

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Agriculture Committee February 10, 2026  
Rough Draft

**DeKAY:** Welcome to the Agriculture Committee. I am Senator Barry DeKay of Niobrara, Nebraska. I represent the 40th Legislative District. I serve as chair of this committee. The committee will take up the bills in the order posted on the agenda at the door. Our hearing today is your public part of the legislative process. This is your opportunity to explain your position on the proposed legislation before us today to offer insights and information for our consideration. The committee members might come and go during the hearing. This is just part of the process, as members can have bills to introduce in other committees. I've asked that you abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phones. Introd-- introducers will make initial statements, followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please fill out a green sign-in sheet that is on the table at the back of the room before you come up to testify. Please print and [INAUDIBLE] to complete the form in its entirety. When it is your turn to testify, hand the sign-in sheet to the page or to the committee clerk. This will help us make a more [INAUDIBLE] record. If you do not wish to testify today but would like to indicate your position on a bill, there are yellow sign-in sheets at the back of the room. These sheets will be intro-- included in the hearing record. If you have a written statement or other handouts, please have 12 copies and hand them to a page when you come up to testify, and they will distribute those to the committee. If you do not have enough copies, a page will make sufficient copies for you. Please speak clearly into the microphone. Tell us your name and please spell your first and last name to ensure we get an accurate record. We will be using the light system for all testifiers. You will have four minutes to make initial remarks to the committee. When you begin, the green light will be on. When you see the yellow light, that means you have one minute remaining. And the red light indicates your time has ended and you should conclude your remarks. Questions from the committee that follow will provide an opportunity to further explain your position. No displays or support of opposition to this bill vocal or otherwise are allowed at a public hearing. Offenders may be asked to leave. The committee members with us today will introduce themselves, starting with my far left.

**HOLDCROFT:** Thank you. Rick Holdcroft, District 36: west and south Sarpy County.

**RAYBOULD:** Jane Raybould, Legislative District 28, which is central Lincoln.

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**IBACH:** Teresa Ibach, District 44: eight counties in southwest Nebraska.

**HANSEN:** Senator Ben Hansen, District, District 16.

**KAUTH:** Kathleen Kauth, District 31: Millard.

**STORM:** Good afternoon. Jared Storm, District 23: Saunders, Butler, Colfax County.

**F. MEYER:** Senator Fred Meyer, District 41: six counties north of Grand Island.

**DeKAY:** And Senator Ibach serves as the vice chair of this committee. To my immediate right is the committee research analyst, Rick Leonard; and our committee clerk is Linda Smit [SIC], seated at my far left. Our pages for the committee will introduce themselves.

**ESTEN HYDE:** My name is Esten Hyde. I'm from Auburn, Nebraska. I'm a business and law student at UNL.

**DEMET GEDIK:** Hi. My name's Demet Gedik. I'm a student at UNL. I'm studying political science.

**DeKAY:** With that, we will open the hearing on LB1188. Since I am the introducer of the bill, I will hand the hearing over to Senator Ibach.

**IBACH:** Welcome, Senator DeKay. You're welcome to open on LB1188.

**DeKAY:** Thank you. Good afterme-- afternoon, members of the Agriculture Committee. For the record, my name is Senator Barry DeKay, B-a-r-r-y D-e-K-a-y. I am here to introduce LB1188. LB1188 addresses a narrow but consequential issue involving the stewardship of public assets and the very real national security risk posed by foreign adversary governments. This bill does two things. First, it updates the federal reference in Nebraska's Foreign-owned Real Estate National Security Act so our state statutes remain aligned with the current federal definitions and terminology. While technical, this update is necessary to ensure our laws remain enforceable and consistent with how adversary nations are identified at the federal level. Second, and more substantially, LB1188 prohibits the state of Nebraska and its political subdivisions from owning or holding an interest in real estate located in adversary nations. While it applies to foreign adversaries as defined in existing statute, the concerns motivating this bill are especially clear when examining the People's Republic of

China and the actions of the Chinese Communist Party. As this committee discussed at an interim study last fall, the Chinese Communist Party has demonstrated a consistent pattern of state-directed behavior that raises serious concerns for the governments and the public institutions worldwide. These concerns are not speculative. They are documented by federal agencies, bipartisan congressional reports, and the experiences-- experiences of foreign governments and companies operating within China. The CCP maintains strict control over its economy through a combination of state ownership, party influence, [INAUDIBLE], private firms, opaque regulatory enforcement. Companies operating in the Ch-- China are re-- often required to partner with state-linked entities, share sensitive, sensitive technologies, or comply with national intelligence laws that obligate cooperation with Chinese security services. These laws apply not only to Chinese companies but to any entity operating within the Chinese jurisdiction. Property ownership in China is fundamentally different from the property ownership in the United States. There is no true private ownership of land. All land remains owned by the state. And what is bought or sold is effectively a long-term lease granted at the discretion of the government. Those interests can be revoked, modified, or restricted with little notice and little limit-- and limited legal recourse. There are also cybersecurity and intelligence concern. Physical properties can be used as platforms for surveillance, data collection, or influence activities. State-owned facilities abroad could expose communications, personnel information, or operational details to hostile intelligence services. Even seemingly benign real estate holdings can carry strate-- strategic value in an environment where the CCP actively [INAUDIBLE] eco-- economic activity with national intelligence objectives. In addition, state or local ownership of real estate in China could place Nebraska in conflict with federal foreign policy or national security priorities. The federal government has imposed sanctions, export controls, and investment restrictions specifically in response to the CCP actions related to military expansion, human rights abuses, cyber espionage, and economic coercion. Nebraska should not risk entangling its public assets in jurisdictions that are subject to such measures. At its core, LB1188 is about risk avoidance and ensuring Nebraska public powers are not subsidizing adversarial militaries. It recognizes that public funds should not be exposed to legal systems that lack transparency, political environments that weaponize economic assets, or governments that have demonstrated hostility toward the U.S. interests. It is far better to close this gap as statute now than to address the consequences later. I acknowledge that the fiscal note

