

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate March 5, 2025

KELLY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the thirty-eighth day of the One Hundred Ninth Legislature, First Session. Our chaplain for today is Senator von Gillern. Please stand.

von GILLERN: Good morning. Please join me in prayer. Lord, we thank you for safe travel to be here in our state's Capitol today, to do the work that you've set before us. We pray for those who are still traveling, those working outside, and especially those who work to make us safe in such dangerous conditions. We especially lift up our state troopers and thank them for all that they do for us in this building and all across the state. Put your angels about each one and protect them from harm, we pray. Today, as we set about our work, we ask that it would be more than just an agenda, more than a to-do list, that it would be your work that we accomplish. May we hear clearly from you the matters that are holy and have greater purpose than simply those of man. Finally, Lord, we give you this day and we ask that you give us grace in our conversations and anoint the work of our hands. For it's in your name that we pray. Amen.

KELLY: I recognize Senator Brandt for the Pledge of Allegiance.

BRANDT: Please join me in the pledge. I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.

KELLY: Thank you. I call to order the thirty-eighth day of the One Hundred Ninth Legislature, First Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

CLERK: There's a quorum present, Mr. President.

KELLY: Are there any corrections for the Journal?

CLERK: I have no corrections this morning, sir.

KELLY: Are there any messages, reports, or announcements?

CLERK: There are, Mr. President. Notice of committee hearing from the Revenue Committee. Additionally, a message from Senator Hardin, as chair of the Health and Human Services Committee, that the Health and Human Services Committee has selected LB376 as a committee priority bill. LB376, HHS Committee priority bill. That's all I have this time, Mr. President.

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KELLY: Thank you, Mr. Clerk. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign LR53. Mr. Clerk, please proceed to the first item on the agenda.

CLERK: Mr. President, first item on the agenda, General File, LB168. Senator Machaela Cavanaugh has a motion, M059, to indefinitely postpone LB168 pursuant to Rule 6, Section 3(f). My understanding is Senator Conrad is authorized to open on that motion when the time comes.

KELLY: Thank you, Mr. Clerk. Senator Hardin, for-- you're recognized to open.

HARDIN: Thank you, Mr. President. LB168 seeks to protect access to the 340B Community Benefits Program for eligible safety net health care providers in our state. The 340B Community Benefits Program was created by Congress in 1992, permitting certain safety net providers, including critical access hospitals and federally qualified health centers, to purchase certain outpatient medications from drug manufacturers at a discounted price. The program's purpose is to invest those savings into expanding services for underserved communities. Savings from the 340B Program help our Nebraska hospitals provide more comprehensive care for underserved patients. They invest these savings back into the communities in many different ways. But, most importantly, the savings can literally keep the doors open for some struggling rural hospitals. Two things are important to note about the 340B Program. The discount is paid by drug manufacturers with no state tax or federal tax dollars, and as required by Congress, drug manufacturers are required to provide the 340B discount to eligible entities in exchange for their participation in Medicaid and Medicare. That's really important. Listen to that again. If you're a drug maker, you're not just providing the 340B Program out of the goodness of your heart, you get access to Medicaid and Medicare. By the way, Medicaid and Medicare dollars for prescription drugs were \$370 billion, with a b, in 2019. Those are the latest numbers we have from CMS. So they're not doing this out of the goodness of their hearts, they simply don't like doing it at all. And that's what 340B is about. This bill would prohibit a drug manufacturer from directly or indirectly denying, restricting, or otherwise interfering with the acquisition of a 340B drug or delivery of such a drug to any pharmacy that is under contract with a 340B entity to distribute those drugs to eligible patients. While the 340B Drug Discount Program is a federal program that something should be addressed by Congress, and I'm one of those that thinks it should be addressed by Congress, too, but in the meantime, states are leading the way in safeguarding access by

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exercising state-level authority to regulate the delivery of health care. LB168 does not seek to change the federal 340B Program. It simply seeks to regulate the delivery of drugs from a manufacturer to a contract pharmacy. Arkansas passed the first law prohibiting manufacturers from imposing certain restrictions on contract pharmacy arrangements in 2021. Since then, 8 states have passed similar laws. And just this year, 10 more states introduced legislation similar to LB168. Since the law's passage, several manufacturers have lifted or, or eased the restrictions for covered entities in those 10 states. LB168 is similar to Arkansas's legislation, which has been upheld several times in the judicial system. The U.S. District Court for the Eastern District of Arkansas upheld the law against a challenge from pharma. The U.S. Eighth Circuit Court of Appeals, which just so happens to be the same judicial circuit that Nebraska's in. They upheld the ruling in a legal challenge from pharma. And then pharma appealed to the U.S. Supreme Court last December, and the U.S. Supreme Court declined to hear pharma's appeal, upholding the Eighth Circuit's ruling. Although opponents may try to complicate this issue with misleading advertisements with my picture and Senator Jacobson's pictures all over them, it's really very simple, support for this bill helps our community hospitals, our local pharmacies, safety net health care providers. Support for LB168 helps Nebraskans. Opposition helps out-of-state drug manufacturers hold on to more profits and eliminates important health care access for our most vulnerable populations. According to the Nebraska Hospital Association, 54% of all critical access hospitals are currently operating at a loss, with many of them at risk of closing in the state. Our safety net health care providers depend on this program to stretch their scarce resources and meet the needs of their patients. I want to thank the bipartisan group of senators for representing both the urban and rural areas, who've signed on as cosponsors of this legislation. There is at least one hospital participating in the 340B Drug Program in 24 different legislative districts, many districts having 3 or more hospitals participating. It's of the utmost importance that we protect patients' access to health care services, and LB168 offers those protections. LB168 was heard in the Banking, Commerce and Insurance Committee on February 4 and advanced from the committee to General File on a 7-1 vote. There is also committee amendment, AM225, that removes opposition to the bill, and I encourage the body to vote for the amendment as well. Please vote green for LB168. Thank you, Mr. President.

KELLY: Thank you, Senator Hardin. Senator Conrad, you're recognized open on the priority motion.

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CONRAD: Thank you, Mr. President. Good morning, colleagues. As everybody is well aware, there are some extenuating circumstances with weather and travel and otherwise this morning, so as a professional courtesy, I was asked by legislative leadership if I would open on Senator Cavanaugh's motions, as she's not yet here. And to be clear, I'm not trying to kill this bill, as I'm stepping forward as a professional courtesy to help a colleague. I am a cosponsor of LB168 and have appreciated my friend Senator Hardin's work on this measure. I know that he brought it forward in the last biennium and just didn't quite have enough time to move it forward. But this issue, I think, has been well vetted. I know myself and many other colleagues have had the opportunity to talk with representatives in health care in Nebraska, from the Hospital Association to local providers. And I think, I think they have adeptly made their case that this is an important step that Nebraska can take to try and address some unmet health care needs across the state and, particularly, in rural Nebraska. So I would encourage folks to support the measure, as I will be doing, and hopefully Senator Cavanaugh will, will be here soon to take up her motions. I believe in conversation with her, rather than being perhaps particularly focused on opposition to LB168 that she had, I believe, put forward these motions as a placeholder to structure debate to try and encourage the Health and Human Services Committee to take up some other matters before them in executive session. I think, particularly, in relation to Senator Spivey's bill in regards to strengthening the safety net. So I think that is part of the overall strategy that brought us to these motions this morning. Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Seeing no one else in the queue, you're recognized for the close on the motion and waive. Members, the question is the motion to indefinitely postpone. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 0 ayes, 37 nays, Mr. President, on the motion to indefinitely postpone.

KELLY: The motion is not adopted.

CLERK: I need to read the bill, sir, if I could?

KELLY: Mr. Clerk.

CLERK: Mr. President, LB168, introduced by Senator Hardin. It's a bill for an act relating to health care; adopts the 340B Contract Pharmacy Protection Act; provides for severability; and declares an emergency.

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The bill was read for the first time on January 13 of this year and referred to the Banking, Commerce and Insurance Committee. That committee placed the bill on General File with committee amendments, Mr. President.

KELLY: Senator Jacobson, you're recognized open on the committee amendment.

JACOBSON: Thank you, Mr. President. The committee amendment is really a very simple amendment. It really-- on page 2, line 11 and 18, we're simply striking distributor-- distributor or. So the two words "distributor or," those would be stricken on page 2, lines 11 and 18. That's the totality of the amendment. I'd encourage your green vote on this amendment, LB168. Thank you, Mr. President.

KELLY: Thank you, Senator Jacobson. Speaker Arch, you're recognized to speak.

ARCH: Thank you, Mr. President. I want to, I want to give a little bit of a background to health care here for a second, because I-- there would be many people that, that would agree with me, the 340B Program is a mess. I'm going to vote for this bill. But this does not fix the 340B Program. There is within our health care system something that is very systemic and it is-- I would consider it to be a fatal flaw that has been happening over decades. And that is this concept called cost shifting. The, the problem that we have with health care right now is that the government now with Medicaid and Medicare is well over 50%. 50% of individuals in the United States are covered either under Medicare or Medicaid. When that happened, any time you have a purchaser of health care like that, of course, they can dictate their, their conditions. And, and what the government has done is the government has dictated that we're not going to pay you your cost to provide health care. Now, I'm not talking price, I'm talking cost. So the cost to provide health care is not covered by the Medicaid and Medicare contracts that either go to doctors or go to hospitals or long-term care facilities in the case of, in the case of rehabilitation, whatever it might be, because they don't have to, government doesn't have to because they are-- they can dictate terms. Now, if they provided cost, what, of course, that meant was that more tax would be required, more, more spending of the federal, state governments would be required. And that is something that Congress will not do. They will not pass that. So what has been going on over time has been this concept called cost shifting. And in order to fill the gap of, of not having costs covered, they-- the, the hospitals' physicians have turned to other ways to cover that. The obvious is

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commercial insurance. So it shifts to commercial insurance payers, where premiums go up on the commercial side to cover the gap that's happening on the government side. But as, but as, but as that government cost gap has increased over time, so has that cost shifting. So there is a-- within commercial insurance premiums, there is a hidden cost and unseen, unseen by the, by the general public. But that cost sits over there in commercial premiums. So that's one way of doing it. Another way of doing it is the 340B Program. The 340B Program has been-- has-- was implemented in a certain way to do this. And, and it's up to you, general public, as well as individuals here in the Legislature, to determine what you're looking at. Are you looking at use? Are you looking at misuse? Are you looking at abuse? What are, what are you seeing when you see a program like the 340 Program, intended to help those providers who are providing care to people where the cost is not covered? And so a 340B Program was implemented. The bill that Senator Hardin has here will not fix the 340B Program. Quite frankly, only the federal government that implemented the 340B Program can fix the 340B Program. It's extremely complicated, and so I, I don't have a lot of hope that that's going to happen. But then you also have things like the assessment bill that we passed. And if you've been reading, if you've been reading the, the bills in Congress right now when it comes to the budget, they're taking a look at those assessment programs. Fine. Get rid of the assessment program. I say not fine. 40 some states are doing the assessment program. Nebraska is waiting to get their waiver approved. You eliminate the assessment program, OK, you still have the problem where the government is not paying the cost of providing health care. It's like pretending that it doesn't cost this much to provide health care. I, I say this only to say that I will be voting for the 340B Program, but I thought I would provide a little bit of background as to what you're seeing. These all tie together. They all tie together. And when you see the Appropriations Committee being asked to increase Medicaid, Medicaid rates, they are at-- the, the providers are asking for instead of paying me 70% of my cost, could you please pay me 72? Thank you, Mr. President.

KELLY: Thank you, Speaker Arch. Senator Riepe, you're recognized to speak and waive. Speaker Arch, you're recognized to speak.

ARCH: Thank you, Mr. President. I just want to finish my thought. So, so anyway, I just, I just wanted to provide a little bit of background. I mean, obviously, my background is health care. Hospitals, hospitals look at this 340B Program as a way of, of filling in some of that gap between, between the cost of providing care for Medicare and Medicaid, TRICARE is in that, is in that category as

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well. And so, yes, I'll be voting for 340B but I just, I, I just, I just felt compelled to stand up and try to help everybody explain what is going on within the health care industry at large and, and why this program exists, why the assessment program exists, why commercial premiums keep going up, all of the dynamics behind those pressures. Thank you, Mr. President.

KELLY: Thank you, Speaker Arch. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President. And, friends, I have been in touch with my friend Senator Machaela Cavanaugh and she is enroute. But I would ask just as she makes her way here, not only for this measure, but for a measure that she has on the agenda very quickly today, if perhaps Senator Hardin would yield to a question. Just a question.

