

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Appropriations Committee March 12, 2025

**CLEMENTS:** It looks like it's time to start. Good afternoon. Welcome to the Appropriations Committee. My name is Rob Clements. I'm from Elmwood and represent Legislative District 2, which is Cass County and eastern Lancaster County. I serve as chair of this committee. We will start off by having the members do self-introductions, starting with my right.

**LIPPINCOTT:** Loren Lippincott, District 34.

**ARMENDARIZ:** Christy Armendariz, District 18.

**DORN:** Myron Dorn, District 30.

**PROKOP:** Jason Prokop, District 27.

**CLEMENTS:** Assisting the committee today is Cori Bierbaum, our committee clerk, and to my left is our fiscal analysis-- analyst, Keisha Patent. And our pages today are-- oh, Demet Gedik and Ayden Topping, UNL students. If you are planning on testifying today, please fill out a green testifier sheet located in the back of the room and hand it to the page when you come up to testify. Online position comments must have been submitted on the Legislature's website by 8 a.m. the day of the hearing to be included in the record. If you have submitted a comment online, we ask that you not testify in person today. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are yellow sign-in sheets at the entrance to my left. These sign-in sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's hearing, I ask that you abide by the following procedures. Please silence your cell phones. Move to the front chairs to testify when your bill or agency is up. When hearing bills, the order of testimony will be introducer, proponents, opponents, neutral, and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency, then we will hear testimony from anyone who wishes to speak about the agency's budget request. When you come to testify, please state and spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to 5 minutes or less. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have 1 minute remaining, and the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Written material may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come

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up to testify. If you have written testimony but do not have 12 copies, please let the page know so they can make copies for you. With that, we will begin today's hearing with Agency 3, Legislative Council. Welcome.

[AGENCY HEARINGS]

**ARMENDARIZ:** We'll now start the meeting-- the hearing for LB392.

**CLEMENTS:** Thank you, Vice Chair Armendariz. My name is Rob Clements, R-o-b C-l-e-m-e-n-t-s. I'm here to introduce LB392. LB392 is a shell bill introduced to provide a contingency in the event that the Appropriations Committee needs an additional bill to carry out its budget recommendations affecting general funds. And we currently don't have a, a need that I know about. We may or may not need to use this bill, but we have done this each year, just to be prepared in case another issue comes up. And I would be glad to answer any questions.

**ARMENDARIZ:** Are there any questions for the Senator? Senator Spivey.

**SPIVEY:** Thank you, Vice Chair.

**ARMENDARIZ:** Not used to saying that.

**SPIVEY:** Thank you, Chair, for your opening. I just-- was more of like a practice. So this is standard for the Appropriations that there's always kind of this placeholder just in case, no matter what, and has been done every year?

**CLEMENTS:** Yes. And many committees do have a, a shell bill or two in, in case something comes up where a, a bill didn't get introduced specifically for that topic, but it can be amended. This would be an amendment in here if we need it.

**SPIVEY:** OK. Thank you.

**ARMENDARIZ:** Any other questions for the Senator? Seeing none, thank you for your testimony. I'll welcome proponents of LB392. Any opponents for LB392? Anyone testifying in the neutral? Thank you. With that, we have any online comments? We have none. Would you like to close, Senator?

**CLEMENTS:** I'll waive closing.

**ARMENDARIZ:** OK. And you waive closing. That ends our hearing on LB392. And we will move on to the next bill, LB393. Welcome, Senator.

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**CLEMENTS:** Thank you, Vice Chair Armendariz and Appropriations Committee. My name is Rob Clements, R-o-b C-l-e-m-e-n-t-s. LB393 is a shell bill introduced to provide a contingency in the event the Appropriations Committee needs an additional bill to carry out its budget recommendations regarding fund transfers. In those-- you know, in, in our budget package, we have general fund-- a bill for general funds and a separate bill for fund transfers. And you will see, this, this repeats some previous fund transfer language which we would not use the bill that introduced. We would replace it with an amendment If we need another vehicle to provide some-- a, a separate recommendation that we come up with. I'd be glad to answer any questions.

**ARMENDARIZ:** Any questions from the committee? Seeing none, I thank you for your testimony. Are there any proponents for LB393? Seeing none, are there any opponents for LB393? Seeing none, would anyone like to testify in the neutral position for LB393? Seeing none, that-- are there any online comments? No online comments. That closes our hearing for LB393. Thank you, Senator.

**CLEMENTS:** Well, in closing, I want to thank the committee for your good work and for your understanding of not asking questions.

**ARMENDARIZ:** And that closes our hearing for LB393.

**CLEMENTS:** All right. Next, we will open a hearing for LB623, Senator Dover.

**DOVER:** Well, good afternoon, Chairman Clements and committee members. I am simply introducing a shell bill, which is simply there in case it may be needed. And I'm here to answer any questions that anyone may have.

**CLEMENTS:** Senator Spivey.

**SPIVEY:** Thank you, Chair. Thank you for your opening remarks. Is this shell bill-- because I know Senator Clements talked about like, what his go to, and this one is just around Appropriations. So this is a shell for just any appropriations that those bills will roll into, potentially, or like, how does this shell bill work compared to like, some of the others?

**DOVER:** This is simply a bill that could be amended to do anything in Appropriations.

**SPIVEY:** Oh, OK. Thank you.

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**CLEMENTS:** Would you please say and spell your name?

**DOVER:** Oh. My name is Robert Dover. I represent District 19.  
R-o-b-e-r-t D-o-v-e-r.

**CLEMENTS:** Thank you. Are there any other questions? Seeing none, is anyone here wanting to testify as a proponent? Seeing none, any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you care to close?

**DOVER:** I waive closing.

**CLEMENTS:** Thank you. That concludes-- oh, excuse me. We have online comments for the record. Proponent, zero; opponent, one; neutral, zero. That concludes the hearing for LB623. And the next item we have is LB130, by Senator Dungan. And I am aware that he was unavailable at this time. Is that right?