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prepared by the Nebraska Investment Council points to a number of costs and potential liabilities that I-- that could arise to modify investment portfolios to not be in conflict with this bill. I would also acknowledge that Ellen Hung, State Investment Officer, did convey her concerns privately. The amendment that I will hand out that I forgot to would delay the compliance date until July 1, 2028 to allow for a more orderly implementation. There will be a witness to follow me who is familiar with the mechanics and intricacies of investing state fund who can speak more expertly on these issues. I look forward to discussing LB1188 further in committee and respectfully ask for your consideration. I hope that LB1188 can help initiate a conversation we need to have. Thank you.

**IBACH:** Thank you, Senator DeKay. Are there questions from the committee? Seeing none. Oh. Senator Kauth.

**KAUTH:** Real quick: why is this in Ag instead of either Banking or Government? Is it because it's the Foreign-owned Real Estate National Security Act?

**DeKAY:** Yes. And, and this specifically will probably be directed toward foreign adversaries that-- with that act-- LB1301, buying-- them being able to buy land in the state and-- farmland--

**KAUTH:** So it's the reverse, basically.

**DeKAY:** So I-- this is just a part of the cleanup of that original bill.

**KAUTH:** OK. Thank you.

**IBACH:** Any other questions from the committee? Seeing none. I'm certain you'll stay to close.

**DeKAY:** I gotta go. No, I will be here.

**IBACH:** Proponents. First proponent. Anyone speaking in favor of LB1188.

**JOHN MURANTE:** Thank you, Madam Vice Chair, members of the committee. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e. And I'm here today in support of LB1188 on behalf of-- I'm a registered lobbyist on behalf of State Shield. State Shield, you might recall, was here at your interim study in the fall. It is an organization which seeks to protect the United States in a number of different ways

from the influence of the Chinese Communist Party. We support this legislation and support bills like this all over the country for a couple of different reasons. I'm not going to spend a lot of time going into, as Senator De-- DeKay talked about, the, the threats, the security threats, and the re-- the real risk that comes from having investe-- having investments in China. The FBI was here in the fall. I think this committee may have gotten more of a thorough deep dive into the challenges that come with investing in the People's Republic of China under the Chinese Communist Party. I want to talk a little bit about the ethics, however, of going into-- of having investments in China, which is-- as Senator DeKay had mentioned, there is no true private market in China. Everything at the end of the day is-- it exists for the financial well-being of the state and the Chinese Communist Party. And I can tell you we have a lot of Nebraskans who are in our retirement systems, who are currently in the State Patrol, who are in law enforcement, who are reservists. And on the ethics side, I can speak to a high degree of certainty that they do not want their pensions invested in a way that profits China and helps subsidize the bullets which could be fired at them if we engage in conflict in China in the next five to ten years. You all heard in the fall that that is a real possibility. That's not speculation. That's not John Murante talking. That is coming out of the federal government, who have put strict restrictions on a number of different ways in which state governments and individuals can do business in China. And I bring that up as well because that is a policy consideration for this Legislature to decide. Do you want your money-- do you want the, the, the money that is invested either in the pensions or public funds or-- however you want to look at it-- do you want them invested in a country that uses the profits in the way that we know that China is using it? I bring that up because that is a social consideration. That is a consideration that you and you alone can take into account. That is not necessarily a, a fiduciary obligation. I think you-- we can make a strong fiduciary case that it is very risky to have holdings in China. But on the ethics side, that is a, a, a policy question for you to decide. And, and you specifically have created a mandate on the Nebraska Investment Council that they are not to take that into consideration. Social and economic considerations are not part-- are-- you have explicitly prohibited the Investment Council from making decisions on that basis. You have conferred that to yourself. Now, that doesn't mean that the state shouldn't be doing economic development. Obviously, we have a Department of Economic Development. But what it's saying is we're no-- that's not what you want the Nebraska Investment Council to do. That

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is the existing state law, and that you alone are the ones who can make that values judgment that you do not want our funds that are being-- that this-- that are held in custody by the state to be in-- to be profiting a foreign adversary-- in, in the case of our interests, the Chinese Communist Party. So this bill isn't narrowed to, to the CCP. It is narrowed to the foreign adversaries, as Senator DeKay said, that was-- that is outlined in, in existing statute, but that's the interest of State Shield, and that's why I'm here. And my red light's on, so I'll wrap it up there. I'm happy to answer any questions you may have.

**IBACH:** Thank you very much. Are there questions from the committee? Senator Kauth.

**KAUTH:** Couple of-- a series of questions. Is China our friend?

**JOHN MURANTE:** No.

**KAUTH:** Has China ever been our friend?

**JOHN MURANTE:** Before they became communist, yes.

**KAUTH:** So not in its current--

**JOHN MURANTE:** Not in its current role, yeah.

**KAUTH:** In its current form, will China ever be our friend, especially considering they plan in 100-year increments?

**JOHN MURANTE:** No. It is incompatible. They-- and they would openly state their-- that the CCP's mission statement is to end the United States's domer-- dominance as the sole economic superpower of the world.

