked at this last week. I think it'd be less than, if it is there it was a pretty low number, in the...I think it was somewhere in the \$20,000 to \$30,000...

[AGENCY 10]

SENATOR MELLO: Okay. [AGENCY 10]

CHARLIE JANSSEN: ...range that we were looking at. And we were kind of waiting and kind of holding off on hiring somebody right now that we'd like to hire but... [AGENCY 10]

SENATOR MELLO: Uh-huh. Okay. [AGENCY 10]

CHARLIE JANSSEN: ...so it will be pretty close. [AGENCY 10]

SENATOR MELLO: Okay. Any other questions from the committee? Seeing none, thank you, Auditor Janssen. [AGENCY 10]

CHARLIE JANSSEN: Thank you. [AGENCY 10]

SENATOR MELLO: Is there anyone wishing to testify on Agency 10, Auditor of Public Accounts? Seeing none, that will close today's public hearing on Agency 10, Auditor of Public Accounts, and take us to our next hearing of the day, Agency 12, the State Treasurer. [AGENCY 10]

DON STENBERG: Good afternoon, Mr. Chairman, members of the committee. For the record, my name is Don Stenberg, D-o-n S-t-e-n-b-e-r-g, and I'm the Nebraska State

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Treasurer. When I appeared before this committee four years ago, I asked the committee to approve an operating budget for the State Treasurer's Office. It was a 13 percent reduction from the appropriation for the preceding year. That request was approved by the Appropriations Committee and the full Legislature. Through careful management practices, we successfully operated on that substantially reduced operating budget for two years without a deficit appropriation. Two years ago I once again asked this committee to reduce our General Fund budget in the operating budget for the State Treasurer's Office. Specifically, two years ago I requested in FY 2013-14 a General Fund reduction of 6.6 percent and a reduction in the overall operating budget for the Treasurer's Office of 1.2 percent. Once again, that request was approved by the committee and by the full Legislature. So over the last four years those budget reductions have saved Nebraska taxpayers approximately \$2.8 million. For the record, this committee's preliminary recommendation for the Treasurer's FY 2015-2016 operating budget is a General Fund increase of \$964, which is an increase of one-tenth of 1 percent. The total operating budget increase for FY 2015-16 is \$98,896, which is a 2.1 percent increase over the current fiscal year operating budget. In dollar amounts, that is a General Fund operating budget of \$1,302,247, and a total operating budget of \$4,848,454 for the coming fiscal year. The committee's preliminary recommendation for the next two years is very much on track with the budget request that I made last fall. For that reason, I support the committee's preliminary recommendation for the operating budget for the next two fiscal years for the State Treasurer's Office and respectfully request that the committee recommend those appropriations to the full Legislature. I appreciate the fact that the committee's preliminary recommendation recognizes that we're able to make reductions in certain operating areas of our office while increases are needed in other areas of the office in order to properly carry out our statutory duties and responsibilities. With that, I'd be happy to answer any questions the committee may have. [AGENCY 12]

SENATOR MELLO: Thank you for your testimony, Treasurer Stenberg. Are there any questions from the committee? Seeing none, thank you, Treasurer Stenberg. [AGENCY

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12]

DON STENBERG: Thank you very much. Appreciate your consideration. [AGENCY 12]

SENATOR MELLO: We will next hear testifiers on Agency 12, State Treasurer.
[AGENCY 12]

JERRY STILMOCK: (Exhibit 1) Good afternoon, Senators. My name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of the Nebraska State Volunteer Firefighters' Association and the Nebraska Fire Chiefs' Association with a request within Agency 12, the State Treasurer, Program 117. Appreciate this opportunity. I've had a chance to share my handout with you previously but just reduced is this fund. It was started in 1998 to assist fire districts and communities throughout Nebraska with state aid. They are presently participating, 34 counties, that...34 to 36 counties that receive funding. The funding was initially set at \$3.65 million. This is a cash fund item that comes over from the state insurance premium tax in which 10 percent is allocated. That equates to about \$6 to \$7 million. There were a couple blips you'll see in the handout that as low as \$4 or \$5 million, \$4.4, \$4.6 million. But that information is in front of you on page 2. The point being is with the amount of funds being appropriated, it's less than the amount that is being carried over on the 10 percent. In 2011, the fund was reduced from \$3.65 million down to \$3.35 million, and in 2011 it has...since 2011 it's remained at that \$3.35 million. On page 2, again referring to the chart, you see in the column "Statewide Amount Applied For" you see the amount of requests and those have gradually risen to, 2014, there was a request through the fund administered by the State Treasurer of over \$4 million. So the request to you on the Appropriations Committee is to increase the \$3.35 million up to \$4 million. I'd be happy to answer the questions. There's a handful of representatives. We've asked them to appear and perhaps there's some personal comments. The fund that's distributed is used to help with training, help with equipment purchases. And because one of the catches, one of the conditions of qualifying for the state aid is to have a uniform levy, we believe...uniform levy among all