**CAMDYN KAVAN:** Yeah. Senator Dungan is in court. Since you all don't get paid very much, he has to go do those kind of things so he can live. So you're stuck with me. Sorry.

**CLEMENTS:** Welcome.

**CAMDYN KAVAN:** So I'm going to pass this out to the committee. So my name is Camdyn Kavan. That's C-a-m-d-y-n K-a-v-a-n. I'm here in Senator Dungan's stead to introduce LB130. I passed out some stuff for the pages to hand out to you. It's just the Statement of Intent for this bill, and just kind of provides a bit of a key. It's, it's a very complicated bill, so that will kind of help understand some things. So-- all right. Senator Dungan is Legislative District 26 in northeast Lincoln. Today, I'm introducing LB130. LB130 reinstates the Legislature's formula for annual transfers to the Cash Reserve Fund in years of excess revenue growth. This bill would change the formula enacted in LB34, which would-- which was quickly passed during the special session back to its original form. The main idea of LB34's formula is perpetual year over year growth revenue commitment to the school district property tax relief credit, also referred to as the Tier 2 credit. As the language in LB34 reads, the first 3% of any revenue growth will be transferred to the Cash Reserve. Any revenue growth over 3% is then transferred into the Tier 2 credit. LB130 would simply revert our Cash Reserve funding formula back to the formula that the Legislature had used previous to this summer. Before explaining how exactly this formula works and why I think it's more sustainable and flexible approach, I wanted to-- I mean, not me, but--

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I wanted to raise LB494, introduced by Senator Dorn. For your attention, LB494 was heard last Thursday before the Revenue Committee. Senator Dorn has unfortunately-- has fortunately identified a few potential unintended consequences on the language of LB34 and worked with the Legislative Fiscal Office to make technical fixes to LB34. LB494, LB494 is a necessary bill and the minimum the Legislature should do this year to clean up what passed this summer. However, passage of this bill would render LB494 unnecessary because it would eliminate the approach LB494 is intended to fix. So why, why return to prior language? The language in LB130 is not new. It was devised a few years ago to do 3 things. (1) Provide a steady yearly transfer to the Cash Reserve Fund; (2) Set aside money during years of above-average growth for the Legislature to spend, based on current priorities; and (3) Cap the Cash Reserve Fund at 16% of total General Fund expenditures. For the math-minded on the committee, I've passed out copies of the bill's Statement of Intent. I already did that. First, let's look at Section (3)(a)(i), LB130, on page 2, line 16. This is shown in line 1 under the legend of the Statement of Intent. The Tax Commissioner determines the amount of year's revenues exceed the year's certified revenue forecast. That's Z. Then (3)(a) figures a number based on how a given year's revenue growth percentage compares to previous 20 years' growth percentage, excluding the lowest outlier. The percentage is then multiplied by total receipts for that year, and then the number is halved. For reference, our historical average revenue growth percentage is about 5%. Now, jump down to (3)(b). That's, that's shown in calculation 3 under the Statement of Intent. Fundamentally, this basically says the amount that receipts exceed projection is going to be transferred into the Cash Reserve Fund immediately. If we're in a year of historic sig-- histor-- historically significant revenue growth, a portion of growth revenues will carry over to the next fiscal year, to be spent either based on the legislative party that year, including potential tax relief or transferred to the Cash Reserve. Finally, LB130 would create a ceiling on the Cash Reserve equal to 16% of total General Fund expenditures. According to the National Association of State Budget Offices, the state median reserve percentage is, for 2025, is 14.4. That kind of rounds up-- this is by far, our most technical bill, so sorry that it's me. But with that, I, I end my opening.

**CLEMENTS:** Are there questions? Technical questions? The-- anyway, in your opening, you said this would en-- restore the formula the way it was before this last special session?

**CAMDYN KAVAN:** Yes.

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**CLEMENTS:** All right. Any other questions? Senator Dover.

**DOVER:** Why does Senator Dungan feel that this is necessary?

**CAMDYN KAVAN:** You would have to ask him that. I-- he'll probably be here for closing, hopefully. But you can, you can ask him that at closing.

**CLEMENTS:** Yeah. Yeah, we can ask him that. And you said that Senator Dorn has a bill in Revenue which does something to the current formula?

**CAMDYN KAVAN:** Yeah. His bill in Revenue-- and he's right there, so maybe he can, he can answer that in a second. But he-- his bill was similar to this. It was in Revenue. I don't know why each bill got referenced to different committees like that, but his bill in Revenue did something similar but not the full extent, if I'm close to right on that, Senator Dorn. I'm not sure.

**CLEMENTS:** Well, very good. We'll, we'll speak with them on that. Well, thank you for your testimony.

**CAMDYN KAVAN:** Thanks.

**CLEMENTS:** Are there any proponents for LB130?

**HUNTER TRAYNOR:** Yes. I'll fill this out in one moment, if that's OK.

**CLEMENTS:** Just in time.

**HUNTER TRAYNOR:** Just in time. All those shell bills. They really move. Made me work today. Well, members of the Appropriations Committee, my name is Hunter Traynor. That is spelled H-u-n-t-e-r T-r-a-y-n-o-r. I'm here today on behalf of the Nebraska Chamber of Commerce and Industry, the Greater Omaha Chamber, and the Lincoln Chamber of Commerce in support of LB130. I apologize for missing the opening. I'm unsure if there were technical questions from the committee regarding the history of this language or the impact of this language, insofar as the Cash Reserve funding formula is concerned. This bill would rollback a provision that was included in LB34 during the special session. There was a similar bill heard last Thursday, before the Revenue Committee, that was introduced by Senator Dorn that I would call a cleanup bill. It clarifies, it makes technically sound what was originally some quite general language this summer that, from the perspective of the Legislative Fiscal Office, needed to be clarified to basically prevent potential unforeseen budgeting consequences of