KELLY: Senator Hardin, would you yield to a question?

HARDIN: Sure.

CONRAD: Thank you, Senator Hardin. I know that many of us have received a variety of different messages from different individuals and groups expressing some concerns about this measure. Many of them are out of state, many of them seem to be in relation to general opposition to the program, I guess, on the federal level more so in response to your particular measure from my read and from my analysis of the communications I've seen. Would, would you say that that's a, a fair assessment of some of the opposition that members might be waiting through in regards to this measure?

HARDIN: No, it's a radically unfair assessment.

CONRAD: All right. Very good. If you'd like to share your analysis on what the opposition might be saying and why it is unwarranted in regards or as applied to your measure, that might be helpful for the record. And that's my last question. So I'll, I'll yield the rest of my time to Senator Hardin if he'd like to, to respond.

HARDIN: We have a David and Goliath scenario going on where the accusations are the 340B hospitals have abused the flexibilities they have with fungible, fungible monies that come through the 340B Program. And you know what? They're correct. There have been abuses. The problem is they are the David in this analogy. The Goliath in this analogy are both the pharmaceutical manufacturers and their henchmen, the Pharmacy Benefit Managers, the PBMs, who distribute those drugs. Over the years, the size of the abuse on the parts of those PBMs as

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they distribute these very crazy costs-- I always tell people there's two costs of drugs, there's expensive and ridiculous. I work in the industry and have worked in the industry for more than 25 years, so I know it very well. I know where the bodies are buried, and I am more than glad, and the longer that this would go on as a filibuster, if that happens, the more of those bodies will get trenched up. And I am more than ready to put that on display. I am ready to name names. And so if that's how we want to proceed, I am more than glad to give up this industry that I have been a part of that abuses Nebraska patients because that's who, ultimately, this is hurting. Thank you, Mr. President.

KELLY: Thank you, Senator Hardin. Senator Dungan, you're recognized to speak.

DUNGAN: Thank you, Mr. President. Good morning, colleagues. I do rise today in favor of AM225 and LB168. I apologize, I was down in my office earlier, so I apologize if I repeat anything that's already been said. But I wanted to jump in here for a couple of reasons. Obviously, I think it's important to talk about the bill, but also I was on the committee, and so I heard the hearing for the LB168 and I have had a chance to talk to a number of the different stakeholders involved in this, and I just think it's been a really interesting journey for how we got here. So I want to thank Senator Hardin for his really hard work on this. I think that he's put a lot of effort into an issue that is very complicated, and it's rare in this body that we actually have an issue come before us in committee where you don't have your mind made up ahead of time, or at least have an idea as to which direction you're probably leaning. And so I think it's kind of fun, frankly, when you have an issue come before you in committee where you get to listen to both sides and weigh the positives and the benefits and listen to all of the stakeholders involved and, ultimately, come to a conclusion. That's one of the enjoyable things I think about the Banking, Commerce and Insurance Committee is we have a lot of bills like that. It's very rare, I think, that we get bills before us that are the kind of hyper partisan, super wedge issues that a lot of people are used to in the Legislature or hearing about at home, I guess, in the Legislature. And so this is one of those. And I'll admit, when I got on the Banking, Commerce and Insurance Committee a couple years ago, I had not heard of the 340B Program. And I would venture to guess that the vast majority of people sitting at home either watching today or reading the paper tomorrow aren't super familiar with the 340B Program, and I would echo the sentiments of some of my colleagues, which is to say that it's a very complicated program, and there's a lot of different layers to it, and certainly at

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the federal level is where a lot of the issues are. And I would say that every single one of my colleagues that I've spoken to about this on the Banking, Commerce and Insurance Committee has reiterated that we agree at the end of the day, the feds have to act with regards to some of the issues and problems that, that come up when you're talking about the 340B Program and the various benefits to whom they go to. That being said, I think that we need to take action to ensure that our rural hospitals and patients are being protected. And, to me, that's really what this comes down to. I'm an urban senator, obviously, I represent northeast Lincoln, but when you're a state legislator, you represent all of Nebraska, too. And during the hearing, we had a number of these critical access hospitals come in and talk to us about the importance of ensuring that they are able to provide medication and the proper care to patients. And when I talked to my friends in the Hospital Association, and I learned kind of how the rest of the state feels about it, it really struck me that this was an important step to take in order to make sure those patients are protected. And I'll tell you, my North Star, my guiding principle on the Banking, Commerce and Insurance Committee is what helps people? I, oftentimes, don't have a dog in the fight when it comes to a lot of the issues that we debate. From a personal perspective or professional perspective, it's not a world that I come from, the banking world or the insurance world. But my number one question to any stakeholder that comes to me is how does this help people? And during the hearing that we had, I certainly asked that question, I think, of a number of the folks that came and testified. And at the end of the day, it truly does seem to me that in the balancing test of whether you're for this or against this, supporting LB168 ensures that critical access hospitals in those rural areas continue to be able to provide the care that they need to be able to provide for their patients. So I, I think that that's an important note. I also want to thank Senator Hardin for listening to some of the opponents. I know there was one opponent that came in, and I think made a very valid point about who is or isn't included. My understanding is that's what was, ultimately, wrapped up in our amendment. And I think the fact that we're able to listen to opposition, make tweaks here or there means that the legislation, ultimately, is ready to go. So, colleagues, I do support AM225. I support LB168. And I would encourage your green vote on both of those so we can continue to make sure that patients across Nebraska are protected. Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Seeing no one else in the queue, Senator Jacobson, you're recognized to close on the amendment and

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waive. Members, the question is the adoption of AM225. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 42 ayes, 0 nays on adoption of the committee amendment, Mr. President.

KELLY: AM225 is adopted. Mr. Clerk.

CLERK: I have nothing further on the bill at this time, Mr. President.

KELLY: Senator Hardin, you're recognized to close and waive. Members, the question is the advancement of LB168 to E&R Initial. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 41 ayes, 0 nays, Mr. President, on advancement of the bill.

KELLY: LB168 is advanced to E&R Initial. Mr. Clerk, for items.

CLERK: Thank you, Mr. President. Notice that the Nebraska Retirement Systems Committee will hold an executive session under the south balcony at 10:00. Retirement under the south balcony at 10:00 this morning. Additionally, new LR from Senator Lonowski, LR61. That'll be laid over. That's all I have at this time, Mr. President.

KELLY: Thank you, Mr. Clerk. Please proceed to the next item on the agenda.

CLERK: Mr. President, next bill, LB325, introduced by Senator Jacobson. It's a bill for an act relating to insurance; amends Section 44-211; changes provisions relating to qualifications and requirements for the board of directors of an insurance corporation; and repeals the original section. The bill the first time on January 16 of this year and referred to the Banking, Commerce and Insurance Committee. That committee placed the bill on General File. Currently, nothing pending on the bill, Mr. President.

KELLY: Thank you, Mr. Clerk. Senator Jacobson, you're recognized to open.

JACOBSON: Thank you, Mr. President, and good morning, colleagues. Today, I'm asking for your green vote on LB325. LB325 amends Section 44-211 to create an exception to the general requirements that at least one director on a board of directors of an insurance company be a resident of the state of Nebraska. To qualify for the exception, the insurance corporation must file a written affidavit with the department-- Nebraska Department of Insurance stating the following:

the-- number one, the insurance corporation's principal corporate executive officers are located within the state of Nebraska; number two, the insurance corporation is publicly traded corporation on a federally governed stock exchange or is wholly owned affiliated of such of a publicly traded corporation; and, three, the insurance corporation has been domiciled in the state of Nebraska for at least 25 years. The insurance corporation employs more than 500 employees who are employed in Nebraska and subject to the Nebraska income tax on compensation received from the insurance corporation, and the ultimate controlling entity of the insurance corporation as defined by the department has not changed in 10 years. Insurance corporations would be required to file the affidavit every 5 years to maintain the exemption. The bill also includes example, example language to use in the affidavit states what insurance corporation-- what, what corporations must do if at any time they don't meet all the requirements and it makes some nonsubstantive cleanup language changes to the statute. To clarify what's going on here, there has been a, a, a-- in the statutes for many, many decades, long before flip phone started, probably about the time dial-up phones were starting, that had a requirement. If you're an insurance corporation domiciled in the state of Nebraska, that you must have at least one director who lives in the state. The reason for that was that back in the day, the insurance commissioner had someone they could go to if they had questions about the performance of that particular insurance company. Keep in mind, back in those days when this rule-- when this was first put in, there were a limited number of, of-- we didn't have computers working the way they do today. If you were not publicly traded, there was no way to really monitor their activity from that standpoint. Of course, the department could go in and do an examination at any time, but we have so much more information available today, readily available for the examiners to use. And, quite frankly, when you're looking at a very large insurance corporation and we have many domiciled here in Nebraska. There are, there are insurance companies like Pacific Life and Aflac and others, common names you know of that are domiciled in the state of Nebraska, paying taxes in the state of Nebraska, hiring employees who live in the state of Nebraska and pay taxes here. One of my goals as chair of the Banking, Commerce and Insurance Committee is to actually attract more insurance companies to the state of Nebraska. They pay high wages, they're a solid-- they have great benefits, they're solid corporate citizens. And we're very, very fortunate to have the numbers that are here today. I want to make sure that we eliminate any barriers to entry, particularly for those large, publicly traded corporate-- insurance corporations who have solid, impeccable track records, have solid and impeccable credentials

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and earnings and, and balance sheets to consider domiciling here and, more importantly, and all-- and just as importantly, keeping those that are here today in the state of Nebraska. So this bill just does that very thing. The Department of Insurance did not take a position on the bill. I did spend time with the director, and like any self-respecting regulator, you don't ever want to take things off the books, but felt that we were-- this was not going to impede their ability to manage corporations, particularly when you look at all the requirements they have to meet for this. At this point, there's one insurance corporation that would qualify today. There are more that would likely qualify in the future, but you've got to hit all of those bullet points. So with that, I think it's a solid bill that is probably long overdue and needs to be passed. And so I would encourage your green vote on AM325 [SIC]. And I'd be happy to respond to anybody's questions along the way. With that, thank you, Mr. President.

KELLY: Thank you, Senator Jacobson. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President, and thank you, colleagues. I think Senator Jacobson did an adequate job in explaining the policy underpinnings behind this measure. I see my friend Senator Dungan is on the floor as well and is a member of the committee. I was wondering if Senator Dungan would yield to a quick question?

KELLY: Senator Dungan, would you yield to some questions?

DUNGAN: Yes.

CONRAD: Thank you, Senator. And because this touches upon the issue of insurance, as Senator Jacobson noted in his opening, I know when, not perhaps directly on point in regards to this particular measure, but related to the subject area, I know I've received a lot of feedback from constituents about the ever-increasing rise in home insurance, and I have had an opportunity to read some of the headlines in Nebraska over the last year or so, year or so that demonstrates that Nebraska is quickly becoming one of the, the highest home insurance rates in the country. And I know this is impacting other states as well as they grapple with extreme weather events and otherwise. But coupled with the pressure in property taxes and these increased rates for home insurance, I know that it's really gripped many Nebraska homework-- homeowners and caused a lot of consternation at their kitchen tables. Are there other measures before Banking and Insurance that help to perhaps address that to identify potential solutions that

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we can engage with as a state to temp-- maybe get some relief on, on home insurance costs?

DUNGAN: Yeah, I mean, I think it's a discussion that we have a lot in the insurance-- Banking, Commerce and Insurance committee. I'll just shorten it to BCI. It's the interplay between, you know, home insurance, health insurance, and all of the other out-of-pocket costs that people any more are expected to pay in order just to live. I-- you know, we had this horrible storm last night, obviously, and I don't want to take too much of the time, but we actually-- my neighbor's porch roof actually collapsed. And I was out in the storm trying to help her and her dad prop it up so they could keep it put together. My point is, he said, you know, home insurance is going to get a call about this. So more and more as we're seeing this kind of weather come in, we're seeing a lot of home insurance claims. So we are hearing in the Insurance Committee, there's a lot of increases in those premiums and in the cost of home insurance. I think one of the things that we're focusing on trying to do is make sure that we keep all forms of insurance affordable by keeping those premiums down. Our friends in the insurance industry will always tell us that certain things might raise premiums or, or might help lower premiums. And so we are trying to sort of keep the interplay between health insurance and home insurance and auto insurance in mind in terms of keeping that cost down as much as possible. Obviously, rising inflation, which is an issue that, excuse me, we as Nebraskans can't necessarily address ourselves, but rising inflation is something else we talk about with regards to how that affects home insurance. And that's going to continue to increase those costs. And so, yeah, there's not a simple solution, I guess, is my long answer short. We don't have a silver bullet for it, but it's definitely something that we keep in mind as an insurance committee, because we know that that's one of the things that's hitting the pocketbooks of everyday Nebraskans, more so than most other things.