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participants, we believe that it has helped actually to reduce property taxes. Thank you, Senators. We'd certainly request your consideration, increasing this fund. [AGENCY 12]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Stilmock. Are there any questions from the committee? Senator Haar. [AGENCY 12]

SENATOR HAAR: Well, I live in an area served by a volunteer fire department. With the decreasing fund, what, are you aware, what kind of things suffer with the volunteer fire department on that? [AGENCY 12]

JERRY STILMOCK: I think everything just has to take a step back. I don't know. I don't have any specific data, Senator Haar, that property tax was raised, but I know that equipment just has to be used that much longer. Of course, in 2012, we had the severe drought with the burning of thousands and thousands and thousands of acres, and that put a tremendous drain on the north-central and western portions of the state in their operations, as well as the west-central edge of the state with Ogallala and North Platte. Those areas were just tremendously hurt and hit. And frankly, I think they're still recovering from those, recovering in the sense of financially. [AGENCY 12]

SENATOR HAAR: Uh-huh. [AGENCY 12]

JERRY STILMOCK: Yes, sir. [AGENCY 12]

SENATOR HAAR: Thank you. [AGENCY 12]

SENATOR MELLO: Thank you, Senator Haar. Are there any other questions from the committee? Seeing none, thank you, Mr. Stilmock. [AGENCY 12]

JERRY STILMOCK: Thank you, Senators. [AGENCY 12]

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SENATOR MELLO: Next testifier on Agency 12. [AGENCY 12]

BRENT LOTTMAN: Good afternoon, Chairman Mello and committee members. My name is Brent Lottman, B-r-e-n-t L-o-t-t-m-a-n. I serve as the secretary treasurer for the Nemaha County Mutual Finance Organization that was created under the bill that Mr. Stilmock referred to. And I also serve as a fire chief for a rural fire district, so I serve on two ends there. I want to testify in support of Mr. Stilmock's request that the MFO fund be increased. As he stated, we do have to have a common levy and ours happens to be countywide for both the rural districts and the cities. It has probably served to reduce property taxes because the rural districts' tax authority was taken away a number of years ago except for bonds. And so the county board has taken that authority and, as most political subdivisions are, they're not real keen on raising taxes, so they try to hold those down. And what this has allowed to do is fire departments are able to get some of the equipment that is needed. Fire departments are like a lot of emergency services. Nobody really cares if they're there until you need them. And when you need them, it's too late to get them. What has happened is the...aside from what appears a prior reduction in property taxes is the fire districts have had to come together and work together. And instead of everybody having all their own things and not paying attention to what anybody else is doing, they're having to come together and make prioritizations on equipment. And so if this district needs this piece of equipment and they border another district who has a piece of equipment that's starting to age, instead of both of them buying new pieces of equipment, one of them buys a new one knowing that they can borrow it or request it, if needed, and they can kind of basically organize what's going on, categorize or prioritize what's going on. So there's been a lot of cooperation and coordination that's going on because of this Mutual Finance Organization that's been created. It's given some of the districts that maybe don't have the tax base some additional funds, so basically the have-nots have gotten some things and the haves have kind of let that Mutual Finance Organization funding go over to those districts that are less well funded off of property taxes. So it's created some sharing and, like I say, just a lot of cooperation. I think that's...overall it's not a huge amount of money, I guess,

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and it's coming from, again, those who are paying the fire...paying taxes for fire protection are paying for fire protection. But it does allow for, hopefully, a reduction in property taxes and an increase in cooperation between the different...both cities and rural fire districts and the fire departments. That's really all I have. I'd be more than willing to answer any questions. [AGENCY 12]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Lottman. Are there any questions from the committee? Senator Haar. [AGENCY 12]

SENATOR HAAR: I just want to say thank you for your volunteer service. You get up in the middle of the night if necessary, many times probably so (inaudible). [AGENCY 12]

BRENT LOTTMAN: Thank you. [AGENCY 12]

SENATOR MELLO: Any other questions from the committee? Thank you, Mr. Lottman. [AGENCY 12]