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that language and how it could create unforeseen results. From our perspective, the previous formula that the Appropriations Committee was using for annual set asides to the Cash Reserve Fund, those 2 things in particular that I think have gone by the wayside now, with the language passed this summer. It provides stability to the Cash Reserve Fund and it gives the Legislature flexibility on an annual basis. As the formula worked-- and we passed out, I believe, a quite cumbersome algebraic demonstration of the formula. At the end of every year, receipts that exceed forecasts are then compared to how that year's annual revenue growth fares over the last 20 years. So you take a 20-year average of what revenues and the growth thereof have been as a percentage. You subtract that from the percentage of revenue growth for that year. You take out the 20-year outlier, the lowest year of revenue growth over the last 20 years. That is then smoothed out, basically divided in two, and if that number is great. So in other words, if revenue is growing at a rate larger than the historical average, that amount is carried forward into the next year to then be either spent based on the priorities of the Legislature that year, or if, in fact, it is the desire of the committee and the body, set aside in the rainy day fund. And so, from our perspective, that approach provided a more predictable yearly transfer to the Cash Reserve. And in light of what I think will be future stress on that reserve fund over the next 3-4 years, coupled with uncertainty about federal funding, about the economy, coupled with the flexibility it gives the Legislature on an annual basis to spend growth revenues on whatever priorities come before the body that day, in our judgment, we support that approach. I think the, the-- at least the elephant in the room last week before the Revenue Committee and I think it's best to just address that, was well, this takes away from the perpetual commitment to the Tier 2 tax credit. And I think the response that all legislators should consider is it just takes away from the guaranteed perpetual commitment. But if, in fact, the Legislature decides that that's the priority for the body and the approach that we should take to spending revenue growth in the state, then that can certainly be the case. It was just, in our judgment, a more flexible formula before that was more stable, and gave each Legislature on every year the opportunity to make that decision based on what priorities were facing them in that given year. So I apologize again for being a little tardy, and I'd be happy to answer any questions.

**CLEMENTS:** Are there questions? Senator Armendariz.

**ARMENDARIZ:** Thank you. Thank you for being here.

**HUNTER TRAYNOR:** You're welcome.

**ARMENDARIZ:** Under the current rule that we created this summer--

**HUNTER TRAYNOR:** Yeah.

**ARMENDARIZ:** We still allow for 3% growth year over year to be spent however we want--

**HUNTER TRAYNOR:** Well--

**ARMENDARIZ:** --or, or the needs of the Legislature can direct that 3% growth year over year.

**HUNTER TRAYNOR:** The first 3% under the formula that was passed this summer, and I believe how it would remain treated under LB494 is that first 3% of revenue growth over the last year's receipts goes into the Cash Reserve Fund. The excess, so the dollars over 103% of revenue growth then go into the Tier 2 tax credit, school district property tax relief credit.

**ARMENDARIZ:** Correct. But technically, we can spend the 3% in our priorities.

**HUNTER TRAYNOR:** Yeah. That-- that's not false. That's not false. And you could, you could do that under the LB130 approach.

**ARMENDARIZ:** I'm just concerned with the public's perception of us not making that continual commitment to property tax relief. Would they perceive it that way? The-- just the homeowner in general, not businesses, but would the homeowner feel like they need to fight every year then, to get that property tax credit?

**HUNTER TRAYNOR:** I think the public would, would have that perception if, in fact, the Legislature decided on an annual basis not to spend growth revenues on property tax relief. I mean, I don't mean this flippantly in a way, but I don't know if the everyday homeowner understands the formula that the state uses to fund its Cash Reserve Fund. And so the rollback of that funding formula, I don't think is some public statement from the Legislature that there's not a commitment to property tax relief. And I, I think it's more a question of fiscal stability and flexibility. But that would only be the case if, in fact, the Legislature decided not to spend future growth revenues on, on the Tier 2 tax credit. I, I think our support really comes from a place of allowing future legislatures the ability to do that, as opposed to just a perpetual commitment over and above the 103% threshold.

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**ARMENDARIZ:** OK. I appreciate your testimony.

**HUNTER TRAYNOR:** Yeah.

**CLEMENTS:** Senator Dorn.

**DORN:** Thank you, Senator Clements. Thank you for being-- I, I-- mine's just more for clarification. But LB34, and you correct me if I'm wrong here, is it's the growth above 103% growth.

**HUNTER TRAYNOR:** Correct.

**DORN:** That's what we're talking about in this bill and in what was my LB494. But a 3%, and Keisha would know this exactly, but--

**HUNTER TRAYNOR:** Yeah.

**DORN:** --3% has, I call it things in place now, where most often, that will go in the rainy day or the cash fund. So then that elite allows the state. Is that kind of the way you remember this, too? We're talking about , we're talking about the 3% above the 3% growth.

**HUNTER TRAYNOR:** Yeah. It's, it's the overage over 3%--

**DORN:** Yes, it's the overage. Yes.

**HUNTER TRAYNOR:** --on an annual basis. Yeah. So that's the only amount of money--

**DORN:** Yes.

**HUNTER TRAYNOR:** --that is implicated. I mean, if you look back historically, there are certainly years of upticks. There are certainly years of downticks. Our historical last 43 years, I think it is, of revenue growth on an annual basis is about 5%, 4.9 maybe. Over this biennium, it's 4.9. I think it's 9.6 this fiscal year. And then, maybe 0.2 or-- next year, it balances out to about 5% over the biennium, but the annual average is about 5%. So if the language were to remain in place, the first 3% would go automatically to the reserve. It would be that 2% excess revenue growth, which is theoretically a larger number every year.

**DORN:** We, we would still have to have-- the, the first thing that's dealt with in either bill is up to that 3% growth. So if we only ended up with-- by different formulas, only ended up with a 1% or 1.5% growth, then the above 3% never is affected.

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**HUNTER TRAYNOR:** Yeah. Yeah. And I would-- if, if I can, I would say that that oblig-- that observation is reinforcing from our perspective of the need for LB130. Because if, in fact, we have years of flat revenue growth, the likelihood goes up that the rainy day fund would become necessary to pay for inflationary pressures that the state would face in years of normal revenue growth, which would then put the state in the position during a period of future revenue growth to have less flexibility to potentially replenish the rainy day fund if, in fact, it had be-- had been spent down when revenues were flat. And so, from our perspective, this approach makes more sense for the body to consider, regardless of whether we're in a period of growth or a period of economic contraction. And again, that's the flexibility point that I made earlier.