CONRAD: Thank you. Thank you, Senator. I really appreciate it. I'll yield back the balance of my time.

KELLY: Thank you, Senators Conrad and Dungan. Senator Dungan, you're next in the queue.

DUNGAN: Thank you, Mr. President. I do rise again today, colleagues, in favor of LB325. As a member of the committee, I think it's often important to stand up and talk a little bit about the bill-- excuse me-- talk about why we support it. I'll be honest, whenever I see a proposal that encourages getting rid of certain requirements like

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this, I'm a little bit hesitant. Obviously, we want to make sure that Nebraska companies have Nebraskans in charge, and we want to make sure that that's something that we're always keeping-- I'm sorry, Mr. President, could I get a gavel? Could I get a gavel, Mr. President? Thank you. Colleagues, what I'm saying is not maybe the most important thing, but it's hard to think sometimes when it gets really loud. So I just want to say that out loud, it's getting a little bit loud. But my point is, when you see bills like this, you get a little bit hesitant at first. I think you want to make sure that we're not getting rid of all regulations, and that we're not making sure these companies have any connections to Nebraska. But, yet again, like I said on the last bill, I was convinced during the hearing of the importance of LB325. Senator Jacobson did a great job in his opening, I think, talking about why this is necessary, and it really struck me the fact that there's very few, one company, I think, that this might affect in, in that way. And so I just wanted to stand up and say that I support LB325. I think sometimes these issues can be a little bit complicated, and having members of the committee speak to them is important. So if any other members of the Banking, Commerce and Insurance Committee feel the need to rise and talk a little bit about this, we could listen to that. If not, we can always move onto the next bill. Thank you, Mr. President.

KELLY: Thank you, Senator Dungan. Seeing no one else in the queue, Senator Jacobson, you're recognized to close on the-- Senator Rountree, you're recognized to speak.

ROUNTREE: Thank you so much, Mr. President. I'm sorry for the late press of the button, but would Senator Jacobson yield to a question?

KELLY: Senator Jacobson, would you yield to a question?

JACOBSON: Yes, I would.

ROUNTREE: Thank you, Senator Jacobson. I appreciate this bill as well. And noted in your open it and discussion of the bill, it stated about being able to bring other insurance companies into the state, which we would gladly, gladly welcome. But I also ask if they come into the state, do we think we might see some relief on some of the insurance increases that we're seeing? I'm just thinking back as-- on the campaign trail, a lot of the thoughts that I heard at the doors were the high insurance rates. Would there be any possibility of relief if we get other qualified companies into the state? Thank you, sir.

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JACOBSON: Well, I appreciate the question. I would tell you that being able to domicile here isn't going to impact the cost of insurance, but I will tell you what will. What will impact the cost of insurance is any bills that we pass here that, that make it more costly for insurance companies to settle claims. There was a bill that we saw that, that, that, that has not come out of committee, but could end up on the floor that has to do with roofers being able to be guaranteed attorneys' fees if they gather up insurance claims and those-- that alone has probably caused roof claims to go up 30% by themselves. I think anything we do to put more impediments and more cost on insurance companies-- I know people don't like hearing this, but insurance companies, every-- it's a zero-sum game, OK? If they're paying out more claims, they've got to get more premium to get the same margin. And so we live in the state of Nebraska where two big problems that we have in this state is wind and hail. And those are the two biggest causes of insurance premiums being what they are on homes. And all you got to do is go to Omaha a year ago and look at the storm damage there. I, I don't know what that final number was, but it was huge. Most all those homes were insured. That comes out of insurance companies. You look at the fires in California, you look at floods, all of that adds up. So a lot of insurance companies really ran in over the last several years hitting into their reinsurers. So reinsurance costs have gone up. So things that we can do to put less cost on the insurance companies will allow them to bring rates down. And keep in mind, they are regulated, their rates are regulated. And so they've got to be able to prove up to be able to get any rate increases. And so this is a zero-sum game. And we got to have to always be cognizant of that, and anybody that has followed me on the Banking Committee and Banking, Commerce and Insurance Committee, I'm very sensitive to things that are going, that are going to pass more costs on to insurers unless they're justified. So I think that's the big cause. But I would say the answer your question is, no, it shouldn't have any impact, but it will have an impact on getting more people in the state of Nebraska and growing our tax base, which is what I'm really in favor of. Thank you.

ROUNTREE: Thank you so much, Senator Jacobson. Mr. President, I yield the rest of my time. Thank you.

KELLY: Thank you, Senators Rountree and Jacobson. Seeing no one else in the queue, Senator Jacobson, you're recognized to close on the bill and waive. Members, the question is the advancement of LB325 to E&R Initial. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

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CLERK: 43 ayes, 0 nays on advancement of the bill, Mr. President.

KELLY: LB325 advances to E&R Initial.

CLERK: I, I assume we're going to her bill.

KELLY: Mr. Clerk, next item.

CLERK: Mr. President, next item, LB13, introduced by Senator Machaela Cavanaugh. It's a bill for an act relating to the federal Child Care Subsidy Program; amends Section 68-1206; requires the Department of Health Human Services to file a state plan amendment as prescribed; repeals the original section. The bill was read for the first time on January 9 of this year and referred to the Health Human Services Committee. That committee placed the bill on General File with committee amendments, Mr. President.

KELLY: Thank you, Mr. Clerk. Senator Cavanaugh, you're recognized to open.

M. CAVANAUGH: Thank you, Mr. President. Good morning, colleagues. I apologize, I'm losing my voice. LB13 is a, a, a bill that really just puts into statute what we are already intending to do, which is to change the way we reimburse childcare from enrollment to-- or from attendance to enrollment. And what that means is that when a kid whose, whose childcare is paid for by the childcare subsidy, current-- the current way that we do it is this childcare only gets reimbursed for the days that the child attends. And that might seem on the surface to make sense, but when we're talking about how unprofitable childcare is and to run a childcare business and how scarce the profit margins are, we, we aren't really promoting childcares to take these kids. And these kids-- a childcare has to decide that they're going to take a subsidy kid, because they already are getting reimbursed at about 75%, I believe, of the market rate. I think we increased it from 50 to 75 with Senator DeBoer's bill a couple of years ago, but it still is 75% of the market rate. So if the market rate is \$1,000 a month, we are reimbursing at \$750 a month. So the reimbursement-- but then we are reimbursing even less because if the kid is sick, then we are reimbursing only for the days that they attend. So this bill just treats these kids as all the other kids that go to childcare, in that the state pays the monthly amount, just like parents pay the monthly amount. So that's kind of the, the, the meats of it. The amendment changes the date, enacting date from July 2026 to August 2026, because that is when DHHS asked for it to be and there should be no fiscal note, as this is something that is part of their already planned

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activities. But we are putting it into statute to ensure that they do it. I'm trying to think if there's any other points. So I, I think there will be questions. There probably will be questions. I hope there would be questions about what's happening at the federal level. And so I just want to kind of answer that right now. We don't know. But not just about this, we don't know what's happening at the federal level on a lot of things. And so I've spoken with the Speaker, and my intention with this bill is if the body agrees to move it to Final and have it sit there until we do know, until we have more clarity on, first of all, what our fiscal outlook looks like, but also what the federal government is doing with these programs that they currently fund. So I'm sure there's a lot more I could tell you all, but I'd, I'd rather let you ask the questions. So with that, I will yield the remainder of my time.

KELLY: Thank you, Senator Cavanaugh. Senator von Gillern, you're recognized to speak.

von GILLERN: Thank you, Mr. President. Senator Cavanaugh-- would, would Senator Cavanaugh yield to some questions, please?

M. CAVANAUGH: Yes.

KELLY: Senator Cavanaugh, would you yield to questions?

M. CAVANAUGH: Yes.

von GILLERN: Thank you. I'm sorry. I can hear your voice that you,--

M. CAVANAUGH: That's OK.

von GILLERN: --obviously, aren't feeling great so my apologies for--

M. CAVANAUGH: No, it's all right.

von GILLERN: --I'll try not to, try not to drag this out. But I do have a little bit of intention on dragging this out, so.

M. CAVANAUGH: That's OK, too.

von GILLERN: I'll, I'll-- but I will feel bad about it, so.

M. CAVANAUGH: Oh, well, you know.

von GILLERN: No, I, I-- thank you for-- thank you for taking the questions. And I'm-- I literally opened this up about 10 minutes ago

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because I had no, no anticipation that we were going to get through the first couple of items on the agenda so quickly.

M. CAVANAUGH: Right.

von GILLERN: So wasn't sure that we were going to-- so I haven't done as much homework on this as I would have liked to, but it appears that this was a program or a change in a program that occurred during COVID and Governor Ricketts made a change in the program due to the emergency scenario around COVID. Is that, is that your understanding and it happened in 2020, correct?

M. CAVANAUGH: Yes, that was initially the change. Yeah.

von GILLERN: OK. All right. And as I'm looking at the fiscal note and reading through the fiscal note, you, you say that there, there should be no fiscal note because it's no change. But that does not mean there's not an expense in the--

M. CAVANAUGH: Yeah.

von GILLERN: --and, clearly, the fiscal note, as I'm reading through, shows an additional need. It says \$17,762,000. So, clearly, there's an expense associated with the program.

M. CAVANAUGH: Yes, if I, if I could explain what I--

von GILLERN: Please.

M. CAVANAUGH: --I meant. So the federal government has actually-- this is what we call an unfunded mandate. They have mandated that states do adopt this now as a permanent way of reimbursing childcare subsidies, but states have to pay for it. And that was a, a mandate back in 2024 and we were given 2 years to do it and so August 2026 is when DHHS is intending to implement it. That's the, the deadline for them and that's why the bill changed to August. And, and so the fiscal note-- the, the initial costs are part of DHHS's mainline budget, which they have indicated that they can absorb. So the fiscal note for, for this biennium is nothing. And then in 2027, they will make a, a deficit request. I've talked to-- sorry, I've talked to the Fiscal Office about this. They'll make a deficit request. So this will impact the 2027 budget. But it is something that DHHS is already intending to do. So it shouldn't change the budget for DHHS because it is part of what they are intending to do.

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von GILLERN: OK. Thank you. As I have listened intently to many of your testimonies over the past 2 years, I think you would be the first one to say that just because it's not a new expenditure, it certainly is an expenditure and--

M. CAVANAUGH: Yes.

von GILLERN: --\$17 million is \$17 million. So, again, I'm, I'm just digging into this so I may punch back in and ask a few more questions. I would encourage-- there were-- looking at the committee statement, there were 3 nay votes: Senators Hansen, Hardin, and Meyer. And if they're anywhere nearby, I would appreciate understanding what their-- why they were dissenting in their vote in committee to bring it out. And then, like I said, I'll, I'll dig through and see if I have any more questions.

M. CAVANAUGH: OK.

von GILLERN: So thank you for, for responding to those, Senator Cavanaugh.

M. CAVANAUGH: Thank you very much.

von GILLERN: Hope you feel better.

KELLY: Thank you, Senators von Gillern and Cavanaugh. As the Clerk stated, there is a committee amendment. Senator Hardin, you're recognized to open on the committee amendment.

HARDIN: Thank you, Mr. President. AM249 to LB13 provides a date of no later than July 1, 2026 for the Department of Health and Human Services to file a state plan amendment for services to pay providers based on a child's enrollment or authorized hours, and not a child's attendance. The HHS Committee advanced LB13 with the sponsor's amendment, AM62 [SIC], by a vote of 4-3. Thank you.

KELLY: Thank you, Senator Hardin. Mr. Clerk.

CLERK: Mr. President, Senator Machaela Cavanaugh would move to amend the committee amendments with AM516.

M. CAVANAUGH: Senator Machaela Cavanaugh, you're recognized to open on the amendment.

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M. CAVANAUGH: Thank you, Mr. President. This amends the July date in AM249 to be August. It was the request of DHHS and that's it. So I hope you'll vote for it. Thank you.