BRENT LOTTMAN: Thank you. [AGENCY 12]

JAY TEMPLAR: (Exhibit 2) Good afternoon, Senators. Thank you for giving us the time to come talk to you. Hello, John. Good to see you again. My name is Jay Templar, J-a-y T-e-m-p-l-a-r. I am the president of the Scotts Bluff County mutual aid...Mutual Finance Organization, also the mutual aid. Sorry about that. I'm the fire chief at Gering. I got a brief statement here I'm going to read and I'll try to answer questions for you, hope to give you some background on some of the reasons we're here asking for that. The Scotts Bluff County Mutual Finance Organization represents all the fire departments and 15 political subdivisions in Scotts Bluff County. Our MFO was organized in 1999. We had received MFO funds every year since the group was formed. We appreciate the Legislature's foresight to find alternative funds to help offset local property taxes to support fire departments and emergency services across the state. The Scotts Bluff

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County MFO qualified for the maximum amount of \$300,000 each year. Those funds have been a great assistance to all of our departments to fund training, education, equipment, and buildings. We have been very aware these funds are a year-to-year appropriation and advised all members not to tie these funds to any multiyear commitments. I believe most have saved these funds over several years to fund larger capital projects that would not have been possible under lid restrictions or property tax...on our property tax funds. This conservative process allowed the members to adapt to reduced annual payments due to state budget issues that we went through the last couple years. Scotts Bluff County MFO is receiving \$50,000 less a year now than when we started this and is impacting some equipment replacement schedules as well as some training/education needs. Gering Valley rural Fire Protection District purchased a Class A engine in 1993 and that was at \$182,000 then. With a replacement schedule of 20 years, we should have replaced this unit in 2013. The cost of a Class A engine today is estimated to be \$380,000. We do not have the funds to accomplish that. We are hoping, if everything goes well, that we may have the ability to do that in 2016. The MFO has a common levy of 4 mills in Scotts Bluff County which generates for our district \$60,000 a year. Without these MFO funds, we could not continue to operate the fire district without requesting an increase from the county in property taxes. The Gering Volunteer Fire Department is a very active department. I'm proud to say we still have 34 members and respond to over 600 emergency calls a year. These volunteers give hundreds of hours a year for education, training, and emergency response for our community and the state. I have been a member for 35 years and can remember in my early years the members performing fund-raising events to purchase essential equipment and education. We have worked very hard to try to eliminate the need for our members to spend more of their valuable time away from family and work to raise funds for equipment and education. The formation of the MFO has been a great help to all the fire departments and we ask your consideration to fully fund the Mutual Finance Assistance Act. I'll try to answer any questions. [AGENCY 12]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Templar. Are there

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any questions from the committee? Seeing none, thank you, Jay. [AGENCY 12]

JAY TEMPLAR: Thank you. [AGENCY 12]

SENATOR MELLO: Is there anyone else wishing to testify on Agency 12, the State Treasurer? [AGENCY 12]

JOE BIRKEL: I promise I'll be very brief, Senators. Thank you. Just a couple things, I don't want to repeat the same things that my predecessors said. I've been the president of the Butler County MFO since 1998 when we formed it. [AGENCY 12]

SENATOR MELLO: Could I interrupt you to just get you to state your name and spell it out for the public record? [AGENCY 12]

JOE BIRKEL: Oh, sorry. Name is Joe Birkel, J-o-e B-i-r-k-e-l. [AGENCY 12]

SENATOR MELLO: Okay. [AGENCY 12]

JOE BIRKEL: Yes, and like I said, I won't repeat the things that were said. We're in the same position as my predecessors that just spoke to you. The importance of supporting our volunteers is inevitable. The only thing I want to just point out is that there's members around the state who are on call 24 hours a day, 7 days a week. And when that call goes off, they want to be prepared. And through the help of the MFO funds, it's helping with the training and the equipment. And just want to reiterate the importance of the MFO funds to you. Thank you. [AGENCY 12]

SENATOR MELLO: Thank you for your testimony this afternoon, Mr. Birkel. Are there any questions from the committee? Seeing none, thank you for your testimony. Is there anyone else wishing to testify on Agency 12, the State Treasurer? Seeing none, that will close today's public...oh, real quick before I say close the hearing, we did receive a

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letter of support from the city of Norfolk, Fire Chief Scott Cordes, for an increase in funding for the MFO aid. (Exhibit 3) With that letter, that closes the public hearing today on Agency 12, the Office of the State Treasurer, and takes us to our next public hearing of the day, Agency 14, the Public Service Commission. [AGENCY 12]