**CLEMENTS:** All right. Are there other questions? Seeing none, thank you for your testimony.

**HUNTER TRAYNOR:** Thank you, all.

**CLEMENTS:** Are there additional proponents for LB130? Good afternoon.

**CRAIG BECK:** Good afternoon, Chairman Clements and members of the Appropriations Committee. I'm Craig Beck. That's C-r-a-i-g B-e-c-k, and I'm research director at OpenSky Policy Institute, and we are here in support of LB130. OpenSky supports LB130 because a well-funded Cash Reserve is important to maintaining the fiscal health of the state. The reserve is one of the best hedges against the worst effects of economic downturns, supplementing state general funds when revenues decline. LB130 provides the opportunity to ensure the reserve remains well-funded by sending revenue collected over the certified forecast at the end of a fiscal year to the reserve, prioritizing savings before other spending. An additional calculation would also be reinstated, which sends a portion of any revenue growth-- of any above-average revenue growth-- excuse me-- to the reserve if that amount is greater than the amount over certified forecast. Current statute, as amended in LB34 from the previous summer special session, will make funding the reserve more difficult into the future. Limiting the automatic transfer above certified forecast to just the first 3% of revenue over the prior year will lessen the body's ability to replenish the reserve during upswings and revenue growth, and it's during times of strong revenue growth that the reserve should be, and has historically been built back up after depleting it during times of slow or negative revenue growth. The level at which the reserve is considered to be fully funded is around 16% of revenues or expenditures. And importantly, LB130 reinstates this statutory target

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by stipulating a balance equal to 16% of General Fund expenditures as fully funded. Historically, the Legislative Fiscal Office has targeted 16% of receipts. And similarly, the Government Finance Officers Association recommends a minimum balance of 2 months of General Fund operating revenues or expenditures. It's important to note that while the reserve is projected to be near these targets at the end of the coming biennium on the most recent financial status, that balance could drop further as the committee develops its final report and balances the remaining \$289 million shortfall. Additionally, I think we would agree with Mr. Traynor before us that there is significant uncertainty on the, on the horizon from the federal government, something that we believe the state can protect against by ensuring that the reserve is fully funded. Any potential cost shifts to the state could wreak havoc on the state's already strained budget, which is why OpenSky believes a fully funded reserve is of paramount concern during these uncertain times. And we believe LB130 will maintain a strong reserve better than our current policy allows. It is for these reasons that we support LB130, and I'm happy to answer any questions. Thank you.

**CLEMENTS:** Are there quest-- Senator Armendariz.

**ARMENDARIZ:** Thank you. Thank you. So a couple questions. Is your biggest concern that we're going to drop below 16% reserve? And is OpenSky's position, they're comfortable with that excess not going to schools to offset property taxes--

**CRAIG BECK:** So to answer the first--

**ARMENDARIZ:** --while being--

**CRAIG BECK:** Sure.

**ARMENDARIZ:** --designated in, in--

**CRAIG BECK:** Sure.

**ARMENDARIZ:** --you know, the near future, instead of being in flux?

**CRAIG BECK:** Sure. I think for the first question, you know, the reserve has-- the reserve balance has gone up and down over time as we've utilized it for various different things, as, as I know you're all aware. We like targeting that 16% number. We think that's good policy practice and we like to see that. We would like to see that reinstated in statute, which this bill would do. To answer your second question, which, to make sure I understood correctly, it's are we, are

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we comfortable with diverting the revenue that would currently go to the school district property tax--

**ARMENDARIZ:** Yes, yes.

**CRAIG BECK:** --credit relief fund? It's a big acronym. To, you know, diverting it from property taxes to the Cash Reserve potentially.

**ARMENDARIZ:** Oh, it-- being directed to the schools, so that it would lower an individual's requirement to pay into the schools.

**CRAIG BECK:** Sure. Sure. I think, from our perspective, you know, we support, we support saving first. And so we do support reverting to the, to the previous policy, where any amount over the certified forecast goes into the Cash Reserve, of course, with that 16% cap, which we do think is important to reinstate. And I, I think one thing that, that we would say to that, that may potentially alleviate the concern that we are, you know, now taking funds away from, from the school district property tax credit, as you mentioned, nothing would prevent funds that, you know, would currently go into that fund, but under this bill would go into the reserve. Nothing would prevent this committee and the Legislature from using those funds for additional purposes. Right. We just-- we do think that it is important that we save first, that the state saves first. And, you know, we are close to that 16% target right now, as I mentioned. So if LB30-- LB130 were to be enacted, like for example, in the fiscal note, we're currently \$100 million above for the current fiscal year. But this-- under current law, that \$100 million would go into the reserve. But if this were reinstated, roughly, I think \$14 million would go in, because we would reduce the transfer to hit that 16% target. So in, in our mind, it, it just gives the state more flexibility. Those dollars can ultimately be used for other purposes, but we, we do support putting money into the Cash Reserve first.

**CLEMENTS:** Go ahead.

**ARMENDARIZ:** And my understanding is that we would never dip below the 16% that we're shooting for. But in your testimony-- and I don't want to put words in your mouth that you're comfortable with the flux of the confidence of the money going in year over year, and being, being argued on the floor, whether we're going to pay for the schools' property tax relief, you're more comfortable with that than the confidence that we'll maintain the 16% emergency fund? You would rather the, the, the bill to put the property tax relief money be in

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flux, and you're not as comfortable with maintaining a 16% emergency fund?

**CRAIG BECK:** So, so we are most comfortable maintaining the 16% reserve fund.

**ARMENDARIZ:** You are comfortable that we're going to keep it, even under our current condition?

**CRAIG BECK:** No. So-- OK. I think I see. No. We, we support, you know, working towards that 16% target on a year over year basis. Right? There will be times where we spend money out of-- this committee spends money out of the reserve and it will drop that balance below the 16%. LB130 simply says we're targeting that 16% with error above certified forecast, and additionally, that very complex calculation based on revenue growth. But this will just stipulate that we-- that, that the Legislature and this committee seek the 16% threshold of expenditures in the fund. That'll be the maximum that the automatic transfers could, you know, occur to the extent that, that they would only go up to 16%. Am I answering your question?

