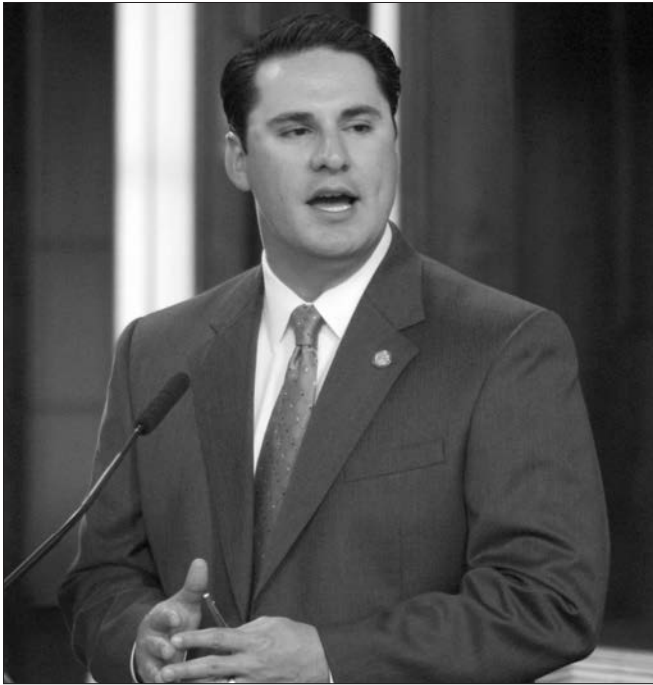


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## UPDATE

## Several budget vetoes overridden



Sen. Heath Mello, chairperson of the Appropriations Committee, discusses the committee's override motion.

The Legislature voted May 28 to override a little more than half of the governor's line-item priorities between the governor's office and the Legislature, but that fiscal discipline should be maintained.

vetoes of the state budget package.

The eight bills comprising the \$7.8 billion budget were passed last week and sent to Gov. Dave Heineman. The governor vetoed approximately \$40 million in general, federal and cash funds over the next two years from LB195, the mainline budget bill.

In his veto letter, Heineman said LB195 reflected many shared

The Appropriations Committee offered a motion to override vetoes in 10 sections of the bill. Omaha Sen. Heath Mello, chairperson of the committee, said the items represented slightly more than half of the items vetoes by the governor and approximately 33 percent of the funding vetoed from the entire budget.

Provisions in LB195 to be overridden by the committee's motion included:

- \$4 million from the Securities Act cash fund for appropriations for the Homeless Shelter Assistance, the Affordable Housing Trust and Legal Aid and Services;
- \$4 million to the state Department of Roads for assistance to local transit authorities for mass transit aid;
- \$775,000 for the state's Court Appointed Special Advocate (CASA) program and salary

(continued page 2)

## Public contract preference sought for veterans

Lawmakers gave second-round approval May 30 to a bill intended to help veterans secure public contracts.

As introduced by Fremont Sen. Charlie Janssen, LB224 would provide a preference for a resident disabled veteran over any other resident or nonresident bidder when a public contract is to be awarded to the lowest responsible bidder.

A Government, Military and Veterans Affairs Committee amendment, adopted 31-2 during general file

debate May 28, provides that a resident disabled veteran would be allowed a preference over any other resident or nonresident bidder if all other factors are equal.

Janssen said the bill would encourage disabled Nebraska veterans to seek state contracts without increasing costs to the state. Assisting veterans who create their own businesses could help reduce the state's 11 percent unemployment rate for veterans, he said.

"They have served our country admirably," he said.

(continued page 4)

# Several budget vetoes overridden

(continued from front page)

- increases for County Court employees;
- \$600,000 to the state's Federally Qualified Health Centers;
- \$450,000 to the Omaha Learning Community;
- \$300,000 to fund a Dental Health Director; and
- \$140,000 to the Postsecondary Education Commission for a data analyst position.

Lincoln Sen. Amanda McGill supported reinstating funds to the CASA program, which provides volunteers to help youth navigate the state's child welfare system. She said the funds would allow the program to expand into more Nebraska counties, saving the state money in the long-term.

"There are still 1,600 kids who don't have a CASA volunteer," McGill said

Sen. Kate Sullivan of Cedar Rapids spoke in support of raises for the state's county court employees, saying their workload and responsibilities continually have increased without a corresponding increase in compensation.