GERALD VAP: (Exhibits 1 and 2) Good afternoon, Chairman Mello and members of the Appropriations Committee. I'm Commissioner Jerry Vap, Chairman of the Nebraska Public Service Commission. I represent the 5th District, which consists of 47 counties from Grand Island to the west end of the state. The commission is a unique state agency due to its blended constitutional and statutory authority and its varied regulatory scope and funding sources. In the interest of time, my oral testimony focuses on a limited number of specific budget issues. However, in my written testimony, we have provided an overview of the commission's jurisdictional responsibilities and a more expansive explanation of our budget request. In making its decision, we would ask that the committee consider both my comments today as well as the written materials provided. Our General Fund budget request included modifications intended to reduce our budget request by 5 percent in the event that the cuts became necessary. In this year's request, we included as modifications the elimination of two existing positions: a motor transportation inspector in the amount of \$75,228 in each budget year, and an administrative assistance in the amount of \$49,201 in each year. The loss of these positions would significantly impede the commission's ability to satisfy its constitutional and statutory obligations. Both are addressed in our written testimony. However, I would like to draw your attention to the motor transportation inspector. The commission's two motor transportation inspectors are responsible for the statewide inspection of vehicles, taxi meters, and the investigation of consumer complaints related to service or rates and illegal operations. A single inspector would not be able to complete the required inspections and investigations seriously impacting the safety and adequacy of the service provided. Additionally, LB629 which is in the Transportation and Telecommunications Committee now, establishes a new regulatory framework for transportation network carriers, or TNCs. The bill will require the commission to inspect

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and audit the records of TNCs and process applications for TNCs. The commission stated the bill would have no fiscal impact and the resulting duties would be absorbed by existing staff. However, this assumed that the commission would retain the motor transportation inspector, which has been eliminated by the committee. The commission respectfully requests that both positions be restored. An accountant for the Universal Service Fund: In its budget request the commission included a request for spending authority in the amount of \$54,706 in year one, \$54,211 in year two to hire a staff accountant in the Universal Service Fund Department. The department is entirely cash funded and the inclusion of the staff position would have no General Fund impact. In 2012, the commission established a grant program for the development of broadband in underserved areas of Nebraska. The commission will need to process reimbursement requests for approximately 80 projects totaling \$11.1 million. In addition, we'll be awarding funding of about \$8.5 million for broadband grants during the 2015 calendar year. The commission has received applications for over 100 projects in this year, 2015. Therefore, the number of projects for which reimbursement will be requested continues to grow at a rapid rate. In addition to a staff accountant...the addition of a staff accountant would ensure sufficient resources are available to process grant payments in a timely manner to continue to increase accessibility of broadband to underserved areas of the state. The commission respectfully requests that the committee approve spending authority for the staff accountant position in the Universal Service Fund program. Track inspector: Although we did not include this in our original budget request on behalf of the commission, we would respectfully request that the committee consider reinstating the rail inspector position previously removed from the commission's budget in 2011. A history of the program and additional detail are included in the commission's written comments. Nebraska has in excess of 3,200 miles of railroad track in the state. Nebraska experienced 192 FRA reportable derailments from 2012 through 2014. Had we had a track inspector during this period, I believe the number of derailments may have been considerably less. The state track inspection program promotes a safer environment for the public and the railroad employees. When a derailment or other accident occurs, state inspectors are required to respond to any fatality or serious injury

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accident and supplement the federal inspection efforts. The lack of funding for this position was also a point of concern in the commission's recent audit. In order to fund this position, the commission would ask the committee approve \$102,683 in year one to cover salary plus fringe benefits, operating expenses, travel, and the purchase of a vehicle; and \$82,998 in year two. The position would enable the commission to properly meet its statutory and constitutional obligations regarding railroad safety in the state of Nebraska. Allocations: Per the direction of the State Auditor, the commission developed a method to allocate common expenditures between General Funds and the various cash funds administered by the agency to accurately reflect the workload and priorities of the commission. The commission's method has been examined during two subsequent audits and found to be appropriate. If the committee does not allow the updated allocations, the commission will have to base its distribution of these expenses on outdated allocations that do not accurately reflect the cost drivers. The reallocation also reflected the restoration of a percentage of the costs of certain employees previously charged to the federal broadband mapping fund, a federal grant received from 2010 to 2014. The availability of these federal funds allowed the commission to reduce its overall dependence on the General Fund during the grant period in the amount of \$247,497 and the General Funds were removed from our request this year. We're seeking to return to our pre-grant position by restoring that funding. Salary changes: Our request also included an increase in General Funds in the amount of \$6,964 in year one and \$7,098 in year two for a salary increase for three grain examiners, and an increase in spending authority on Program 790 of \$2,298 in year one and \$4,711 in year two, for a salary increase for an administrative assistance in our Natural Gas Department. The grain examiners are paid substantially less than those similarly situated in other states and in the federal warehouse program. Grain examiners in Nebraska have a starting annual salary of approximately \$34,700. Based on a survey of six Midwest states, the average starting salary in those states is \$38,400 and federal inspectors, those living in Nebraska, have a starting salary of \$45,600. These individuals perform difficult and often dangerous work. Significant training is required. However, due to the higher wages available in surrounding areas, the