**ARMENDARIZ:** It, it-- it's complicated.

**CRAIG BECK:** It is complicated.

**ARMENDARIZ:** And I know OpenSky traditionally supports schools. That's why I'm surprised that having that, having that confidence year over year, that you're going to get any excess, that you're, you're pulled back from that and would prefer to undo that.

**CRAIG BECK:** I, I think, ultimately, we, we do support having a fully funded Cash Reserve, 16% of expenditures as, as defined in this bill. And we believe that with a fully funded Cash Reserve, then the Legislature can, you know, allocate any dollars from there as, as they see fit.

**ARMENDARIZ:** OK. I appreciate it. Thanks.

**CRAIG BECK:** Of course.

**CLEMENTS:** Other questions? Seeing none, thank you for your testimony. Are there additional proponents for LB130? Seeing none, are there opponents for LB130? Good afternoon.

**BRUCE RIEKER:** Good afternoon. Chairman Clements, members of the Appropriations Committee, my name is Bruce Rieker. It;s B-r-u-c-e

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R-i-e-k-e-r. I'm the senior director of state legislative affairs at Farm Bureau, here testifying on behalf of Farm Bureau and the other 8 groups that are part of the Ag Leaders. They're listed there on the testimony that I've submitted. This is pretty much black and white, and it became very black and white during the testimony on Senator Dorn's LB494 last week. The opponents of his bill said that we've done enough for property tax relief and that this fund-- these funds should go somewhere else. So-- and then they were also asked-- the opponents of his bill were also asked about this bill. And they said that this is their bill because we've funneled enough money towards property tax relief and that we should keep it available to be spent elsewhere. And that's the black and white issue of this bill versus LB494. If you want to pull the transcript of that hearing on LB494 to read the exchange in the Q&A section, you will see clearly who believes we've done enough on property tax relief.

**CLEMENTS:** All right. Are there questions? Senator Dover.

**DOVER:** I'm just trying to-- I know-- I'm trying to understand. I understand that the state's responsible for the way we calculate the process of coming up with property tax and those kinds of things, that it's in the constitution, et cetera. I'm trying to understand why it's up to the state to pay down property tax, because it seems to me that we gave up property tax back in '67 and took over sales and income tax, and we gave property tax to the local entities to-- for local control. So they elect those people who set the levies, who collect-- who set basically what their property tax is going to be, and that's all locally elected officials. And, and I'm wondering why we're having the-- we keep having a discussion up here how we should take state and income tax and, and do property tax relief when we-- and we're releasing the pressure in a way, right? Because the more we, the more we fund property tax relief in the state of Nebraska, the less those local people are going to say, hey, schools-- which is 60% or whatever. Right? You're more aware of these numbers than I am.

**BRUCE RIEKER:** Mm-hmm.

**DOVER:** They're going to hey, schools-- you know, you know, they're not going to say, stop spending so much money. They're not going to go to the cities or the counties or those other living entities and say, control your spending. Because we're, we're releasing all the pressure here on the state level. And, and our money gets used up-- the sales and income tax gets used up, where we could use for running government, economic development programs, other things. Right?

**BRUCE RIEKER:** Yeah.

**DOVER:** Why are-- why does it seem like things have shifted so much for the state to solve the property tax problem when it's a local problem? I mean, like-- so for e-- it's a statewide problem, don't get me wrong. But it's local entities, it's a local tax. Why, why are we giving tax relief, and why aren't we solving, and, and why aren't we solving the process?

**BRUCE RIEKER:** Yeah. Well, jokingly, you ought to see how fast I could be asked to leave a Farm Bureau meeting when I ask, does local control really work? OK. So when it comes to spending--the-- this issue, property taxes, is going to be a continual runaway train as long as we're doing-- having credits, chasing something that we're not controlling. And somebody is going to have to rein it in. We've had conversations about controlling local spending, but those are the real tough things that either the Legislature's going to make local subdivisions rein in their spending, otherwise we're going to be dealing with this all the way through. You know, Governor Pillen and I have had an in-depth conversation, and I agree with him. He's like, until we get local spending under control, this thing will continually be this way. So I hope you know I'm sitting here not just asking for you to send money to local subdivisions without-- and other conversations asking you to help control the spending.

**CLEMENTS:** Senator Armendariz.

**ARMENDARIZ:** Thank you. Thank you for, thank you for this back and forth, because it brings some light that-- do you, do you think then politicians need to control it all, because people at the local level aren't controlling the spending?

**BRUCE RIEKER:** Well, they're politicians, too.

**ARMENDARIZ:** No, I'm not talking about the politicians. I'm talking about the people that vote for the politicians aren't controlling the spending. There-- I mean, ideally, it's the people voting--

**BRUCE RIEKER:** Right.

**ARMENDARIZ:** --that should be dictating what kind of spending is going on. But you're saying they're either disconnected, they're, they're not voting, they're not paying attention, and the spending keeps escalating. And then when we go knock doors-- do something about our property tax. When actually, it's that door that has control over that.

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**BRUCE RIEKER:** Yeah.