**KAUTH:** So any investment, any real estate acquisitions, anything we do with our money benefits China when we're spending it there, investing it there. Benefits that machine.

**JOHN MURANTE:** Without question.

**KAUTH:** That is dedicated to destroying us.

**JOHN MURANTE:** Correct.

**KAUTH:** OK. Thank you.

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**IBACH:** Thank you, Senator Kauth. Senator Storm.

**STORM:** Thank you. Thank you, Chair. Thank you for being here. So what are the-- there's the foreign adversaries in the world that's more than China, correct?

**JOHN MURANTE:** Mm-hmm.

**STORM:** Which-- how are they-- like, five or four?

**JOHN MURANTE:** So we've got North Korea, Iran-- oh, [INAUDIBLE]-- yeah, I knew you were going to ask me this question. We have Venezuela under Maduro. So--

**STORM:** Is Venezuela still on that list?

**JOHN MURANTE:** It's gonna still be on the list because it's still under the Maduro regime, even though Maduro is currently being held in New York State.

**KAUTH:** Cuba.

**JOHN MURANTE:** Cuba. What am I missing? And China. Yeah. Forgot about those guys.

**STORM:** So do we have investments in-- anywhere else in the world that's an adversary besides China, or is China it?

**JOHN MURANTE:** Are we invested anywhere else in the world? Based, based on the--

**STORM:** Russia's on there, right?

**JOHN MURANTE:** --based on the, the fiscal note, I believe that the Chinese--

**STORM:** China's--

**JOHN MURANTE:** --holdings are, are what is the, the holdup here.

**STORM:** Right. And then do you have-- and I don't have my computer out here, but there's-- China has-- is it the Confucius--

**JOHN MURANTE:** Institute.

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**STORM:** --Institute. And what's their-- what do the-- what, what, what do they do there? What's their whole goal at the Confucius Institute?

**JOHN MURANTE:** So that was a, a project by the CCP to infiltrate American universities to basically inject the CCP propaganda into American universities and train our students. And then for-- a-- a-- as has been pointed out many times of-- China's actually not very good at, at many things. They are-- what they are predominantly good at is stealing our intellectual property. And so the big concern with the Confucius Institutes was they were coming over here. We were training them on how to be the best and brightest in all-- in a wide variety of different subject matters, go back to China, and then use that information against us. And that-- there were many people, myself included, who took extreme exception to that and, and did what we could to put an end to it.

**STORM:** So are they-- they were at UNL, weren't they?

**JOHN MURANTE:** They were, yes.

**STORM:** But they're no longer in Nebraska.

**JOHN MURANTE:** Correct.

**STORM:** Are they anywhere in the United States? Universities doing that still? Or is that--

**JOHN MURANTE:** I am not aware of any university that's still doing that, but the, the, the outrage was so widespread that I-- the universities did-- really didn't have a, a choice in the matter, at, at the end of the day.

**STORM:** Kind of getting off the [INAUDIBLE]. China's a threat. We can all agree with that.

**JOHN MURANTE:** Without a doubt. Yep.

**STORM:** Yeah.

**IBACH:** Thank you, Senator Storm. Senator Raybould.

**RAYBOULD:** Senator Murante, did you have a chance to look at the fiscal note, by any chance?

**JOHN MURANTE:** I did.

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**RAYBOULD:** And did that give you any pause whatsoever?

**JOHN MURANTE:** It, it doesn't. It, it doesn't. And I'll tell you-- I'm gonna preface this-- and I might be more long-winded than I need to be, Senator, but--

**RAYBOULD:** OK.

**JOHN MURANTE:** So I served on the Nebraska Investment Council as State Treasurer and as the director of NPERs. What I'm about to say has-- I was involved in the hiring process of our current State Investment Officer. I had a very close relationship with her predecessor. The entire council are great people. What I'm about to say has nothing to do with any of that. I have nothing but the most respect across the board. I would say there are many high-quality, low-cost investment vehicles out there that do not have exposure to China in them. I don't know that we would need to have any sort of custom solution. There are many ETFs that exist that are high quality, low cost. And those-- that seems like an obvious solution to me. I'd be happy to sit down and talk about why that maybe is impractical. But from our point of view, other states have already enacted these sorts of Chinese prohibitions. It's-- it, it, it seems doable when all we're talking about is, at the end of the day-- if I understood the fiscal note correctly-- one ETF that has a small portion of it that's invested in real estate, and of that portion a small percentage is invested in China. It seems like it is attainable to figure out a way to invest the, the money properly without having that ar-- that Chinese exposure.

**RAYBOULD:** It seems pretty excessive, the fees, though, that are reported, you know. Just to, to do what you're anticipating, it's about \$1.6 million in expenditures. And then the fees to relocate some of those-- or, divest and, and then relocate those funds could be approximately \$5.64 million.

**JOHN MURANTE:** Yeah. I would tell you the other states that we've been working with, that hasn't been their experience. We have gotten pushback from other investment offices, that they don't really want to engage in-- to, to go down this road too much and put comparable cost estimates on, on, on these bills. But at-- I-- to my knowledge, none of those have ever actually been borne out. And like I said, there are, there are many low-cost investment vehicles out there that, that seem attainable to us.

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**RAYBOULD:** You know, it-- we often do interim studies to help us gather more information to be able to make great decisions. And I bet-- I believe the Nebraska Investment Council has fiduciary responsibilities on ensuring a return for all the pensions and those who have retirement accounts with them. And I appreciate Senator DeKay's amendment pushing it out to July 1, 2028. I know that when Ms. Hung comes before us-- I'll, I'll ask her the same question to see if that's enough time. But I-- I'd be curious how other states have done that process and how much it has cost or has it benefited the people who have a stake in their investments increasing rather than taking a, a hit, a hit that's been self-imposed on them.