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substantial investment we have is often lost due to turnover. Retention of qualified individuals is vital to protect the grain producers who conduct business with licensed warehouses and dealers. The Natural Gas Department is a small department within the commission. Due to the limited staff, the administrative assistant must undertake duties beyond that of other administrative assistants, including the receipt and resolution of consumer complaints, processing public advocate and consultant invoices. Her institutional knowledge of the natural gas program was instrumental in the smooth transition during a recent change in department directors. Because this is a fully cash funded position, it also has no General Fund impact. The commission believes that offering a competitive wage and rewarding the quality work and dedication of our staff is necessary to continue to provide quality and efficient service for Nebraskans. We would ask that the committee restore the requested General and cash funds for this purpose.

Vehicle and computer purchases: The commission requested \$26,000 in 2015 and '16, and \$23,000 in 2016-17 in order to purchase a replacement vehicle and computers. Details regarding these requests are contained in our written testimony. The commission would request that the committee restore funding for the purchase of computers and vehicles. However, as an alternative, the commission would suggest that the committee may permit the commission to utilize carryover funds for this purpose as well. The commission has requested increases in spending authority related to the contractual services for three cash funded programs. We address two of them today. First, the commission seeks an increase of spending authority of \$100,000 for each of the two budget years for its wireless enhanced 911 program to provide technical expertise to commission staff. Communications and mapping technology in 911 is rapidly advancing and the public's expectations regarding 911 services continues to increase. It would be cost-prohibitive to hire in-house staff on a full-time, permanent basis. Therefore, the commission seeks to retain consultants with a broad range of technical review of funding applications on an as-needed basis. The commission also requests spending authority in its Universal Service Department to maintain it's Nebraska telephone assistance program database. The original request was for \$46,000 in year one and \$54,000 in year two. However, the commission has

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investigated further and has been able to lower maintenance costs for this database to \$10,000 per year. In order to more efficiently process applications, the department is in the process of finalizing the development of a new database. However, the database must be maintained. We would respectfully request that the committee consider the commission's budget request. Be happy to answer any questions. [AGENCY 14]

SENATOR MELLO: Thank you for your testimony this afternoon, Commissioner Vap. Are there any questions from the committee? Senator Kuehn. [AGENCY 14]

SENATOR KUEHN: Thank you, Senator Mello. You did ask for a request or indicate the utilization of carryover funds for the purchase of the vehicles. Do you have an estimation of what your carryover balance may be at the end of the fiscal year? [AGENCY 14]

GERALD VAP: I don't know what the total balance is. Typically, we have in the past years had as much as \$200,000 in carryover funds. The commission prides itself on operating very efficiently and using as little of the General Fund monies we possibly can. Out of our budget, that is roughly \$60 million, we requested slightly over \$2 million out of the General Fund, so...and some of this would be general funded dollars though. [AGENCY 14]

SENATOR KUEHN: And historically, what have you done with that rollover appropriation? Do you know how those rollovers have been spent? [AGENCY 14]

GERALD VAP: Generally, it's been used for contingencies,... [AGENCY 14]

SENATOR KUEHN: Okay. [AGENCY 14]

GERALD VAP: ...whatever the Appropriations Committee would allow us to do with it. But it's not just money that we have. We just...we try and guard that very carefully.