**ARMENDARIZ:** Are you saying that they're just not engaged enough to keep it under control at the local level?

**BRUCE RIEKER:** Yes, I am saying that. And I'm not saying that we're delivering a panacea. But we have hired a few more people on our team to help get more local engagement on those issues, and we've had quite the conversations. Now I'm talking about Farm Bureau right now. I can't speak for the other 8, 8 groups that are part of the Ag Leaders. But we have had conversations about-- well, and my role is at Farm Bureau. I'm here trying to fix this. But until we fix it at the local level, too, I'm in the same-- I mean, I'm not looking for sympathy. I'm in the same situation you are, is like somebody has got to stop the spending. And to this point in time, I would say, especially for schools, at the local level, they're like, well, OK. We can't take money away from our kids because that would be a bad thing. But we don't have to provide them everything either. And so I know I'm stepping into the ideal situation, but I-- you know, we're, we're doing some-- I mean, I'm going to present some numbers to the Revenue Committee tomorrow, about where this is headed. And I'm going to try and give this same message there as-- yes, we need property tax relief, but we also have to rein in the spending. And now, somebody is going to have to do it. But right now-- OK. I mean, is it the Legislature telling the locals, look, this, this is as much as you get, and then you can exercise your local control with the amount of money we give you? You know, local control, in my estimation, local control does not implicitly mean you can levy local property taxes. But that seems to be something that goes hand in hand with that. Local control can be. Here's your amount of money. Now we'd have to reform some of the ways education is delivered or other things. But like this is the amount of money you get. If you want more than that, you're probably going to have to form a foundation or something like that, have people contribute, and that'd be a private choice. But local control can be-- you know, it's no different than-- and I don't want to characterize them as kids, but it's no different than me giving my children an allowance when they were younger. Here's what you get. Now you have the control to decide what you're going to do with it.

**CLEMENTS:** All right. Are there questions? Senator Dover.

**DOVER:** Like I said, not to be redundant, but it seems to me, all we're doing is addressing the symptom. All we're doing by giving more and more money to relieve local property taxes is like giving a pain pill to someone who has something wrong. And so until there's pain, they're

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not going to stop moving that joint or whatever it may be. And don't you-- I mean, don't you think? I mean, I understand the situation is because everybody that you work for says, property tax. We gotta cut property taxes. But in farming, until farming, until what they, what they tax property-- excuse me-- farm ground for, until that's tied to production of some sort, that's never going to solve the problem. And don't you-- I mean, don't you think-- I mean, sometimes, like-- well, I don't, I don't, I don't know if this is a good analogy. But sometimes, like, a mother can help their child, and they're not helping the child, they're hurting the child. And it just seems to me, the more money that we get for property tax relief is doing more harm than good, because all we're doing is allowing them to get their budgets up even more, so that when we have no money, it's gonna really hit. And sometimes, life is what it takes to make a big decision. But I mean, would you agree? I don't even think we're doing more harm than good by doing this in the long-term, of property tax relief and spending?

**BRUCE RIEKER:** Senator, I'm going to go just a little bit higher, if I may have time to, to respond to that. I've been in Farm Bureau 10 years. OK. When I got involved in this, as we were hearing discussions about lowering income taxes or property taxes, most of what I heard was the reason that we have tax credits, either for property tax credits or incentives or tax credits for making certain investments is because we have a dysfunctional tax structure. And so, a lot of the incentives for business were created to make up for our high income tax. And even as recently as when Senator Linehan was here as chair, on the floor she said, if we lowered income taxes, we could get rid of a lot of the incentives. So on the income tax side, we're doing the same thing as we're doing on the property tax side-- both of those. And so we're lowering income taxes. And I'm not against that. We're not against lowering those income taxes, but it has to be balanced with reducing the property tax burden. But on both sides of the equation, these tax credits are Band-Aids to fix a dysfunctional system. Now, we are fixing income taxes to a great degree, taking it to 3.99. OK. Unfortunately, that spent all the money that we have or quite a bit of it, so we don't have anything for property tax relief. But until we wrap-- you and us, in the private sector wrap our brains around this, we're going to have tax credits chasing stuff on the business side and we're going to have tax credits trying to fix things on the property tax side. So that's how I see the world. And quite frankly, I think it is dysfunctional. But I will also tell you this: that tax credits are the easiest thing to sell to the Legislature. That's unfortunate. Rather than expanding the tax base or anything

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like that, it's like, OK, you know, if they spend this money, we'll give them a tax credit. If they pay this property tax, we'll give them a tax credit. That's a lot more politically palatable to do than do the tough stuff we all got to do. And I'm not just pointing my finger at you. Uh-oh. Here it comes.

**CLEMENTS:** Senator Armendariz.

**ARMENDARIZ:** To your logic--

**BRUCE RIEKER:** Yes.

**ARMENDARIZ:** --we've reduced income tax and corporate income tax. We should be removing tax credits on business then?

**BRUCE RIEKER:** Absolutely.

**ARMENDARIZ:** Have we done enough on that?

**BRUCE RIEKER:** No.

**ARMENDARIZ:** Thanks.

**CLEMENTS:** Senator Dover.

**DOVER:** If you look-- I mean, you know more about the-- we've had conversations here. This is-- you're here all the time. You're a full time-- I'm just a te-- a te-- a termed-out senator at some point.

**BRUCE RIEKER:** I'm a minion.

**DOVER:** You know, you talk about broadening the tax base.

**BRUCE RIEKER:** Mm-hmm.

**DOVER:** But if you go back, you go back and look at the tax history of say, in Nebraska. Look at '67, we added sales tax. And if you look at all those taxes, we just keep increasing them, and we keep increasing them, and we keep increasing them. So my-- and tell, tell me if I'm wrong. My-- I felt as though-- because it was a big discussion we had, obviously, about broadening the tax. It sounds really good until you start taxing people and then you talk about fairness of a tax. Right?

**BRUCE RIEKER:** Yeah.

**DOVER:** We could, we could have passed that, and it was an undes-- a number of senators that stopped it. But if we would have passed it, I

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think you would have seen high fives in all the aisles. Hey, we did that. Boom. We did that. We spotted the tax base. We're good. And just wait. I don't know what it would be-- 5 years, 7 years, 10 years, and we would have been right back there with no money. And all we would have done was raise taxes on everybody like we've continually done. I mean, is it-- I mean, do you think that would be-- he's talking about broadening the tax base. Is that really a solution?