**JOHN MURANTE:** Understood.

**RAYBOULD:** Yeah.

**IBACH:** Thank you, Senator Raybould. Other questions? Senator Kauth.

**KAUTH:** Mr. Murante, what is our total investment in these funds? How much does it, it-- is it worth?

**JOHN MURANTE:** So the-- I, I don't exactly have the answer to that question. I'm-- and now I'm going somewhat off of the fiscal note here. I don't, I don't have an answer to that question off the top of my head. I'm so-- I apologize. I don't know exactly how much we have in-- invested right now just in this fund. Yes.

**KAUTH:** What would happen if we lost it all?

**JOHN MURANTE:** If it went to zero-- if the fund went to zero?

**KAUTH:** If China decided, hey, you know what? We're really tired of the United States and we're gonna make them hurt and we're just gonna take all the property.

**JOHN MURANTE:** So in that instance, the, the ETF itself would have-- I-- again-- and this is a, a ET-- if you looked at this ETF, the, the, the biggest holdings are going to be names that we've all heard of-- Apple, Microsoft, Nvidia, the, the-- stocks on the American Stock Exchange. The-- that's what a lot of these ETFs are, are in. And only a small amount is in real estate. So I'm trying to answer your question as directly as I can, but if that, if that small amount goes to zero, it would definitely have a negative impact-- obviously would have a negative impact on the ETF itself. If that ETF value goes down sufficiently, then we would be looking at potentially a-- an increase

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of state contributions to our defined benefit plans that are mandated by state law. I-- it would be a-- it would be a very, very bad thing. So I'd-- I, I would-- that's the sort of question I like to get an Excel spreadsheet out and put a number to.

**KAUTH:** Would it be a bigger number than \$5.6 million?

**JOHN MURANTE:** I would have to-- if the, if the-- if all of those assets that were in China went to zero and just this one-- it-- I ha-- I hate to say yes without knowing for fact, but it would be sizable.

**KAUTH:** In, in your estimation-- I guess the point I'm getting to is, would it be better for us to take a hit now while we're still in control of it than wait for China to do-- decide to do something malicious?

**JOHN MURANTE:** So the, the hit on administrative fees I'm skeptical about to begin with, but I'm willing to hear the arguments there. It-- there is nothing we can do to-- it's not like eminent domain where if they take the real estate that we have we get fair market value in return. It's just gone. It goes to zero. So that would be a major loss for our, our pension holders, our teachers, our firefighters, and our police officers--

**KAUTH:** And there would be no recourse. We couldn't file a suit with the Chinese government. They would say, nope, sorry.

**JOHN MURANTE:** Yeah. I'll see you in Beijing. Yeah, I'd, I'd-- that's-- there would be very little if any legal recourse that we would have.

**KAUTH:** So the smarter financial decision would be to protect our money as best we can.

**JOHN MURANTE:** So-- I believe, yes, without question. There is, there is the fiduciary component to this discussion. I spent most of my time talking about the ethics of it. There is the fiduciary risk of, if, if they decide to, to take all of our assets and say-- and they may even look and say, hey, wha-- what are all of the pensions in America invested in, and, and take all of that and hollow out the pensions. The, the-- they could do that, and there's nothing that we could do about it, practically speaking.

**KAUTH:** OK. Thank you.

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**IBACH:** Thank you, Senator Kauth. Other questions from the committee?  
Senator Raybould.

**RAYBOULD:** Yes. Senator Murante, I believe the People's Republic of China have a just minuscule amount of property in our state of Nebraska. Pasture land or just, you know, ag land somewhere-- I have no idea.

**JOHN MURANTE:** Mm-hmm.

**RAYBOULD:** But I guess if, if that terrible thing should happen, if they-- part of the-- probably 2% to 3% is invested in REIT, but it's not sure how much of that 2% to 3% is actually with the Communist Party of China. But I guess, you know, tit for tat, we could just, you know, confiscate the land that they own and maybe call it good.

**JOHN MURANTE:** I would say the, the policy of whether foreign ownership of land whe-- and whether foreign adversaries should own land in the United States has largely already been decided by this Legislature, because-- this, this bill just goes into that statute and says, for those nations where we say they can't buy land here, we can't buy land there, right? It's-- this policy question isn't more complicated than that, really. I mean, that's, that's what this bill does. So that, that seems like a logical, consistent public policy argument to me.

**RAYBOULD:** OK. Thank you.

**IBACH:** Thank you, Senator Raybould. Other questions? Senator Hansen.

**HANSEN:** This shouldn't affect trade at all-- should-- ag-related trade or anything like that? Like, we have facilities that we own property in in these countries, and all of a sudden now we have to sell them off or we can't have them anymore or--

**JOHN MURANTE:** I don't see what trade argument we-- so this, this bill only applies to state government and local government. So it's-- with that in mind, I, I don't see what trade implications would exist.

**HANSEN:** I would think so. Just curious.

**JOHN MURANTE:** Yeah.

**HANSEN:** [INAUDIBLE] insight.

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**IBACH:** Thank you, Senator Hansen. Other questions? Seeing none. Thank you for being here.

**JOHN MURANTE:** Thank you.

**IBACH:** Other proponents for LB1188? Seeing none. Opponents for LB1188? And-- are you-- o-- neutral?

\_\_\_\_\_: Neutral.