KELLY: Thank you, Senator Cavanaugh. Senator Dorn, you're recognized to speak.

DORN: Thank you, Mr.-- thank you very much, Mr. Lieutenant Governor. And probably a little bit later we'll talk-- we'll see if Senator Cavanaugh will yield to a question, but not right now. First, I, I usually get up and talk about the green sheet. We don't have that up yet. But I know most people have waited for our Forecasting Board that came out last week with a new forecast. And, yes, I also see the fiscal note on here of about \$16.some million or \$17 million on this bill. But wanted to talk about our financial status a little bit. The, the Forecasting Board came out with a higher forecast, higher revenue. So-- and we started with the year at \$430 million deficit for the current fiscal-- the next 2 fiscal years. We had with the preliminary budget we put out, that came down to about \$262 million. Now, the Forecasting Board gave us-- and, and Senator Clements would be able to detail this better than me, but gave us another \$165 million based over a couple of years. However, when you look at our financial or fiscal-- General Fund financial status, which is on the home page of our legislative homepage, it still shows this year 189-- \$198 million deficit and 2 years out, \$670 million deficit. However, what was required to be done was by statute, that \$165 million that was increased revenue, the first-- there's \$100 million that will go into, I call it, the cash-- the General Fund Cash Reserve or the rainy day fund or whatever. So that went from \$850 million to \$950 million. That's why it still shows \$198 million deficit, instead of the math would kind of tell you, oh, we have about a \$98 or \$100 million deficit. And part of what I, what I always talked about last year was that's the current 2-year budget cycle that we're making up here. We have a strong probability that will bring that \$100 million back from the rainy day fund. So we're at a \$98 million deficit as we sit here today yet. But when you look 2 years out, and that dollar amount there, just, just put this in perspective, we were at over \$1.1 or \$1.2 billion 2 years out when we started the year. That's still at \$670 million deficit. And at this time, would Senator Machaela Cavanaugh yield a question?

KELLY: Senator Machaela Cavanaugh, would you yield to questions?

M. CAVANAUGH: Yes.

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DORN: Trying to listen as you were explaining with von Gillern-- Senator von Gillern-- thank you very much for that explanation, but I thought if you-- I heard you say, and maybe I heard this wrong, that DHHS has kind of said that they intend to do this anyway, that I thought you said there probably wouldn't be no cost. And, yet, we have the fiscal note, and maybe I heard that or I, I caught that wrong. If there is a \$16 million fiscal note for purpose of conversation, where is that going or who-- if DHHS picks that up, are we still going to see that on the balance sheet? That's my question.

M. CAVANAUGH: Right. Yeah, that's a great question. Thank you for that question. So when this-- when I got the fiscal note, I was curious about it as well because DHHS says they are doing this, and so it should have been part of their mainline appropriation request. But then they said that actually those costs that the-- the costs that aren't the \$17 million, but the implementation costs, are things that they can absorb internally. So that part of the fiscal note should go away, because that is part of their mainline budget, than the \$17 million, I talked to our Fiscal Analyst who has a similar name to me, and, and she said that because there's no way of actually knowing how much it's going to cost, it won't impact this biennium. It'll be a deficit request in the future. So, yes, it's-- I, I didn't mean to implicate that this doesn't cost anything. It does. But also we are required to do it. And, and, and so then there's the question of why would I introduce a bill of something we're required to do? And that's to create certainty for the childcare industry to know that this is what's going to happen. So they know that the, the federal government has mandated it. They know that the state has said, yes, we're going to do this. And they know that the Legislature is aware and will be appropriating the funds in the future.

DORN: Because I, I, I did catch that part of it. And thank you very much. Thank you for your explanation. But I did catch that part of it where you, you, you kind of explained the timeline in--

KELLY: That's your time, Senators. Thank you, Senators Dorn and Cavanaugh. Senator DeBoer, you're recognized to speak.

DeBOER: Thank you, Mr. President. Good morning, colleagues. Since the childcare subsidy is an area that I work on, I wanted to stand up and, and talk about it a little bit. For those of you who don't know about the childcare subsidy, those folks who are on it, this is how they go to work. 98% of those who use the childcare subsidy in Nebraska are using it for a work or employment to-- or education-to-work purposes. The vast majority for, for a working purpose. They can't work without

sending their kids to childcare. Now, we know that this is a big problem in the state and across the country to have childcare. There's two problems that go with this. One, if you have young children, you know that the cost of childcare is incredibly expensive. It's difficult for people to afford, and we don't have enough slots of childcare available that we need in order for everyone to get one. So that's a problem. That not having enough slots part both causes the cost to go up from a supply and demand perspective, but it also is a problem for folks who are trying to provide services, because childcare providers are finding it extremely difficult to make a go from a business case in childcare right now. It's an expensive industry to provide services. The childcare workers are largely unavailable because they pay such a low rate to those folks. Now imagine that you are a childcare provider, there are not enough slots in the state, so you don't have to take childcare subsidy kids. It's expensive. And childcare subsidy that the state helps with does not give you the same amount that you get for a private pay client. So now when you're choosing whether or not to provide childcare subsidy children with a slot at your facility, you know you're going to get less money because we only pay-- it's like 75% of the market rate, which, by the way, isn't quite-- in some places, the market rate is, is not reflective of the actual market rate in our state. So now you have 75%, and then you add this wrinkle, that you only get paid if the child is actually sitting in the seat. All of your other clients, you get paid if they are enrolled. But in the childcare subsidy case, there is this question about whether or not you're going to get paid if they are in the seat or not. My understanding is the federal government has required that everyone who uses the CCDBG, which is the Child Care (and Development) Block Grant, which is used to pay for the childcare subsidy from the feds, that those folks, those states, which is, I would assume, all the states, but I guess I haven't checked, have to have this change in place by sounds like August. So if they have to have that change in place, that means that's a cost we're going to incur no matter what. Because the federal government, which gives us a lot more money than the \$17.5 million that we're talking about here in our block grant for this particular program, requires us to make this change. So, colleagues, I would encourage your green vote on the AM to make it August since that's what HHS wants. I would encourage your green vote on this whole program. We need to support our childcare businesses. These are small businesses. These are folks who are making a living and helping others to make a living. And this childcare subsidy change to help make childcare subsidy slightly more economical for those folks who are providing the services is going to be just one part of a larger program we need to talk about with

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respect to how we get kids in childcare in Nebraska. I'm going to get back on the mic and talk about this again in a minute, because I see my light is on. But having this program is essential to working Nebraskans, to getting Nebraskans working. And just remember, this is just a subsidy. If you are on the childcare subsidy, you still have to pay 7% of your income for childcare. It's just the delta that is made [MALFUNCTION]--

KELLY: Thank you, Senator DeBoer. Senator Andersen, you're recognized to speak.

ANDERSEN: Thank you, Mr. President. Just to share a little background, I used to own two childcares, so I have some experience in this-- with this bill. And for Title 20, normally, the reimburse-- one of the challenges that reimburse, about 70-75% of the cost. So I don't know any business where they-- you end up losing 30% out of the chute. And with Title 20, the way you can bill, is if you have somebody that's enrolled, and they come for a full day, you can bill 8 hours. If they come a partial day, you bill less. If they don't come, you can't bill at all. Now the challenge, you say, well, that's only fair. You know, somebody said if I-- you know, why should we have to pay for something we didn't get? Now the challenge is with any business, childcare is no different, is that you have overhead costs like electricity and rent and staff, the salaries and food that you have a sunk cost that you now have to make up some other way. So I do agree with this, but I would ask if Senator Cavanaugh will yield for a question?

KELLY: Senator Machaela Cavanaugh, would you yield to a question?

M. CAVANAUGH: Yes.

ANDERSEN: Thank you, Senator Cavanaugh. So where I may agree with the premise of the bill, to a certain extent, my challenge is trying to get through the fiscal note. And when you're talking about \$17 million, right now, as everybody knows, we're upside down. We don't have any money. So where would you propose or what would you propose to be the offset to the tune of \$17 million?

M. CAVANAUGH: Well, thank you for that question. So this, first of all, impacts 9,000 families in Nebraska. So it's going to cost a fair amount of money. To find the offset for the \$17 million, we have to make a choice of what we're funding and what's a priority. The budget is a moral document and we collectively, as a Legislature, are going to have to look at that document and decide what our priorities are. And that really brings up an excellent question of we actually don't

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have a deficit. We have a choice of what we're funding in the budget, and we are choosing to put hundreds of millions in dollars towards a tax we don't levy to reimburse. And so if that is the choice that we, we want to continue with, then we have to make cuts other places. And so that's pretty much where it comes down to. But I did mention this in my opening that I'm going to ask that the Speaker not schedule this on Final until we have clarity on what the financial situation is, both at the state level and the federal level, because I do not want to put forward a program that we then can't handle, if that makes sense.

ANDERSEN: Sure. Yeah, I'm the new guy in town, right, I'm the new legislator, but if we don't have the money and we have no way of identifying the money, and we don't have an offset for it, why wouldn't we just leave it in committee until you do identify the funds?

M. CAVANAUGH: Well, this is kind of how the sausage is made, is that bills that we collectively agree are good public policy, we move forward, it sits on Final Reading. Nothing with an A bill, which this currently doesn't have an A bill, and it shouldn't have an A bill, but it will have a fiscal impact in the future. But this would sit if it had an A bill no matter what on Final until we pass the budget, and we have both the Appropriations Committee and the Revenue Committee trying to find places to cut and places to increase revenue. And so until we have that picture, this bill shouldn't move past Final. It shouldn't be implemented, but it can move through this process, this deliberative process, in the meantime, and then it can be parked in that final spot and then it's only scheduled if the resources are there.

ANDERSEN: OK. So I appreciate you educating me as the elder statesman to the new guy here. So do we forward all bills that we don't have money to pay for, we forward them all to Select File and then--

M. CAVANAUGH: If there are bills that we, as a Legislature, think are good public policies, but they have an A bill, then we do, we work through them on worksheet order and they sit on Final. And no bills with an A bill can be passed on Final until after the budget is passed. So that is any bill that comes up that's going to have an A bill will sit on Final until the budget is passed.

ANDERSEN: OK. So you don't want to push it back to the committee?

M. CAVANAUGH: Right. Yeah.

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ANDERSEN: OK. Thank you. Mr. President, I yield my time.

KELLY: Thank you, Senators Andersen and Cavanaugh. Senator Hardin, you're recognized to speak.

HARDIN: Thank you, Mr. President. When this bill came out of Health and Human Services, Senators Ballard, Hansen, and myself did vote against it. I'd like to explain, at least for my part, why I did vote against it. There are good things in this bill, and I think this bill does need to move forward in some form. The challenge isn't so much what's in the bill, it's the timing of the bill. Let me share some big picture information about that. One week ago today, I received information that federally the FMAP for Nebraska went down by \$445 million. Of that amount, \$191 million would have to come off of our docket for the first year, probably that's going to be October of 2025. Those are big adjustments to make and so it doesn't have just to do with the \$17 million per year in LB13. Believe me, childcare needs help, and all kinds of help in Nebraska. The problem is that we're going to know different information, other information, qualitative and quantitative information that we don't currently have by 1 year from now. And we very easily could have passed this bill having that information in hand next year at this time. I get it, this is the budget year in a biennium package. We do make adjustments all the time. And that's my concern here is that we're going to adjust this in. And the challenge is that this \$17-ish million a year on this package once again is from the federal government. Here's the problem. The federal government is looking at removing lots of things that they're passing along to the states. DOGE is imminently popular. I love what is going on federally. We need to take care of our \$36 trillion debt. We need to get rid of neglect, waste, abuse, fraud. And so good things are happening. It's the House of Representatives that gets to make the financial decisions. But make no mistake about it, as DOGE does its thing and America likes what it's seeing, this wave will continue to flow across places like Nebraska. By the way, if you'd like to know the tinfoil lining of the good information, the good news of losing \$445 million, it's the fact that the FMAP number for the entire country was \$880 billion. We got off easy. A lot of states, in fact, would love to trade with us. And so we need to watch, because the FMAP is not the only area where we can, and probably will, see money go down from the federal government provision and be handed off to the states, and for us as a state to pick up the slack. The slack could turn into hundreds of millions of dollars per year just related to health and human services. As has been suggested to me by none other than Speaker Arch, is it a good idea to go out and buy a house when you're about to lose your job? Probably not. And so I'm urging

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caution, and I will continue to say that over and over and over again throughout HHS Committee hearings and throughout any conversations with all of you. In fact, I've been accused of burying bills. I'm not. We have not made one decision as a committee about, you know what, let's just kill that bill. Let's just let it die on the beach like a dead whale. We've not done that to any bills, but we're absolutely looking at these issues because you know what, last Tuesday, I had no idea that on Wednesday, we were going to be losing \$445 million in funding from the federal government. And I won't know tomorrow what might happen today. And so I'm urging caution on all of these bills. And so very much want to help kids. I own a childcare center of my own. I know what it's like to look into the eyes of a parent who says how in the world do we pay for this ridiculous stuff if there's even a space available? I get it.