**BRUCE RIEKER:** Do I get to stay in my perfect world mentality?

**DOVER:** Yes.

**BRUCE RIEKER:** OK. And this was brought up in Senator Dorn's hearing last week-- or it was either that one or the bill following it, which was Senator Brandt's LB564. But the question was asked, if we broaden the tax base far enough but we're able to lower the sales tax rate a little bit, not to completely offset the, the expan-- I mean, so broaden the base, lower the rate, but let's-- I'll, I'll use this example. If we broaden the base to generate \$100 million but we lowered the rate to save-- to reduce that \$50 million, could we use the other \$50 million for property tax relief, or funding schools? I mean, so it's like, sin-- whoops-- since I joined Farm Bureau, we have totally strayed away from looking at school funding. And, you know, there's a lot of schools that are very responsible. But-- so the question was asked, is it possible to expand the base far enough, but in turn, lower the rate a little bit and use the excess re-- or the additional revenue generated by that expansion to pay for property tax relief or, I guess, something else, if it's the Legislature's priority. I have done-- I have not done that mathematical calculation. Some others in that hearing said that they would produce it for the Revenue Committee, but I would rather us do our own math. But I don't know how close I came to hitting that target of your question.

**DOVER:** Well, I get-- basically, we would have brought-- I mean, where-- when haven't we raised taxes only to raise taxes, only to raise taxes?

**BRUCE RIEKER:** I know.

**DOVER:** And by broadening the base, everyone would have said everything was great until we spent more money than we had again and we'd be raising taxes. So isn't it better to say don't raise ta-- I mean, I would broaden for the family.

**BRUCE RIEKER:** Mm-hmm.

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**DOVER:** You don't raise taxes.

**BRUCE RIEKER:** Right.

**DOVER:** On taxes. You don't raise taxes. Taxes can only go down.

**BRUCE RIEKER:** OK. Then the only way you're going to fix this property tax issue is to cut the spending associated with property taxes. That's the only way. There's only 2 options. You either increase revenue or you cut spending. And I will tell you, I think we're the only ones that testified in support-- general support of the governor's budget recommendations, because he's-- because, because he's clawing back some of the things that were appropriated or incentives that were created over the last 4 years. So just in case, when Mark McHarg testified before you, if you didn't get that, unfortunately we had to testify neutral because all the bills got put together that day. But we have said that. We said that in our testimony to the Revenue Committee last week. We realize where we're at. These 9 groups that I'm here on behalf of right now realize that there's going to have to be some pain. OK. But we have to figure out-- you-- what are, what are-- what's the pain and what's the gain. And so we have testified to that in both, I call them parallel universes--

**CLEMENTS:** OK.

**BRUCE RIEKER:** --Appropriations and Revenue. Sorry.

**CLEMENTS:** All right. This is sounding a lot like the Revenue Committee today. Are there other other questions?

**BRUCE RIEKER:** Well, I just said you gotta cut. That's Appropriations.

**CLEMENTS:** All right. Seeing none, thank you for your testimony.

**BRUCE RIEKER:** You're welcome. Thanks for letting me have this amount of time with you.

**CLEMENTS:** Next opponent. Good afternoon.

**TOM BRIESE:** Good afternoon. And thank you, Chair Clements and members of the Appropriations Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e. And how do I add to that? I object to the bill because of the elimination of the property tax relief derived from the peeling off of the excess revenue over 3%. Back in the special session, you guy-- you folks passed LB34. In LB34, you put a cap on local subdivisions. You frontloaded LB1107 credit. And thirdly, and maybe most importantly,

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you peeled off excess revenue growth over 3% and directed it to property tax relief. And also, importantly there, you have directed it to the frontloaded LB1107 credit, which I am a fan of, but peeling off that revenue growth, as we heard earlier-- and my, my numbers also suggest that average revenue growth is going to be about 5% going forward. 5% minus 3 is 2%, 2% times \$7 billion. We're talking \$140 million of property tax relief per year that's at stake here. Now, this only comes into play when actual growth exceeds estimated growth, which I think happens about 60% of the time. Keisha might know that, but I think it's about 60% of the time. So you're probably not getting that full 140, but you're getting at least 60% of 140, which is \$80-90 million a year that we're talking about here, at least. And so, to answer your question earlier, Senator Armendariz, how would you characterize that? I would characterize that as a property tax increase, a state imposed property tax increase, if we take that away, in my view. That would be the public perception, I think. And someone suggested all they want to do here is roll back our guaranteed commitment to the LB1107-- frontloaded LB1107 credit. And personally, I like guarantees. And I think the public likes guarantees when you're talking property tax relief. It needs to stay in place. And I thought I also heard something-- I'm paraphrasing now, but oh, go ahead and roll it back. The public is not going to know the difference. And I-- well, anyway. I won't go into that. But, but I strongly oppose the elimination of this mechanism for property tax relief. We're talking a, a considerable amount of money that is direct property tax relief. It's going to vary from year to year. And if I was arguing about it on the floor, I would, I would characterize it as a property tax increase if we tried to do that. And then, Senator Dover, you had some good questions earlier about, you know, how to handle this, what we need to be doing. I, I think a number of things. Personally, I was a fan of LB1, where we were going to take away schools' authority to levy property taxes for general, general fund expenditures. That's the way to do it. State takes it over. State's in control. You're in control and-- of the funding. We're not taking over control of the schools, but you're controlling the purse strings. That's how to get a handle on this, and that's what we did with community colleges. I think it's working great. I think it would work great in the K-12 arena. But instead, we're kind of piecemealing it. We couldn't get LB1 done so we're piecemealing it. We're putting money in a credit or talking about putting money into schools. And in this case, and that's the reason I introduced LB243, the property-- the-- excuse me, the school revenue cap a couple years ago. We got that passed. And that's helped, you know, requiring schools-- a supermajority vote of the board and the public to override the cap. But I think we do need to beef up that

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cap. Senator Murman has a bill, LB692, to do that. But I think he's concerned about a lack of support, even among conservatives on that issue. To me, that's mind-boggling. You know, the language that's in there now maybe isn't quite right, but I think if he makes some adjustments there, it really needs to be passed to try to help beef up that cap, to try to ensure the dollars that we put into schools that you're talking about, Senator Dovers-- Dover, do yield property tax relief. And, and why should we put any money into it? Because I, I maintain that we have a constitutional obligation to provide for the free public education of our children, but we're not meeting that obligation. You know, we're nearly last in the country in the percentage of K-12 education provided by the state, and that's not right. That's why we have a property tax crisis. But anyway, that was just my thoughts on it, and be happy to answer any questions. Appreciate your time and consideration. It does sound like a Revenue Committee meeting today, doesn't it? Good stuff.