**IBACH:** OK. Anyone in the neutral position, please-- forward. Thank you. Welcome. Thank you.

**ELLEN HUNG:** Good afternoon, Senator Ib-- Ibach and members of the Agricultural Committee. My name is Ellen Hung, spelled E-l-l-e-n H-u-n-g. My agency is the Nebraska Investment Council, also known as the NIC. It is the mission of the NIC to prudently manage the funds entrusted to us by the people of the state of Nebraska. The NIC has consistently performed in the top quartile, among its peers, net of fees. It has successfully done so by implementing proven investment strategies to ensure the financial security of all assets while being mindful of expenses. LB1188 prohibits ownership of real estate in adversarial nations. This would apply to assets managed by the NIC in the defined benefits, cash balance benefit, and endowment funds. Approximately 10.5% of the total portfolios are invested in a MSCI ACWI ex-US IMI commingled account. I know that's a mouthful, but it's basically an all country world investable market index without the United States. We invest in this commingled account because it is a cost-effective way to get exposure in international equity markets. This index has 2% to 3% invested in REITs, which are real estate investment trusts. A REIT is a company that owns, operates, or finances income-producing real estate across various sectors. It provides investments in diversified real estate properties without the need to buy or manage properties directly. LB1188 would prohibit the NIC from investing in this commingled account because of the REIT holdings. It would require the NIC to sell out of the commingled account and invest in a separately managed account, also known as an SMA. An SMA is the only way to have the same international equity exposure without exposure in REITs of adversarial nations. An SMA would result in increased fees and expenses totaling \$5.64 million for the portfolios. This \$5.64 million increase is due to increased management fees and transition expenses. Management fees would more than double, going from 3.5 basis points to 8.7 basis points of assets under management. This ongoing increase is estimated to be \$1.54

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million for the first year. The transition to an SMA would result in a one-time transition cost of approximately \$4.1 million. An SMA would also require the NIC to comply with specific openings, regulations, and conditions established by foreign countries. Some country openings can be long drawn-out processes with annual fees and paperwork. These expenses are difficult to quantify, as they differ by country. An SMA would also place the burden of reclaiming taxes, which is cumbersome and not always successful on the NIC.

**IBACH:** Thank you, Ms. Hung. Are there questions from the-- Senator Kauth.

**KAUTH:** Thank you, Vice Chair Ibach. So would those fees be from the General Fund or would they be something that the NIC actually-- that's part of how you run things?

**ELLEN HUNG:** So my fiscal note brings-- breaks that up a little bit more. The \$5.6 million is on the entire portfolio. And because we know that contributions into retirement funds are shared by the state, the employers as well as the employees, the General Fund number is just a small percentage of that.

**KAUTH:** So the-- is the 5.4 in there-- put in there to scare us? I mean, if it's really not accurate-- is what you're saying?

**ELLEN HUNG:** Well, it's, it's there because that is the overall effect on the entire state, including the employees, employers. But I've broken it down. The fiscal note shows that, for fiscal year 2026-27, it's \$1.6 million to the General Fund.

**KAUTH:** OK. So how much would be lost if, given the situation I was discussing with Mos-- Mr. Morante-- what if China decides, you know what? We're going to do our best to hurt them or we're just going to shut things down. We've, we've decided to just take everything back. What happens to us?

**ELLEN HUNG:** So this is-- the REIT part is a very, very small part of this entire index that we manage. So what is in the-- what's invested in this international index is about \$3 billion. Out of that, two to three-- about 2%, depending on-- because the REIT's exposure fluctuates in the index-- about 2%, 2.5% is invested in REITs. So 2% out of the \$3 mil-- billion. And then the part that is China would be an even smaller percentage. So that would probably be another-- China

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exposure within the ACWI is about another 2%. So we're getting to a very small amount at this point.

**KAUTH:** So we're looking at at least \$12 million at 2%.

**ELLEN HUNG:** I think it comes out to-- closer to-- I think-- I did it-- I did it earlier.

**KAUTH:** That's OK. We can do-- we can do estima-- my, my point is, number one, why would we give any money to an enemy who is going to use that money to hurt us? That, that seems absolutely very self-defeating. Why would we make them stronger? Even if it costs us a little bit more money, I don't understand why we would do that.

**ELLEN HUNG:** So when we make an investment, it's-- we see an opportunity to make an income out of those investments. It's not to give money to people or to an entity or to a company. We're trying to make money off of them.

**KAUTH:** Right, but they are using that money and they are also making money from it. We're saying we want to make money, which I, I 100% agree. We need to maximize our investments. But do we maximize our investments at the expense of supporting our adversaries and possibly risking losing everything for the people who we're investing for. I, I think that-- again, China is not our friend. They never will be our friend. We shouldn't have anything to do with them financially. We should keep our money away from them.

**ELLEN HUNG:** At this point, I'm not making that argument. My point is that the way the bill is written, it would prohibit me from investing in this commingled account. And having to switch to an SMA would require these additional expenses.

**KAUTH:** So are there commingled accounts that don't deal with China? Surely there are other people out there who say, gosh, we, we don't think we should enrich China and harm ourselves in the process.

**ELLEN HUNG:** There is not another commingled account like this. I have checked. I have talked to other providers of index funds, and they have told us that that is not an index that is provided at this time. So there might be other states that are able to do that, but they are a lot bigger than us, and they manage their assets internally. We do not manage our index funds internally.

**KAUTH:** OK. And why is that?

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**ELLEN HUNG:** We are just not large enough. And honestly, it's very cheap to manage money this way. 3.5 basis points is very, very low for an international account. That is 0.0-- 0.03%.