KELLY: That's your time, Senator.

HARDIN: Thank you, Mr. President.

KELLY: Thank you, Senator Hardin. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President. Good morning, colleagues. I rise in support of Senator Machaela Cavanaugh's efforts in regards to updating and strengthening to ensure compliance with our present Child Care Subsidy Program. Friends, it's no surprise to anybody it's well established and well documented that our number one challenges in Nebraska are in relation to workforce and workforce development. And this is an area where there is such widespread support and agreement and consensus to trying to address the solutions attendant thereto, housing, health care, job training, education, and particularly childcare. This is one of the top issues for our state. As you know, we frequently have one of the highest percentages of both parents working outside of the home. We presently have a distinction of having the number one spot for adults working outside the home year round, yet living in poverty. Nebraskans are hardworking. Nebraskans need assistance with accessing and maintaining quality childcare to ensure that their families are healthy and that they can continue to be productive members of our workforce. I think Senator Cavanaugh did a great job of listing out the process components in regard to Senator Andersen's questions, and I also just would like to point out, for the record, that there's never the same level of scrutiny for things that move here-- through here with significant price tags, particularly to subsidize or benefit big businesses or corporations. But we hear this heightened level of scrutiny any time there's an effort to strengthen

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or bolster the safety net. Finally, I would just like to note that I know Senator DeBoer has worked really, really hard on these measures over the years, as have I, and I know she got cut short at her first time on the mic so I'd yield my remaining time to her.

KELLY: Thank you, Senator Conrad. Senator DeBoer, you have 2 minutes, 45 seconds.

DeBOER: Thank you, Mr. President. So when I was last on the microphone, I was talking about how the-- those who receive childcare subsidy, the subsidy is to help you so that you become better employed. It's to help so that you can use that additional support to work. Let me tell you about generally what childcare does for us as a state. On the one hand, it supports our workers by allowing folks to be able to go to work and work extra hours. On the other hand, it supports our children. High-quality childcare in the first 5 years of life is essential. If we're talking about getting government back to the basics, folks, this is one of the basics. Because if you don't want to pay extra money to get kids caught up in kindergarten, in first grade, in third grade, in wherever it is that they start to fall behind, then you need to support them in their first 5 years of life. It's that simple. You can pay to have childcare that is good, high-quality childcare for kids in the first 5 years of life or we can pay to help kids get supports in school later. Those are our choices, because we know if you do not have those supports for kids in the first 5 years of life you're going to need more later. So childcare is a workforce issue, and it's an essential workforce issue so that we can get out and get to work in Nebraska. And we know, as Senator Conrad pointed out, that people in Nebraska do work. We have a very high labor participation rate. But there are folks who can't because they have a problem with childcare. We don't have enough slots. We need to make this industry more capable of providing the service. And part of that is to make childcare subsidy something that more can afford to take. So we have a workforce issue and we have a budget issue. This is one of the basic things that government ought to do is to help folks to be able to get in the workforce so that they can participate in tax paying, so that they can support the government and broaden our tax base. I mean, that's really what this is about, is making sure that people can work so that we can broaden our tax base.

KELLY: That's your time, Senator.

DeBOER: Thank you, Mr. President.

KELLY: Thank you, Senator DeBoer. Mr. Clerk, for items.

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CLERK: Thank you, Mr. President. Notice from Senator, Senator Arch that he has designated LB298 as his personal priority for the session. Additionally, notice from Senator Raybould that she has selected LB258 as her personal priority for the session. Mr. President, your Committee on Enrollment Review reports LB185, LB7, LB372, LB312, LB179, LB230, LB501, and LB592 to Select File, some having E&R amendments. Additionally, notice that the Executive Board will be holding an exec session at 10:45 under the south balcony; Exec Board, 10:45 under the south balcony. And the Banking, Commerce and Insurance Committee will be having an exec session at 11:00 in Room 2102; Banking, Commerce and Insurance, 11:00, 2102. That's all I have at this time, Mr. President.

KELLY: Thank you, Mr. Clerk. Returning to the queue, Senator Hallstrom, you're recognized to speak.

HALLSTROM: Thank you, Mr. President, members. I rise in support of both AM249 and LB13. When I was campaigning, one of the issues that came home loud and clear is the issues of concern for childcare providers. We have a number of issues that are unfortunately federally related. One of them is meal program reimbursements that are disproportionately provided in terms of reimbursement to our childcare providers. And the other one is this issue that we're dealing with today regarding reimbursement for enrollment rather than attendance for subsidy children. I think in this case, the feds have gotten it right. My understanding is that the rule is, unlike private pays, who for the privilege of having a childcare spot reserved have to pay for every day, whether their children are there or not. Once a subsidized child misses 5 days in any one month there's no further reimbursement if they miss additional days. I think that's an injustice that needs to be addressed. I also appreciate Senator Hardin's comments on whether the money is going to be there from the feds, whether they're even going to continue what I believe is the right decision in this particular area. And in that respect, it's probably not too much different than the discussion that we had years ago over the Medicaid expansion. Is-- are the feds going to continue to pay 90%? And if they don't, are we on the hook for having passed a law at the state level? One of the things that I think I'd add to this discussion that we might want to consider in that respect-- and, by the way, if the feds discontinue a lot of Medicaid funding or other federal program funding, we're going to have a lot bigger problem than just this particular aspect. But maybe one of the things that we should consider is language that would say if we pass this at the state law and the feds turn tail on us, that we have some type of immediate sunset or automatic sunset. And I visited very briefly earlier in the session

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with Senator Cavanaugh on that issue before I agreed to cosponsor. But I, I think all in all, this is a good bill. If Senator DeBoer and others have indicated that this is something that the feds at the moment have foisted upon us at our expense, my understanding is it's not going to have a fiscal impact in this biennium. So moving the bill on, moving it to Final Reading, whether it's passed this year or next year before it kicks in in August, I think it's the right thing to do, presuming that the feds keep their end of the bargain which, unfortunately, is requiring us to do at, at our expense. And with that, I'd yield any time back to the chair.

KELLY: Thank you, Senator Hallstrom. Senator Fredrickson, you're recognized to speak.

FREDRICKSON: Thank you, Mr. President. Good morning, colleagues. Good morning, Nebraskans. I rise today in support of LB13, as well as the amendments that have been mentioned. I've been really appreciating the conversation we've been having today. I think there's a lot of good discussion, both about the childcare bill at hand at play, but also about this bigger picture of sort of what we're navigating currently as a state fiscally, especially in the context of what's going on with the federal government. I, I agree a lot with what's been said by both proponents and opponents of this bill about the uncertainty of what's happening on the federal level. I mean, I think-- I opened the news this morning and all I could read about were, were tariffs and measles. And I thought, you know what in the name of the Oregon Trail is going on here? But that said, I think we-- one thing that we need to really clarify here is we are currently out of compliance with the federal requirements as it relates to this. So this bill is basically just putting Nebraska in compliance with what the feds are requiring here. We currently do have a waiver as a state. This came up in the hearing so we are, yes, out of compliance but under a waiver, but that waiver is going to expire. And this bill will just codify to ensure that we are in compliance with what the federal government has laid out here. I also want to say a little bit, speak a bit about the, the hearing for this bill and some of the opposition that came in to the HHS Committee and some of the opposition, in particular, which was, was kind of surprising to me was related to some of the concerns around potential fraud with this. And I just want to underscore a little bit more about how the childcare subsidy works. So first and foremost, if, if, if you're a parent and you're fortunate enough to secure a spot in childcare, your child is going to childcare. The reason you're not going-- your child will not be going to childcare is because they are either ill or you are ill or there is, there, there is something at play where it's not appropriate for the child to go.

But this implication or this idea that folks would be enrolling in a childcare slot and not sending their children to, to the childcare is, is simply false. Also, the childcare subsidy, for folks who aren't aware, that payment goes directly to the childcare center. So parents or recipients of the subsidy are not ever receiving this payment. This is not ever going into the pockets of Nebraskans. This payment is going directly to the childcare facility. So that's another important component here that we need to underscore. Again, other colleagues have spoken at length about this, but childcare is an incredibly important industry. Having some predictability around finances with childcare is very important. And this is also how it works for private pay. You know, my son is now in kindergarten, thank goodness, but just last year he was still in childcare and regardless of whether or not your child is attending, you are paying for their slot if you are doing private pay. So this just sort of ensures that there's continuity across the board in, in, in fiscal predict-- predictability with, with the centers. Senator Hallstrom also mentioned this, and I want to just lift it up again. I think it's important because, again, going back to the concerns about federal funding, you know, if, if, if we do lose significant federal funding in the state, it's not just going to be about childcare. It's not just going to be about SNAP. It's not just going to be about TANF. It's also going to be about things like broadband, about roads, about farm aid. So, you know, we need to be-- we need to operate, there's no reason why we should not be operating like a good state government, regardless of the unpredictability that's happening in Washington. We still need to operate as a good state-level government. And if there are major changes fiscally, which they're very well could be, we will be back in special session regardless. Because, again, it's not going to be just one area, it's going to be affecting all sorts of areas in our state. Again, not just the childcare area, but it's going to affect agriculture. It's going to affect roads, it's going to affect broadband. So sitting on our hands and acting like we can't do anything on the state level because of what might happen federally, frankly, I don't think is, is a strong argument. And, and I think it also, you know, gets the feds off the hook. They want the states to do their dirty work right now. If they want to cut those services, let them. But that is not our job currently to do that for them. That is if they want to propose that on that level, they are more than welcome to push that through. But we, as a state, need to continue to forge forward in this uncertainty and, and function as a functioning government for our citizens. Thank you, Mr. President.

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KELLY: Thank you, Senator Fredrickson. Senator Kauth, you're recognized to speak.

KAUTH: Thank you, Mr. President. May I ask Senator Machaela Cavanaugh a question?

KELLY: Senator Cavanaugh, would you yield to questions?

M. CAVANAUGH: Yes.

KAUTH: And I do feel bad about your poor voice, so I, I will--

M. CAVANAUGH: That's OK.

KAUTH: --just one real quick. So I have some, some concerns about this. What, what are the controls for knowing why a child is absent? If we're going to be paying for something to hold someone's slot, I would want to know why that child wouldn't be showing up. Are they ill? Did they just not show? Are they on vacation? I mean, it seems like-- what, what controls are there in place?

M. CAVANAUGH: Well, so under the current model, enrollment versus attendance, we don't track why a child is absent. So unless we want to put that into the parameters of the program, we would not know why they're absent or not absent, which is the current standard.

KAUTH: OK. So-- and when Senator DeBoer was talking about slots being open, so if, if a child is, say, chronically absent and we're paying for it, aren't we holding the slot? We're paying for something that is not being used, which is also blocking someone else from taking that slot. That's kind of where my concern lies. If someone is, is, number one, abusing the system by not having their child go for every day that the state is paying, but that's also blocking a slot for someone else who might really need it.

M. CAVANAUGH: Sure. So already any childcare provider that is taking a subsidy kid is taking a cut to their own revenue because that kid is being reimbursed at a lower rate than the rest of the kids in their care. So, basically, the way we do it right now "deincentivizes" childcares from taking subsidy kids. So this is partially an incentive to actually take in and maintain subsidy kids, because you at least know how much you're going to be paid for that kid every month. If they chose not to take a subsidy kid, then they could make more money. So whether the kid is there or not there, they can't take more kids than they're licensed for. So they're holding that spot open for that child, just like the parents who are paying out of pocket. But as to

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Senator Fredrickson's comments, I'm sure, you know, in every area that we deal with, there, there are opportunities to exploit the system. But these are parents that are low income in the workforce that we want to get them-- the parents themselves showing up to work. And so we're incentivizing the childcares to take their kids so that they can show up to work.

KAUTH: So but wouldn't-- I mean, a childcare could accept another child who is using this. If, if, if someone is abusing the system and, and holding a slot open but not actually using it,--

M. CAVANAUGH: Sure.

KAUTH: --there's no guarantee that they would automatically take someone who's not subsidized. They could always take another subsidized kid.