**CLEMENTS:** Senator Dover.

**DOVER:** So as far as our constitutional obligation to, to educate the children, I'm guessing that went back before 1967?

**TOM BRIESE:** I, I-- and I say that kind of flippantly. If there truly was a constitutional obligation, the courts would have told us that and we'd be-- taken care our obligation. But I-- the way I see it, yeah. I, I think we have an obligation to do it, and we are not maintaining that obligation.

**DOVER:** But I mean, if, if schools are funded by property tax, which they are, because they're given a levying ability--

**TOM BRIESE:** Yep.

**DOVER:** --and we gave up property tax, didn't we then say, OK, here's the property tax revenue to the schools. You can then levy locally by lo-- locally elected officials. Therefore, this state no longer has a responsibility for funding education-- public education. Could you make that argument?

**TOM BRIESE:** Oh, you could, you could make that argument. But we collect over 50% more in property taxes than, for example, sales taxes. And that's not right. And that's what really irks and irritates the property taxpayers across our state. And then the property tax burden, the discrepancy between the community and the residential community, that just gets in the craw of a whole lot of people out

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where I come from. A lot of property taxpayers out where I come from think it's extremely unfair how we fund public education in this state.

**CLEMENTS:** Senator Spivey.

**SPIVEY:** Thank you, Chair. Thank you for your testimony. It was talked about a little bit earlier, public perception. And Senator Armendariz brought it up. And then you kind of mentioned it. And so in my district where I come from, people and the public perception is that the property tax and what is in front of us is funding big farmers, landowners, its impact to the governor and him personally and that people are not truly investing in the folks that are most burdened by property tax, which are low-income, moderate-income working families, and that they, they don't want to sacrifice important services like public education. My district is one of those districts that have failing public schools, lots of different complexities that create that experience, and so there's not competing priorities. But still, I want to do a "yes and." And so I'm wondering, just in your opinion, how does this and what's proposed by Senator Dungan not align to what like, the general public is saying or like, why are you in opposition, that this doesn't align to some of those things that have been-- conversations that have been happening before I've come into the body?

**TOM BRIESE:** Oh, like, a great question, Senator. And folks out in my district, they would look at OPS, at OPS and see that the state is paying for, I don't know, was it 60% of the cost of educating an OPS student? I'm not sure. I haven't looked lately. Out in my country, they might be paying 5-10% of the cost. So folks out in my country thinks-- think that that is unfair, but it's all a matter of perspective. But what this, what this program would do or what this peeling off the excess over 3% and directing it back to that fund that's then directed into the what I consider the frontloaded LB1107 credit-- that's what you folks put in place in the special session-- that-- that's a very fair way of delivering property tax. It's everybody gets the same percentage of relief. You know, as an ag guy coming from rural Nebraska, I ought to be arguing for the Tier 1 credit, which is advantageous for us out there. The Tier 2 credit, this frontloaded LB1107, is not as advantageous for rural ag people, like a lot of my folks are. It's-- it really is kind of weighted towards urban areas, in my view, because it's-- really is kind of weighted towards the higher-levy districts because every-- everybody is getting the same percentage of relief. So this mechanism, I would maintain, is weighted towards high-levy districts, hence, a lot of urban districts.

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**SPIVEY:** Thank you.

**TOM BRIESE:** But.

**CLEMENTS:** Other questions? Senator Dover.

**DOVER:** Were you here when Speaker Scheer was here and you guys had no money?

**TOM BRIESE:** Yes. Yeah. Yeah.

**DOVER:** You made some decisions that you never could have made otherwise because you had no money, that were good decisions?

**TOM BRIESE:** Certainly makes a difference. Yes.

**DOVER:** So, I, I just feel this all the time. You got a lot more years of experience here than I do, and I'm just a newbie. But tell me why I'm wrong with thinking that by solving this, by, by solving the property tax problem-- because we have a problem, right. We have a big problem. And we keep patching things and doing this and doing that, so we're alleviating the pain. And in this-- so it's not that big-- it's ord-- it's not that big of a problem as it would have been a year or 2 years ago, or if we would just leave this thing alone, in a couple years, it would, it would be a more of a bigger issue and more pain would be felt. And isn't it only during those times that really, you can get the votes you need to actually pass something down here that would be monumental or actually a solution to the process?

**TOM BRIESE:** Mm-hmm. And I, I agree with that. Ten years ago, getting property tax relief would have been much harder than it is now, because more Nebraskans are feeling the pain. You're feeling it in your district. Your constituents are feeling it, as opposed to more-- 10, 20 years ago, it was more of a rural issue in my, in my view. And rural doesn't really have much of a chance because of the numbers. But, but we all tend to work together a little bit more and roll in the same direction when we're all-- more of us are affected.

**DOVER:** Thank you.

**CLEMENTS:** Other questions? Seeing none, thank you for your testimony.

**TOM BRIESE:** Well, thank you. Thanks for everything--

**CLEMENTS:** Good to see you again.

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**TOM BRIESE:** --you guys do. You do a lot of hard work. I know that.

**ARMENDARIZ:** Thanks, Tom.

**DOVER:** You do know that.

**TOM BRIESE:** Yes. You bet. Have a good one.

**DOVER:** Thank you.

**CLEMENTS:** Are there additional opponents on LB130? Seeing none, anyone here wishing to testify in the neutral capacity? Seeing none, is Senator Dungan available to close? Do you care to close?

**CAMDYN KAVAN:** No. Staff usually doesn't close.

**CLEMENTS:** Very good, then. We have comments for the record. LB130, proponents, 2; opponents, 2; neutral, zero. That concludes the hearing for LB130. And that concludes our hearings for today.