**KAUTH:** OK. Thank you.

**IBACH:** Thank you, Senator Kauth. Other questions from the-- Senator Storm.

**STORM:** Thank you. So I have a question. So do you think China is a threat to the United States?

**ELLEN HUNG:** I am not paid to make that call, Senator.

**STORM:** I'm just curious what-- if you had an opinion on that.

**ELLEN HUNG:** I, I think what we have done is educated the board on the investments into China as opposed to the threat of China.

**STORM:** But do you think that they're kind of intertwined? How do you separate investments with China?

**ELLEN HUNG:** At this point, we-- our entire portfolio-- so I'm talking about maybe \$28 billion of our portfolio, we only have about 2% invested in China at this time.

**STORM:** So can we invest that somewhere else, or am I-- are you saying we can't do that because we're going through another index fund through someone that manages our money so we can't do that?

**ELLEN HUNG:** So the bulk of that is in this commingled account. Yes. We do have one active manager that invests in China, a, a small-- small part of the portfolio is in China, but they have done extremely well. It's, it's an exceptional manager. They're in the top percentile.

**STORM:** OK. Thank you.

**IBACH:** Thank you, Senator Storm. Other questions? Senator Raybould.

**RAYBOULD:** Thank you, Ms. Hung, for being here. How often does your board or committee meet to-- do you meet on a quarterly basis to assess and evaluate the investments, or is it an annual basis?

**ELLEN HUNG:** We have council meetings six times a year. And we do provide a full day of education once a year at least.

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**RAYBOULD:** And then how often do you make changes in the portfolio?

**ELLEN HUNG:** We make them as needed. We did have-- we did bring the issue of investing in China to the board at the-- I believe it was at the October meeting.

**RAYBOULD:** And wha-- did-- wha-- were there any recommendations or suggestions or alternative REITs to, to, to consider at that point in time?

**ELLEN HUNG:** The council felt that staff has been providing education to them on an ongoing basis as needed and that they felt at this time it was prudent to just continue to monitor our exposure and that we would take action as needed when the time came.

**RAYBOULD:** So I know-- Senator Kauth had asked a, a, a very good question on, what is our exposure? I mean, can you pinpoint with that 2% to 3% that is involved in real estate investment trust and what percentage of that 2% to 3% is actually maybe in one of the adversarial countries like China or Russia? I know that's kind of really getting down in the weeds, but, I mean, I think that would give us an indication that-- of how fully we are exposed-- despite the fact that we deal with China already, about \$658.9 billion on a annual basis in trade.

**ELLEN HUNG:** So I-- I spoke incorrectly. The, the meeting that we had with the council was in December.

**RAYBOULD:** Oh.

**ELLEN HUNG:** So I do have the presentation with me. And our total exposure in our entire portfolio is 2.9% in China.

**RAYBOULD:** 2.9%.

**ELLEN HUNG:** Yes. And the ACWI index, the, the all world index is 3.2% in China. So we actually are underexposed in China.

**RAYBOULD:** Underexposed.

**ELLEN HUNG:** Yes.

**RAYBOULD:** And then when you go through your annual-- or, you know, the six times a year evaluations of in-- the investments in the portfolio, and when you make changes-- I know you probably flag something and

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monitor it for, like, two or three quarters and then make a decision. You know, if, if this is something that we wanted you to pursue, what would be a reasonable course of divesting from one-- the one index that you referenced? And how long would it take if you did a, a very slow roll so as not to incur a lot of these fees? I mean, is there an opportunity to look at it that way? You know, how long would it take to do a full divestiture from the-- I guess it's the MSCI, all country world--

**ELLEN HUNG:** I think if we were to divest, I would not recommend doing in pieces, because we actually get economy of scale when we invest with a single manager with a larger fund size. So if we were to take the \$3 billion and, and invest-- and switch it in pieces, our fees would cost more because we would have a smaller amount in two different pieces.

**RAYBOULD:** So the, the \$3 billion represents the total pension fund, right?

**ELLEN HUNG:** No, the \$3 billion is what we have in this international index commingled account at this point. Yeah. Our retirement assets are about \$28 billion.

**RAYBOULD:** \$28 million. OK.

**ELLEN HUNG:** Billion.

**RAYBOULD:** Billion.

**ELLEN HUNG:** I guess I have to remind myself of the--

**RAYBOULD:** OK. Thank you.

**ELLEN HUNG:** [INAUDIBLE].

**IBACH:** Any other questions? Senator Kauth.

**KAUTH:** I want to keep going with-- so you said you briefed the-- I believe it was the NIC, correct-- on the benefits, but you said that you didn't brief them on the risks about China?

**ELLEN HUNG:** Of course we did.

**KAUTH:** OK.

**ELLEN HUNG:** Yes.

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**KAUTH:** So tell me how-- what, what did you say to them about the risks?

**ELLEN HUNG:** So-- at this point, we, we had other managers come. We had consultants speak on this issue as well. We felt that the benefit outweighed the risk at this time. We didn't feel that we would be losing our investments in China at this point.

**KAUTH:** Did you bring in foreign policy advisors?

**ELLEN HUNG:** Yes.

**KAUTH:** OK. From where?

**ELLEN HUNG:** So we had-- I'm actually on the Committee on Pacific Conflict, which there are other senators in there as well. And throughout last year, we actually brought in-- actually had, I believe, three different speakers talk on that issue of China, investing in China.