M. CAVANAUGH: They could take another subsidized kid. Any childcare that is participating in this program, if they-- if the kid is not showing up, then they're going to have concerns, I would imagine. But I talked with Senator Armendariz about this. We can, we can still ask for the childcares to report how often the subsidy kids are attending. We can still have the report that they do now. We can, we can make that part of the package if that's what the body wants.

KAUTH: OK. Thank you very much.

M. CAVANAUGH: Yeah. Thank you.

KAUTH: So the \$17 million is a lot of money. We're stewards of our citizens' money. This is not something the state makes. This is something the state takes. I do think that people who are benefiting from the subsidy, the parents of those kids should be able to plan ahead and say, OK, if, if my child is going to be out, I'm going to need to make that payment for that day and take some ownership of that. I just-- I think that we start disincentivizing responsibility if we are saying we'll pay for everything. And I think the way it is now saying we are going to help you as much as we can with childcare, but you still have to have some skin in the game is very important. So I yield my time.

KELLY: Thank you, Senator Kauth. Senator Hansen, you're recognized to speak and waive. Senator Spivey, you're recognized to speak.

SPIVEY: Thank you, Mr. President. And good morning, colleagues and folks that are watching from home. I hope everyone is safe with the

wild weather that we are experiencing. I appreciate Senator Cavanaugh bringing this bill, and I'm in support of the amendments, as well as LB13, in general, and just wanted to uplift a couple of points that folks have made and some new suggestions and things for folks to think about. I do agree with Senator DeBoer that this is really about a priority. And as I sit on Appropriations and I have folks come to that committee asking for money that has not existed in the budget before or asking for a new request, it is about what are we going to prioritize as a state? And I do believe that we need to look at prioritizing policies and programs that impact Nebraskan residents, our, our taxpayers, our neighbors. And with that comes workforce. That has been an issue in our state for decades. And we hear the same thing around workforce that it's around childcare, wages, and affordable housing. Yet, we continue to see cuts made to these key initiatives and programs and investment that have outsized return. And so I think as a body, we are going to have to grapple with and answer to our constituents as we are not prioritizing or thinking about the, the investments that will absolutely benefit them to access all of the opportunity that we talk about, as well as our economy of our state. When we invest in workforce and childcare, affordable housing, and wages, we see that come back to us. We see a strong return on investment in our economy and we're able to grow the state. I do not have a childcare subsidy, but my youngest son, who is now almost 2.5, was with me for the first 2 years of life because we could not find affordable childcare that was quality in our area. I, I talk about this a lot in my full experience with parenting, I also suffered from postpartum depression and anxiety. And so trying to find childcare that also would make me feel comfortable to leave one of my most prized possessions, the, the love of my life or one of them because I have two kids, with someone else was very difficult. And then I had to weigh in these other factors. And so we need to make sure that we are investing in the ecosystem of childcare businesses, so that parents who want to stay in the workforce, who want a quality, safe experience for their kids, are able to do that. And so while I am not on a subsidy, I just wanted to uplift my personal experience as we're having this larger conversation, too, around childcare and the implications. I run a nonprofit called I Be Black Girl, and we actually partnered with NECC to run a business accelerator for childcare providers in north Omaha, both in-home and centers, to help with their business. Because we know, again, that we need folks not only be in love with educating and taking care of kids, but also just really good business owners. What does it mean to understand your value proposition? How are you looking at your model for reimbursement? What does that look like from your ratio of private pay

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versus subsidy? And what we found is that this model of attendance is actually a hinderance on their business because they cannot plan, they don't have the cash flow. And so, again, if we are wanting to build a strong ecosystem across our state, that it would allow for childcare providers to meet the growing need of working parents to be able to stay in-- inside the workforce while also educating our future generations, we have to invest in the actual economics and structure of those business owners. And so I think from that pilot that we did with those about 17 business owners, we saw that. And I appreciate, again, the, the intention of this bill and what it would do. I would just also add quickly that childcare in this conversation is very expansive. But I have also introduced a bill that creates a Nebraska-based subsidy for working families that don't qualify for our federal subsidy because of the conversation that we're having around workforce and the intention. And so, again, this has a larger fiscal note. I have a pay source that I, I think is great. But, again, we have to make the decision. Are we prioritizing growing our economy and investing in our workforce? And to do that, we have to have a comprehensive approach that looks at childcare ecosystem, both from the provider side and accessibility. So thank you. Mr. President, I yield the rest of my time.

KELLY: Thank you, Senator Spivey. Senator Raybould, you're-- oh, excuse me. Mr. Clerk, for items.

CLERK: Mr. President, quick announcement. The Health and Human Services Committee will be holding an executive session at 11:00 in Room 2022; HHS Committee, exec session, 2022, 11:00. That's all I have at this time.

KELLY: Thank you, Mr. Clerk. Senator Raybould, you're recognized to speak.

RAYBOULD: Thank you, Mr. President. Good morning, colleagues. You know, I, I couldn't agree more with Senator Spivey, DeBoer, and Cavanaugh on how important this bill is. You know, Senator Cavanaugh said we have choices as a Legislature on how to invest our taxpayer dollars and how best to grow our economy. You know, right now we have a deficit, and there's no getting around conversations that don't always come back to that deficit issue. But there's-- we have choices, as a legislative body, we have choices. We prioritize the things that matter to our constituents. We prioritize getting our budget balanced as well. And so just going to throw out a couple of suggestions that I think we should all have on our radar for discussions. So I know Senator Brandt has one idea of putting a pause, a pause on the

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accelerated income tax rate reduction. You know, this is an issue that I can absolutely say with 100% certainty that not one single one of my constituents on the thousands of doors I've walked over, all these years have said, you know, we really have an income tax issue in our, our state of Nebraska, in our city and in our county. We all know, we've heard it so many times before, they bring up property tax. Thankfully, we are focusing on that. You know, there's another bill out there being proposed by me that we redirect partial funding away from Perkins Canal without jeopardizing the intention and construction of Perkins Canal to help with what Senator Dorn referenced after going through a number of things from the Forecast Board, it seems like with a number of things on-- in the works, that that deficit will be reduced to \$98 million. However, he clearly said that next fiscal year, we're going to see it balloon right back up. And Senator Spivey said this so clearly, we need to invest in the things that create and generate more revenue for our state. And that certainly should be dealing with our workforce challenge and getting both parents back into the workforce. One clear solution is making sure our workforce has access to affordable childcare. We know that since the pandemic, hundreds, literally hundreds of daycare facilities across our state of Nebraska have closed for a number of reasons. One, the, the cost of operating a daycare, wages, labor, etcetera, but the overhead. And this is why the subsidies matter so much. And this is what we're going to be obligated to address and obligated to fund. And that is why LB13 is so important and making sure that our childcare providers and operators have reliable and predictable and sustainable income coming in consistently for each and every child for that full week, and not just on the day that that child attends. So I'm going to back up a little bit. And for about 15 or 16 years, I've been a sister on the planet ambassador with Oxfam America. In addition to advocating for affordable childcare for women, for families, this is something that we lobbied very heavily during the pandemic. We worked with our federal representatives and asked for more additional funding during the pandemic to help those daycare centers stay open, to make sure those parents were still able to work. We got additional funding for the daycare operators, for the overhead, and the tremendous cost of making sure that their facility was safe, not only for the children, but was safe also for the workforce that was there and safe for the parents coming in. And so that is why it is so important that-- the other thing that we advocated for was making sure that that subsidy rate is fully funded, fully funded, meaning that that daycare provider gets the same amount for that subsidized child for that full week, for that full month. That is what a daycare center needs to stay in operation. Their overhead does not change at all when that child

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doesn't show up for the second day, and they don't get paid for that. So that is why I stand in support of this, because we really need to get all of our parents back in the workforce, and we have to live up to our commitment, and not just lip service, on making sure that we have affordable daycare for all Nebraska families. And I can just share with you, I'm a grandma, I see what my children go through with getting daycare. It is so expensive. [MALFUNCTION] Thank you, Mr. President. I see I'm up on time. Thank you.

KELLY: Thank you, Senator Raybould. Senator DeBoer, you're recognized to speak.

DeBOER: Thank you, Mr. President. I won't take my whole time this time because I got a little bit of Senator Conrad's time. And this is an uncomfortable amount of speaking on the mic for me at this point. But I do want to just say that, folks, we have got to remember that cutting and fixing our deficit has to be done in a way that also looks towards our future, because if we don't do that, then we're just going to continue to spiral. We are right now, we heard in the Planning Committee this summer, at the kind of apex of our population growth for the expected future in Nebraska. Right now, these are the good times. This is the expanding the tax base with people time. We do not want to drive people away. And if we don't have enough places for people to go with their kids, that's going to be driving people away. Because if you can't find childcare, if that just becomes the thing you can't do, then that, that is going to affect the flavor of our state. And I really-- I know people are discussing other things, but this, this conversation could not be more key to the future growth of our state than anything else. You want an economic driver, you need a workforce. You want an economic driver, you need people to be able to work. And they can't do that if they don't have childcare and they can't-- the childcares can't run if they can't make a decent amount of money in order to make a business case to run. I mean, this is one of those strings that if we pull on it, we can unravel a lot more than we want to. You want to unravel our workforce, let's start pulling on this string. We need childcare in Nebraska. We need to support that. We don't have mountains, we don't have beaches. What we have is hardworking people. That's what we have as a state. Every state has something. We have the hardest working people in the country. We need to support them to do that. So I don't want to belabor the point, but this is one piece of helping the childcare businesses in our state. These are small businesses. This is who we need to help. We need to help make accepting childcare subsidy a little more palatable to their business plans, so that we can have more people working in Nebraska, because we need to grow our state now. The time is now. If we don't

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grow it now, we're in real trouble in the future. Thank you, Mr. President.

KELLY: Thank you, Senator DeBoer. Senator McKinney, you're recognized to speak.

McKINNEY: Thank you, Mr. President. I rise in support of LB13 and the AMs on the bill. I think this is an interesting conversation. You know, this is a very important bill in my eyes to, you know, to continue to try to make our state a marketable state and attract people and retain people in our state. So I think this is something we should vote for, prioritize, and make sure that we do. The conversation about funding is really interesting. Because, in my opinion, we shouldn't be building a prison. It doesn't make sense. It's going to be overcrowded day 1. And I actually think it's under budget, which means the Department of "Punitive" Services is going to come back and ask for more money from this Legislature that doesn't have any money, which means the project isn't viable, which means we should pull the money back from the prison and we could fund mostly, almost everything this year. So we're talking about a budget shortfall, and we got this prison that don't need to be constructed for many reasons. Why are we one of, like, not even a handful of states and one of, like, not even a handful of people globally still building prisons? We should be seeking other alternatives and we should be investing in our state. Why are we wasting \$350 million on a prison that, honestly, I truly believe is under budget? And I sent out a article last week, the state of South Dakota scrapped their plan for a prison because it don't make sense. I think the state of Nebraska should rethink our plans for building a prison because it don't make sense. Somebody please tell me the logic in we're going to-- first they sold it as a replacement prison. Then I proved that wrong when I tried to demolish the old prison and everybody told me, no, we need to keep it open. So it's not even a replacement. It's just a new prison. But the logic in building a prison that is going to be overcrowded the day it opens up, that don't make sense. So it means we're not even solving the problem that it was sold on solving. So why are we wasting \$350 million? Why are we complaining about budgets and we need to cut these programs and all these type of things? We should take the \$350 million or whatever is left from the prison and just put it back into the budget. And we really don't have a lot of issues from there. Why-- yeah, I mean, it would help with property tax relief. It would help with childcare subsidies. It would help with a lot of things. But I can't wait-- you know, actually, I can't wait until the budget bill comes to the floor because we're going to have that conversation. Why are we supporting a prison in 2025 with a budget deficit when it don't

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not make sense? Why are we one of, maybe, two or three states and people in a, in a globe still building a prison? We should be looking at better solutions because it's not even solving a problem. It was sold as a replacement prison, but we're not even replacing NSP because I tried to get it demolished and everybody told me no. So we're not replacing NSP. It's going to stay open for whatever reason. They're not identifying that reason yet, but it's going to stay open. So you're not even replacing NSP. You're opening a new prison which is going to be overcrowded the first day it opens. So you're not solving the problem that you were sold on solving, I guess. But this whole conversation about funding, I hope we have an honest conversation about the prison funding when the budget hits the floor, because if people are so concerned about taxpayer dollars and what we're doing in the budget and all these things, we should not be building a prison in 2025, and we shouldn't be passing a budget that supports building a prison in 2025. So I'm really looking forward to that budget conversation, because we should be funding childcare subsidies and not building prisons. We should be helping families meet their basic needs and take care of their kids, and not building prisons that are overcrowded already and they're not even built. So thank you. Thanks for the conversation.