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[AGENCY 14]

SENATOR KUEHN: Thank you. [AGENCY 14]

SENATOR MELLO: Thank you, Senator Kuehn. Is there any other questions from the committee? Senator Watermeier. [AGENCY 14]

SENATOR WATERMEIER: Thank you, Chairman Mello. Appreciate you coming today, Director--not Director, excuse me--Commissioner. You talk a little bit in here about \$100,000 for two budget cycles for technical expertise. I'm assuming that's just consulting fees... [AGENCY 14]

GERALD VAP: That is. [AGENCY 14]

SENATOR WATERMEIER: ...for the 911 specifically? [AGENCY 14]

GERALD VAP: That would be for the 911, E-911 department. There's a lot of changes are being dictated by the FCC in automatic location and GIS and things of this type, and we don't have anybody that is well versed on the technical aspects of what they're telling us we're probably going to have to do in the future. And we had talked a few years ago about hiring an on-site consultant, and for the money we had available nobody would take the job. They could make a lot more in private sector. And so we've decided that rather than have a high salary and all the benefits and everything else attached to it on someone who may not necessarily have a full-time occupation there... [AGENCY 14]

SENATOR WATERMEIER: Well, I appreciate your comment here because it says right in here: cost-prohibitive to hire in-house staff. I appreciate you looking at it (inaudible). [AGENCY 14]

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GERALD VAP: Yeah. We just can't justify that. [AGENCY 14]

SENATOR WATERMEIER: No, I appreciate that because it will be time sensitive. You'll have the need as well, too, but... [AGENCY 14]

GERALD VAP: Right. [AGENCY 14]

SENATOR WATERMEIER: Where is the...or (inaudible) the PSC's involvement right now with the NextGen? [AGENCY 14]

GERALD VAP: It's in a bill sitting in the Transportation and Telecommunications Committee. [AGENCY 14]

SENATOR WATERMEIER: Right, but I... [AGENCY 14]

GERALD VAP: We are in the process of allowing counties to institute text to 911. We interpret that as being telephone-based. It's not Internet-based. The enabling legislation that formed the fund put some real tight sideboards on it as to what that money could be spent for. And we've got an Attorney General's Opinion that tells us that we cannot spend it for Next Generation 911. It can only be spent for the ongoing maintenance and operation budget of PSAPs, wireless providers, and local exchange carriers. And that right now is somewhere a little bit south of \$8 million a year that that costs to do. When we get to the Next Generation authorization, that has to come from the Legislature. We can't spend that money on anything else without legislative permission. We don't have a real solid idea what it would cost. We think it could be upwards of \$16 million to get that implemented. [AGENCY 14]

SENATOR WATERMEIER: Yeah. No, I didn't mean to question the 911 and the process. I kind of know where that's at, but I appreciate the history and I think it's proper to look at it like you are with a consultant fee like that. So thank you. [AGENCY 14]

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SENATOR MELLO: Thank you, Senator Watermeier. Are there any other questions from the committee? Seeing none, thank you, Commissioner. [AGENCY 14]

GERALD VAP: Thank you. [AGENCY 14]

SENATOR MELLO: Is there anyone else here wishing to testify on Agency 14, Public Service Commission? Seeing none, that will close today's public hearing on Agency 14, the Public Service Commission, and take us to our last public hearing of the year, (laughter) Agency 3, Agency 3, Legislative Council, even though the Legislature is not a state agency, I remind everyone. [AGENCY 14]

SENATOR KRIST: Hi. For the record, my name is Bob Krist, B-o-b K-r-i-s-t, and I'm here as the Chairman of the Executive Board. And we are very thankful and happy with the budget, preliminary budget that was given and the capability of rollover, and can I say more than we're just happy with what we have? I want to tell you that if there are questions in any of these areas, Mike Calvert, Martha Carter, Nancy Cyr, Marshall Lux, Pat O'Donnell, and Joanne Pepperl are here to answer any questions you have on the breakdown. Suffice it to say that I'm very happy to have inherited a healthy budget and we're making some progress in terms of replacing IT equipment over the next few years, which was a large part of our expenditures. But it's keeping all of you in scanners and printers and computers, and I thank you for that. So I'll stand for any questions that you might have. [AGENCY 3]

SENATOR MELLO: Thank you for your testimony this afternoon, Senator Krist. Are there any questions from the committee? [AGENCY 3]

SENATOR KRIST: And I was happy to be last. [AGENCY 3]

SENATOR MELLO: Seeing none, thank you, Senator Krist. Is there anyone else

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wishing to testify on Agency 3, Legislative Council, which is not a real state agency.
(Laughter) Seeing none, that will close today's public hearing on Agency 3, Legislative Council, and we'll end the Appropriations Committee hearings for the year. [AGENCY 3]