**KAUTH:** Did you talk to Eugene Ka-- Kowel with the FBI?

**ELLEN HUNG:** I believe I was at that session when they spoke.

**KAUTH:** OK. And he said, like, don't do this. Like, this is a really, very bad idea. So how do you-- how do you weigh who's advice you take?

**ELLEN HUNG:** I think sometimes the, the, the policing entities have a different view on the business people that actually have boots on the ground in China, and their, their, their analysis is based on what they see in the business environment as well as-- as opposed to what is done on the military side. I think they take that into consideration, but they look at their risk and what they can earn from China and take that all into consideration.

**KAUTH:** But China is not a business economy. China is a military economy where their military owns their businesses. Their military and their government owns everything and makes those decisions. So how could our business people understand that? I think taking advice from our military and our, our law enforcement people might be a little bit better.

**ELLEN HUNG:** But I-- my understanding is that there are lots of businesses that are not owned by the government. They have-- they're

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also like the United States where they have other industries besides military.

**KAUTH:** So you're saying that China does not have an ownership stake in every Chinese business?

**ELLEN HUNG:** I don't believe so. That's not what I've been told.

**KAUTH:** OK. That's not what I've been told, that-- I, I understand that China has an ownership stake in virtually everything that they do over there.

**ELLEN HUNG:** And I, I don't know. I've never been to China. So all I can say is what I've heard from the business people, from the investors that are-- that have people stationed in China.

**KAUTH:** OK. All right. Thank you.

**IBACH:** Thank you, Senator. Other questions? I just have one before you-- oh. Senator Hansen.

**HANSEN:** Thanks. This is great. It's turned into, like, a revenue committee. Foreign policy. I've never talked about foreign policy in Ag. I'm surprised Senator Holdcroft is not [INAUDIBLE] yet. So this is good. Do-- it-- are-- do we invest-- do we-- besides real estate, are there any oth-- [INAUDIBLE] investments that we, that we invest in--

**ELLEN HUNG:** Yes. So, so we do have the one manager I mentioned that-- we do have equity holdings in China. So all told is that 2.9% that we have in China.

**HANSEN:** Yeah.

**ELLEN HUNG:** But it's, it's a very small part.

**HANSEN:** OK. All right. Thanks.

**IBACH:** Thank you, Senator Hansen. I just have one question. Could you speak just a little bit about the management fees, that they will increase by \$1.54 million per year? That's consist-- continually, right? Every year it will--

**ELLEN HUNG:** Yes.

**IBACH:** And what does that consist of?

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**ELLEN HUNG:** So we hire a manager to invest for us in this commingled account. So they're in charge of doing that. And for them to manage those assets, they charge us a fee. And currently, it is the 3.0-- 3.5 basis points. So that's what we're paying them right now to manage that fee on an annual basis. And I asked them, if we were to limit the REITs in adversary nations how much it would cost, and that's when they said that it would have to be a, a simply managed account. And it would increase the fees to 8.7 basis points. So all I did was took the difference between those two numbers and multiplied by our assets on the management, the \$3 billion.

**IBACH:** Perfect. Thank you.

**KAUTH:** I have-- I have another question. I have-- I just-- I was doing math, so I have more questions. So is it 2.9% of our total holdings, which is \$28 billion?

**ELLEN HUNG:** Yes.

**KAUTH:** So that would be \$812 million. So saying it's only 2.9%, that's \$812 million of our retirees' money that, if they decide to get stinky and throttle, hold back, or do something to, how do we as a state come up with \$812 million to fix? And then also, who is the manager? You-- you've mentioned a manager several times. What manager do you use?

**ELLEN HUNG:** So our actively ma-- our active manager who has holdings in China is called Arrowstreet.

**KAUTH:** OK. Is that an-- a subsidiary of, of anyone else?

**ELLEN HUNG:** No.

**KAUTH:** So--

**ELLEN HUNG:** They're an independent manager.

**KAUTH:** And it doesn't have to do with BlackRock or Street, Street-- I can't remember what that--

**ELLEN HUNG:** State Street?

**KAUTH:** Thank you. The other one. So it-- it's not BlackRock.

**ELLEN HUNG:** It's, it's an active-- that-- Arrowstreet is an active manager.

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**KAUTH:** OK. And--

**ELLEN HUNG:** Our commingled account is managed by BlackRock.

**KAUTH:** Oh, so it is BlackRock. So the--

**ELLEN HUNG:** The commingle-- the commingled account.

**KAUTH:** The commingled that has the rates and the--

**ELLEN HUNG:** Yes.

**KAUTH:** So-- but tha-- so that is BlackRock--

**ELLEN HUNG:** Yes, that one is.

**KAUTH:** --not Arrowstreet.

**ELLEN HUNG:** Arrowstreet is the active manager that has decided to take-- they have discretion to invest anywhere in the world.

**KAUTH:** OK. But so BlackRock is-- kind of a bad reputation. And they certainly invest a lot with China. Is that correct?

**ELLEN HUNG:** They-- so they-- on our behalf, they are managed in a passive index. They don't have a say what's in the index. That is-- it's an index-- the one we're invested in is MSCI, and it's MSCI that determines what companies or what holdings should be in that index. It's not determined by BlackRock.

**KAUTH:** OK. Thank you.

**ELLEN HUNG:** And I would like to point out that when we had the issue with Russia and all the holdings were held up, our, our active managers actually got out of Russia before it happened. So we did not lose much money on that.

**KAUTH:** Not lose much money or--

**ELLEN HUNG:** Most of, most of our assets were taken out before it was put on hold.

**KAUTH:** OK. Thank you.

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**IBACH:** Thank you, Senator. Other questions? Seeing none. Thank you so much. It was very helpful. Are there other testifiers in the neutral? Seeing none. Senator DeKay, would you like to close?