KELLY: Thank you, Senator McKinney. Senator Hansen, you're recognized to speak.

HANSEN: Thank you, Mr. President. Well, I, I hate to reiterate a lot of what my colleagues have already said, but this is a very-- this seems like this bill or the idea of what we're trying to accomplish here is a little bit of a moving target. Something that's not going to happen for about another 1.5, 2 years. Do we take action now? Do we take action later? I think Senator Hardin summed it up, you know, appropriately about maybe what might be the best course of action moving forward. And I agree with him. I agree with the idea that maybe we should hold off here, see what the federal government is going to do in the next year or two. We always have an action to move forward. I understand where Senator Cavanaugh is coming, whereas we may want to kind of move this forward to, to Final Reading and then we can move it forward. I don't think that's typically the best approach in government. And I don't think it's an approach we typically take very often here in the Legislature, is moving things to Final Reading and then just kind of waiting. I don't think we do that too terribly often. I think usually what we do is, is end up holding it in committee or on General File to see what's the lay of the land coming up here in the next year or two. I personally feel like this is the best approach. I do have some concerns also about maybe what the

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federal government is going to do in the next year or two when it comes to childcare mandates. And I think it's a legitimate concern the department had, and a lot of my colleagues have, is if we aren't moving this forward, which I don't think is the intent that Senator Cavanaugh mentioned, but the possibility is moving forward and the federal government rescinds its mandate, now, we as a state, are on the hook for doing this. I typically-- I don't know if that's really the best approach to how we should move legislation forward. We should wait and see. Sometimes when it comes to issues such as this, and this is a growing concern that I have, anytime you have government get involved in private industry, things get convoluted, things get messy, muddies the waters. I would much rather see there be more of a private stake in childcare in Nebraska. I don't think we see as much as we should, whether it's private businesses, a public-private partnership, whether it's cities and counties formulating grants or taxpayer money, local taxpayer money to help out their local childcare facilities. I think money is much better spent on a local level, something similar to what we have with LB840 committee. We use a certain portion of sales tax money to use for economic development, maybe they can use it for childcare, maybe we could allow them to use it for childcare. I think our job here, as the State Legislature, is to decrease regulations, cut red tape, and allow these daycares to do their job without having to spend an absorbent amount of money trying to follow the rules we put in place. You ask any daycare, and I bet you they're going to agree with me. So, again, that's, that's not purely philosophical. I just think that's something that what our role is as a state government versus what the role of the local government is, and, more importantly, what the role of private industry is on supporting other private businesses that are essential. And I'm going to say childcare is essential. And it's a growing problem in the state of Nebraska, along with other things that we deal with in HHS, not just urban but also rural. And so I would like to see us kind of maybe put other opportunities forward to see how we can best support childcare in the state of Nebraska, as opposed to relying on the federal government to see what they're going to do and for them to give us money or for them to help support. And then, again, this doesn't seem very clear right now, even listening to the testimony from everybody right now on today about this. It's kind of a little bit all over the water. And this is a time when maybe it's not best to move things forward, but hold on to it and then see what's going to happen and then move it forward if we need to. So I, I am in favor of AM249 that the committee did put forward. I think that does help clean up some of the technicalities of the bill, but my concern is still there when it has to come to if we pass this or move it forward, then

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we're on the hook if the federal committee decides to rescind their mandate, which they very well could, we're hearing more about that every day. So I'm going to vote yes on AM249 and I'm going to vote no on LB13 unless there's some way we can-- we are able to hold it on General File and then wait and see what happens. That could be a possibility. But, anyway, that's where I'm at right now and I appreciate my colleagues getting up here and also giving their opinion on the matter so we can make a better decision. Thank you, Mr. President.

KELLY: Thank you, Senator Hansen. Senator Spivey, you're recognized to speak.

SPIVEY: Thank you, Mr. President. And, again, I appreciate the intentional dialogue that we are having as a body around such an important issue. You know, as I decided to run for office, and one of the reasons that I wanted to is because policy made at the state level impacts everyone's day to day. And so a lot of times we are blinded by, like, all of the national conversation, what's happening at the feds. But Nebraska and what we do in this body and, and at that time with the legislatures, what was doing impacts day-to-day activity of like me as an individual and navigating my life in Nebraska. And I think we sometimes forget that policy needs to be used as a lever to address core root issues. So a lot of the times our partners, because government can't solve for it all, our partners in community are looking at the symptoms. They're going downstream, where a policy can really take a step back and go upstream and say what is the core root issue, and how can policy be used to address that to create transformative system change? And that's one of the reasons why I wanted to run. It's one of the, the kind of guardrails and guiding lights that I use when thinking about my policy agenda, or as I talk on the mic about other folks and, and what, what they're bringing. And so I think we need to just center ourselves in that we have core root issues that are impacting the livelihood of Nebraska, our neighbors, our economy, and state. And that is rooted in our workforce issues, our housing, and childcare. So regardless of what the feds are doing, childcare needs to be a priority. If we are going to wait and legislate based on the feds, then we could end today and just come back later, right, like we have a job to do. We still have responsibility and leadership to provide. And so I do think it is a misstep to not think strategically about the policies that we are bringing forth, the impacts that it has on core root issues, and to not prioritize the things that we've heard knocking doors, the things that have been issues for decades, specifically that relate to the investment of our state and that can help grow and stabili-- stabilize

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our state. And so I just wanted to make sure that I uplifted that, and that was clear. I also wanted to uplift, to Senator Hansen's point, that there has to be private investment, because, again, I don't think government can solve for it all. We need private-public partnership and not just public as a government, but community-based organizations to work cohesively and comprehensively to solve, again, some of the most critical and complex issues that we see in front of our state. And so I bring your attention back to my bill, LB442, which looks at the investment from employees and employers through a payroll tax to invest in childcare. It expands a subsidy because we know that the current subsidy that we have for Title 20 is for specific incomes, but there are working families that, that do not qualify that also need help with childcare. If you have an infant at 6 months, you could be spending upwards of \$3,000 to \$4,000 a month just on childcare, which, again, these are your most prized possessions. And so you want to spend the money to ensure that it's quality, that folks that working there are paid and that they have the training. And that as you are working in that day, that you can have a peace of mind that your child is taken care of. And so, again, I think that it's not one size fits all or that there is a single answer. We really need to take a comprehensive approach to look at childcare, and I think what Senator Cavanaugh has introduced is absolutely one step in that, and that we need to come alongside with additional legislation like LB442 that helps to ensure that people, one, have access to quality, affordable childcare that's in proximity to them, and that we are looking at building into the-- or we are investing into the infrastructure of childcare providers in that ecosystem. And so I really appreciate, again, the conversation, and I hope that we can continue to take the same approach as we have serious decisions in front of us around what are priorities in this state. And I agree with Senator McKinney, the missteps of investing in mass incarceration will continue to bankrupt the, the state in our opportunities versus using those funds to invest in preventative measures like affordable housing, mentorship, quality public schools, childcare. And so I hope that we continue to think about this approach and in the broader conversations as we really plan for our state, not just for today, but 5 and 10 years out. Thank you, Mr. President.

KELLY: Thank you, Senator Spivey. Senator Conrad, you're recognized to speak.

CONRAD: Thank you, Mr. President. Good morning, colleagues. I am grateful that we had so many senators lend their voices to this debate and lift up either questions or concerns about this particular program or volatility when it comes to funding streams and program

sustainability and our relationship to the federal government as well. I also have heard a lot of very strong sentiments expressed in regards to strengthening access to quality daycare, which is great for healthy kids, is an appropriate investment to ensure that they have good outcomes in school and in life, and to ensuring that parents can continue to contribute to the economy working outside of the home, which we know Nebraskans historically do at, at record levels. I also just wanted to note, in relation to the FMAP component that's been thrown around here, this is a long-standing formula. The department plans for these shifts and changes, as does the Fiscal Office, so, yes, there can be some differences in terms of what we're planning for, what the projections look like and what some of the actual numbers come in. But it's not like that is new or different. That is part of the budget. That is part of the health care programs in terms of their actual program design. The, the other thing that I just wanted to lift up is a couple of things. And I wasn't planning to talk again until I heard my colleague Senator Raybould talk. And it honestly is such a cruel and striking juxtaposition on the day that Senator Raybould prioritizes a measure that undercuts the ability of young people to earn a wage in line with what the voters said should be the minimum wage in Nebraska. And it says young people, including many young people who are parents, Senator Raybould, and you know that, many young people who are parents in this state. It says we're not going to pay you what the voters said we should pay you, despite the fact that you're trying to help your family, despite the fact that you might need to access childcare, despite the fact that you need to save for college as tuition is on the rise because of drastic budget cuts in this body. And you say no. On the same day you jump up and you talk about support for childcare, you undercut the ability of young parents to access childcare. And that's cruel, and it needs to be called out. Additionally, it's a good reminder about what our social safety net programs do and are. Yes, they provide a direct benefit to families in need and working families, but they also subsidize employers who provide subpoverty wages and no benefits that keeps Nebraskans working and living in poverty. These are corporate subsidy programs, responsible employers who provide good wages and good benefits, don't have their employees utilizing food stamps and housing and childcare. But those who undercut the market, those who seek to bend the law to further drive down wages, rely upon taxpayers to pick up the difference at their business so that they can bolster their bottom line. And my friends on the right are not wrong. When they see the growth in the social safety net, they are concerned, but they're concerned for the wrong reason, not because it helps poor children or working families, because it forces taxpayers to subsidize subpoverty

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wages at businesses that aren't doing their part. Thank you, Mr. President.

KELLY: Thank you, Senator Conrad. Senator Armendariz, you're recognized to speak.

ARMENDARIZ: Thank you, Mr. President. I, I have talked with Senator Machaela Cavanaugh about this bill in particular. We talked yesterday and today. I do think it is a, a good idea. Now when we, when we talk about private daycares that don't receive subsidies, oftentimes they do take into consideration vacations for the, the folks running the daycare. The parents certainly do still pay that time that their kids are not taking advantage of the daycare. So on, on the surface, this is a really good idea that we should also apply that to those daycares that are receiving subsidies. Arguably, they receive less than those private payer daycares do. And, and we are in a daycare crisis here in Nebraska. So we want more daycares. And I am, I am bringing that up to private industry as well to get more participation. Their businesses should have an interest in participating more in daycares as a hiring mechanism, keeping staff, even doing it on a sliding scale according to need. I, I support all of that. The only issue I see when we move to the financial side and the accountability side of the bill is there, there aren't-- doesn't seem to be any parameters in place to keep the corruption from happening. So if a daycare is going to get paid, even if a child is not there for how many days, it doesn't seem to be that there's a day limit for keeping that daycare open like a private daycare would, you know, tell the families up front, we're going to take these days off and so forth, and they still get paid. But in this bill it doesn't seem to be there's a parameter. And my concern there is what would keep somebody that would want to corrupt the system from getting kids signed up that qualify, that they may know personally or in their family, and then, I mean, on the worst part, never watching them. And we're all hearing in the news of people receiving Social Security checks that are over 300 years old. I mean, it's a real concern if we don't put some parameters around a subsidy like this to keep that corruption from happening. So that's my biggest concern with this. Although, there's a huge need, I see why we would want to do it. I don't see those parameters in place. So I-- I'll keep listening. I'm not sure how I'll support at this point unless Senator Machaela Cavanaugh would answer one question for me. I didn't tell you ahead of time. I apologize for that, but you-- you'll know it.

KELLY: Senator Machaela Cavanaugh, will you yield to a question?

M. CAVANAUGH: Yes.

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ARMENDARIZ: Just-- and I, and I kind of asked you that earlier this morning. Is there anything, since we've talked, that, that would set those parameters that would make me feel more comfortable about keeping-- and I know the State Auditor did an audit on daycare and found a lot of those same holes without this opening up? So.

M. CAVANAUGH: So I just actually received an email from someone that says that if a child is absent more than a certain amount of days, we have to report to the state subsidy office. They have 3 months if they lose their job to maintain care and find a new job. But if-- you have to be employed to qualify.

ARMENDARIZ: OK.

M. CAVANAUGH: And so there is that parameter. So I would assume if they're not going to work then they would lose their job. And so--

ARMENDARIZ: I appreciate that, that, that isn't my concern. My concern is more with the daycare setting up shop--

M. CAVANAUGH: Right.

ARMENDARIZ: --and receiving kids that qualify on paper--

M. CAVANAUGH: Right.

ARMENDARIZ: --and then just not necessarily watching them for 5 days that they're getting paid, maybe 1 day a week maybe-- you know.

M. CAVANAUGH: Yeah, so I, I guess what I'm trying to say is that the parameter, as it is right now, would be that the parent has to work and they have to go to work to quali-- for them to maintain qualifying for the program. So if they're not, if their child isn't going to the childcare, then that would-- I would assume means that the parent isn't going to work. And so they would eventually fall off after 3 months. If that-- that's sort of the mechanism, currently.

ARMENDARIZ: Well, we'll talk more.

M. CAVANAUGH: OK.

ARMENDARIZ: Because we're going to run out of time, but I appreciate that. Thank you, Mr. President.

KELLY: Thank you, Senators Armendariz and Cavanaugh. Senator Jacobson, you're recognized to speak.

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JACOBSON: Thank you, Mr. President. I apologize. I was in an executive session and missed some of the debate here, but I do want to comment on just a couple of issues here. Childcare is clearly a serious problem in, in the state. We've got to continue to find ways to make sure that they can operate and operate effectively. I would tell you that when I was knocking on doors a couple of years ago, I remember talking to child-- and I did meet with daycare operators. One of the challenges that they ran into is they did have situations where if someone, if the child did not show up for daycare and they've got a slot for them, they lost that revenue even though they have that slot held open for that child. That could happen for any number of reasons, but could very well be it's parents that are, that are working and, and were sick, weren't able to bring a child to daycare. I will also tell you, whether some want to hear this or not, there would be cases where there were parents that were involved in drugs and alcohol and, literally, didn't get out of bed to take their kids there. I will tell you, in many of those cases, if these kids didn't have access to daycare, we would have a whole different problem occurring, which we're still dealing with in some of those cases. But my main concern here is if we want to enhance our workforce, we've certainly got to have childcare available. With that said, I am also very concerned about the fiscal note, and so far I continue to push back on bills that have fiscal notes. I will likely vote for this bill on General File with the idea that I won't be able to support it on through if we don't have the funds to continue to do that in spite of the fact that I really support the concept of what we're trying to get done here. I also want to reach out a little bit. Being someone who's-- who signed the front of a paycheck all through my career, you'll get annoyed at times when people who have never signed the front of a paycheck to start lecturing to those who have signed the front of a paycheck on how they ought to be doing more. OK? First of all, walk in our shoes one time. Not every employer has the income levels that they're trying to do to make their business work to provide all of these other amenities and pay significantly higher wages. One way to create higher unemployment is to not be able to hire people because you can't afford to hire them or take away their opportunity to come work for you because you don't have the right benefit package or you don't have the right pay structure. So understand that, particularly, as you move across rural Nebraska, we have a number of employers, whether that would be farmers, ranchers, and others that don't have the income streams to be able to do those things. And, yet, they're running a business, a small business. So as someone who has signed the front of a paycheck, I just want you to know, walk a day in our shoes, walk a

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day in the shoes of those who have if you've never done it yourself before you criticize. With that said, thank you, Mr. President.

KELLY: Thank you, Senator Jacobson. Seeing no one else in the queue, Senator Machaela Cavanaugh, you're recognized to close on AM516.

M. CAVANAUGH: Thank you, Mr. President. Thank you, colleagues, for this conversation. I really appreciate it, some thoughtful conversation and questions. AM516 is just changing from July to August to the AM249. It was requested by DHHS that that change be made. So I have more to say on this bill, but I, I think I would prefer to save it for my closing, so I will leave it there. Thank you, Mr. President.

KELLY: Thank you, Senator Cavanaugh. Members, the question is the adoption of AM516. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 35 ayes, 11 nays, Mr. President, on adoption of the amendment.

KELLY: The amendment is adopted. Seeing no one else in the queue, Senator Hardin, you are recognized to close and waive closing on AM249. Members, the question is the adoption of AM249. All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 40 ayes, 5 nays, Mr. President, on the adoption of the committee amendment.

KELLY: AM249 is adopted. Mr. Clerk.

CLERK: Mr. President, Senator Machaela Cavanaugh would move to amend with AM34.

KELLY: Senator Cavanaugh, you're recognized to open on the amendment.

M. CAVANAUGH: Thank you, Mr. President. I'm sorry, I wasn't aware that I had another amendment pending, so. What? Oh, I would like to withdraw AM34.

KELLY: So ordered.

CLERK: I have nothing further on the bill, Mr. President.

KELLY: Thank you, Mr. Clerk. Members, the-- Senator Cavanaugh you're recognized to close.

M. CAVANAUGH: Thank you, Mr. President. I apologize, colleagues. AM34 was filed previously to the committee amendment, it was the same as

the committee amendment, which we already just adopted and amended. So childcare subsidies, this is shifting us from an attendance to enrollment reimbursement. A couple of points I, I want to make. So this is currently funded through the CCDBG, or the community and child-- or sorry not community-- Child Care and Development Block Grant. So this is already a block grant, a federal block grant. So I appreciate the conversations. And I'm, I'm actually thrilled to hear my colleagues today talk about concerns over what's happening at the federal level. I, I-- I'll be honest, I felt like maybe I was the only one that was having those concerns because I was the only one talking about them. So I'm thrilled that that has been part of the engagement on this conversation. When it comes to this particular program and this particular funding, this is actually a shift we are seeing at a federal level that they are, they are going to block grants for-- that that's the intention currently in the federal pending budget is to move Medicaid to a block grant. This program is currently a block grant. And in-- under the Trump administration, the previous Trump administration, the President made significant investment in increasing this block grant across the board, and it has only increased continually year after year under both President Trump, President Biden, and President Trump again. So this block grant is actually one of the surest things we've got going from the federal government. But this bill is, is codifying the federal mandate that states make this change from enrollment or attendance to enrollment. So this is already mandated for us to do. We are, as Senator Fredrickson said, out of compliance. We have a waiver, that waiver is expiring and this is codifying that we will be in compliance when that waiver expires. So this is really creating certainty for the childcare industry. There is a work requirement to qualify for the childcare subsidy. And if you are out of compliance with the work requirement after 3 months, you lose the childcare subsidy. We have, as Senator Conrad mentioned, the highest participation in the workforce of parents. We have, I, I believe it's over 80% of parents in the workforce in Nebraska. That's a huge number. And we also have 2% unemployment. And we know that that 2% unemployment also includes people who qualify for this program who have multiple jobs. We need the people who qualify for this program to have this program so that we have people working. We cannot afford to not have people working. We cannot afford, as a state, to have people not show up to work. We need to have this program. And I know that there are other ways and other philosophies about how to approach childcare. But the reality is the reality. And right now we have a program. We need to continue to invest in this program until we come up with another solution, until we find a way to get businesses to provide childcare for their

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employees, which currently they are not required to do. I don't think it's a bad idea, but it's not required to do. We need this program. We need this for tax revenue. We need this for our economy. We need this for our workforce. We need this for our business industries. We need this program. And the kids that are in this program, need this program. Senator DeBoer made an excellent point about being ready for school. Childcare gets kids ready for preschool and kindergarten. It helps them develop those skills. We need this program. Please vote to advance this to Select File. I'm willing to entertain amendments to this bill that will keep us in compliance with federal regulations. I'm happy to talk to people between General and Select. Thank you, Mr. President.

KELLY: Thank you, Senator Cavanaugh. Members, the question is the advancement of LB13 to E&R Initial. All those in favor vote aye; all those opposed vote nay. There's been a request for a roll call vote. Mr. Clerk.

CLERK: Senator Andersen voting no. Senator Arch not voting. Senator Armendariz not voting. Senator Ballard voting yes. Senator Bosn not voting. Senator Bostar voting yes. Senator Brandt voting yes. Senator John Cavanaugh voting yes. Senator Machaela Cavanaugh voting yes. Senator Clements voting no. Senator Clouse voting yes. Senator Conrad voting yes. Senator DeBoer voting yes. Senator DeKay not voting. Senator Dorn voting yes. Senator Dover. Senator Dungan voting yes. Senator Fredrickson voting yes. Senator Guereca voting yes, Senator Hallstrom voting yes. Senator Hansen voting no. Senator Hardin voting no. Senator Holdcroft not voting. Senator Hughes voting yes. Senator Hunt voting yes. Senator Ibach not voting. Senator Jacobson. Senator Juarez voting yes. Senator Kauth voting no. Senator Lippincott voting no. Senator Lonowski voting no. Senator McKeon voting no. Senator McKinney voting yes. Senator Meyer voting yes. Senator Moser voting no. Senator Murman voting no. Senator Prokop voting yes. Senator Quick voting yes. Senator Raybould voting yes. Senator Riepe not voting. Senator Rountree voting yes. Senator Sanders not voting. Senator Sorrentino voting no. Senator Spivey voting yes. Senator Storer not voting. Senator Storm voting no. Senator Strommen not voting. Senator von Gillern voting no. Senator Wordekemper voting no. Vote is--

KELLY: There's been a-- yeah, there's been a request to place the house under call. The question is, shall the house be placed under call? All those in favor vote aye; all those opposed vote nay. Record, Mr. Clerk.

CLERK: 44 ayes, 0 nays to place the house under call, Mr. President.

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KELLY: The house is under call. Senators, please record your presence. Those unexcused senators outside the Chamber, please return to the Chamber and record your presence. All unauthorized personnel, please leave the floor. The house is under call. Senator Dover, please return to the Chamber and record your presence. The house is under call. All unexcused members are present. Senator Machaela Cavanaugh requested a roll call vote. Mr. Clerk.

CLERK: Senator Andersen voting no. Senator Arch not voting. Senator Armendariz not voting. Senator Ballard voting yes. Senator Bosn not voting. Senator Bostar voting yes. Senator Brandt voting yes. Senator John Cavanaugh voting yes. Senator Machaela Cavanaugh voting yes. Senator Clements voting no. Senator Clouse voting yes. Senator Conrad voting yes. Senator DeBoer voting yes. Senator DeKay not voting. Senator Dorn voting yes. Senator Dover not voting. Senator Dungan voting yes. Senator Fredrickson voting yes. Senator Guereca voting yes. Senator Hallstrom voting yes. Senator Hansen voting no. Senator Hardin voting no. Senator Holdcroft not voting. Senator Hughes voting yes. Senator Hunt voting yes. Senator Ibach not voting. Senator Jacobson not voting. Senator Juarez voting yes. Senator Kauth voting no. Senator Lippincott voting no. Senator Lonowski voting no. Senator McKeon voting no. Senator McKinney voting yes. Senator Meyer voting yes. Senator Moser voting no. Senator Murman voting no. Senator Prokop voting yes. Senator Quick voting yes. Senator Raybould voting yes. Senator Riepe not voting. Senator Rountree voting yes. Senator Sanders not voting. Senator Sorrentino voting no. Senator Spivey voting yes. Senator Storer not voting. Senator Storm voting no. Senator Strommen voting yes. Senator von Gillern voting no. Senator Wordekemper voting no. Speaker Arch voting yes. Vote is 25 ayes, 14 nays in advancement of the bill, Mr. President.

KELLY: LB13 advances to E&R Initial. Mr. Clerk. I raise the call. Mr. Clerk.

CLERK: Some items quickly, Mr. President. Amendments to be printed from Senator Hansen to LB630. Notice from Senator Ben Hansen that the Executive Board has selected LR25CA as a committee priority; LR25CA is an Exec Board priority. Notice of committee hearing from the Health and Human Services Committee. New LR, LR62 from Senator Sanders and LR63 from Senator Riepe. Those will both be laid over. Notice-- additionally, notice from the Business and Labor Committee that they will meet in executive session in Room 2022 at noon; Business and Labor, 2022 at noon, exec session. Name add: Senator Dungan to LB215. Finally, Mr. President, priority motion, Senator Rountree would move to adjourn the body until Thursday, March 6 at 9:00 a.m.

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KELLY: Members, you've heard the motion to adjourn. All those in favor say aye. Those opposed say nay. The Legislature is adjourned.