**DeKAY:** Thank you. There was a lot of discussion about finances and military in, in this hearing today. I will say-- I'll start out with the CFIUS process. The CFIUS is the Committee on Foreign Investment in the United States. There are six countries that are on that adversarial list that include China, Russia, Iraq, North Korea, Cuba, and the Maduro veg-- regime of Venezuela. So with that being said, Senator Raybould asked a question once, a little bit about, about divesting. With the CFIUS process in place now, we can divest. And that will go through the Department of Agriculture. If something shows up in the state of Nebraska, it-- the Department of Agriculture and the Attorney General's Office have the authority to di-- divest those properties right now. There are some properties in the state of Nebraska that are foreign-owned-- not by China, but they do have China ties to them. Now, regardless if a Chinese company is its own entity or not, they still answer to the Chinese government and are-- basically can be controlled from behind the scenes on that going forward. Senator Hansen asked if this would affect trade. This would be more real property divestment. As far as trading commodities, I don't see that being-- that's not part of our-- in, in our wheelhouse in the state of Nebraska. That would be done at the federal level to determine how we do trade policies with China going forward. I will say this: with what's been going on-- and it goes back to Chairman Mao decades ago, he said, we will take over the United States without firing a shot. And with what's going on in the world today with intelligence and stuff, what happened around military installations and different surveillance and espionage operations that China has conducted in the state of Nebraska and Wyoming, this is a real threat. And however small it might seem, it's imperative-- when we're talking about finances with China and how fast we divest our interests in China, there are blocking-- they're, they're ramping up for war with Taiwan as we speak. They're ramping up block-- trying to block Taiwan right now. And 2027 will-- could be a very imperative year. If they declare war on Taiwan and take them over, I would guess-- I would venture to guess-- I don't know with 100% certainty-- but I would guess that they would try to freeze our assets and just pull them-- pull us off the market without having any say in what happens with our properties that we are invested in in China right now. With that, I would try to answer any questions. I think the two testifiers behind

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me did a great job in explaining our finances and our concerns with that.

**IBACH:** Thank you, Senator DeKay. Senator Raybould.

**RAYBOULD:** Yes. Thank you, Senator DeKay. I guess-- I'm, I'm really struggling with the fact that China-- or, the United States at times is China's number one trading partner. It can vary with other Asian-combined countries or the European Union, but we're still one of China's strongest trading partner, and so I'm trying to reconcile with that because that is so-- such a critical part of our ag economy that we have this relationship with China, which I think for all these years, outside of when there's tariff turmoil in different administrations, it has been very productive and, and very beneficial for our ag economy here in Nebraska. So I'm trying to reconcile that. I think that is at risk more than our investments in China. My husband's from Spain and, and we have friends who have factories in China that they own in, in China. And they work with China very closely, but, but China does not control their-- the assets that they have in China. They work very closely with the local authorities, as, as everybody does, depending upon where the factory is located. But-- I mean, trade is, is vital. Trade is-- trade is fundamental. And I, I, I guess I'm trying to reconcile, like, well, this is an investment. This is at lower risk than our trade is. That's, that's why I'm like, what is at risk for our ag economy? Trade, rather than the investments that we have in, in real estate investment trusts. So how-- help me understand how you've reconciled that, because I'm, I'm having a hard time doing that

**DeKAY:** Absolutely. Thank you for bringing that up. Number one, I don't think we should be as concerned about trade agreements with China as we do with national security issues with-- pertaining to China. And the reason I say that is China, for our commodities, they need us as much as we need them for any trade. They need our soybeans. They need our pork. They need our beef. And we're the ones that can produce it. If they go elsewhere, that's still gonna affect other markets. So we will fi-- we can find new trading partners if we lose part of that market to China. I, I believe that 100%. So the real concern to me-- I don't wanna compromise our national security-- our national security interests to protect the trade interests that we-- that they could get mad and say go kick rocks tomorrow, so. And we would still be [INAUDIBLE]. So I don't want them to have that leverage, that they think that they're holding [INAUDIBLE] to buy our products, because-- when-- there's a whole world out there that, if we're not selling to

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them, somebody else is and their-- and that other person that's selling to them would lose a customer somewhere else that we can pick up around the, around the world. So that's where I'm at on that.

**RAYBOULD:** OK. Thank you.

**IBACH:** Thank you, Senator Raybould. Other questions? Senator Storm.

**STORM:** Thank you. I'm going to make a comment here. So on this is-- I did a quick, little Goo-- quick Google search on this. But it looks to me like, in January 1 of 2024, China has passed a law allowing the authorities to seize and freeze the assets of foreign states if they want to. And I would assume if I can figure that out and look this up, BlackRock knows that. So I would just say there is a real risk at some point where China could use this against us. And that-- that's all I'd say. [INAUDIBLE].

**DeKAY:** Thank you. I would also say when it comes to investment in the state of Nebraska, there are some companies that do have, that do-- if you follow the lineage back, do go back to China. But as far as real property in the state of Nebraska, I think I'm only aware of about 17 or 18 acres of land that they actually own. There's a lot of other countries that we do-- do own Nebraska land, but China I think only has about 18 acres in the state of Nebraska as physical property. Besides, they do have some pork production plants and maybe some-- spray and insecticide plants and stuff like that out there, so.

**IBACH:** Very good. Thank you. Other questions? Seeing none. That will close our hearing on LB1188. Oh. For the record: proponent letters, 10; opponents, 1.