"We talk often in this body about the importance of our citizens having access to the judicial system," Sullivan said, adding that county court employees are the system's frontline in terms of access.

"They have continued to lag way behind in terms of compensation and salaries," she said.

Sen. Bob Krist of Omaha supported reinstating funding for a state dental director, saying Nebraska has missed out on federal grant funding because of the vacant position.

"This would create the opportunity to attract that money from the federal government," he said.

Omaha Sen. Ernie Chambers spoke in support of the override motion in its entirety, saying the Appropriation Committee had done a good job of putting together a sensible budget that senators voted to approve.

"The budget bills represented the work product of the Legislature collectively and as an institution," he said. "We had a chance to chew over everything in those bills ... I had a chance to chew it once; I'm not going to chew it again."

The motion was adopted on a vote of 32-5.

## Additional override motions

Chambers offered a motion to override the veto of \$353,338 to the Auditor of Public Accounts for baseline funding and salary increases. He said the auditor does excellent work scrutinizing state agencies and deserves sufficient

resources to carry out the office's constitutional duties.

"I am endorsing this override based strictly on the work that office has done," Chambers said.

Columbus Sen. Paul Schumacher supported the motion, saying term limits increase the need for quality oversight. A good public auditor can bring areas of concern to the Legislature's attention, he said, especially when new senators may not know where to look.

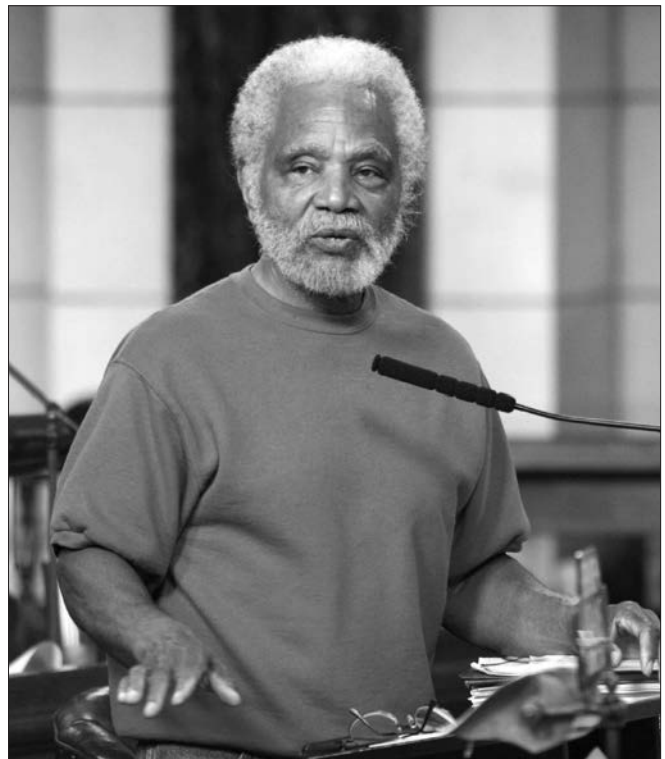
"It's one of those guiding lights that we're going to have to rely on as a Legislature as time goes on," Schumacher said.

The motion failed on a 24-16 vote. Thirty votes are required to override a veto.

Fullerton Sen. Annette Dubas offered two override motions to other line-item vetoes in LB195. The first would have overridden the governor's veto of \$185,681 to the Public Service Commission to fund a railroad inspector position.

Dubas said Nebraska is number two in the nation in the amount of hazardous materials transported by rail through the state. Currently, she said, inspectors are able to inspect less than 1 percent of railroad lines per year.

"States are an essential component of the national



Sen. Ernie Chambers unsuccessfully attempted to reinstate funds for the state auditor's office.

railroad safety program,” she said.

Hyannis Sen. Al Davis supported the motion, saying Nebraska has fewer inspectors than other states in spite of the high level of rail traffic. He said many lines run through small, rural communities.

“If we have a derailment with hazardous materials in one of these communities we’re going to lose lives,” Davis said.

Sen. Tyson Larson of O’Neill opposed the override motion, calling the inspector position unnecessary.

“We’ve gotten by the last two years without this person ... and there hasn’t been an increase in accidents,” he said. “In terms of taxpayer dollars, I just don’t think that this is a necessary thing.”

The motion failed on vote of 18-25.

A second Dubas motion, which would have overridden the line item veto of \$45,000 for payment of state dues to the Midwest Interstate Passenger Rail Compact, failed 13-19.

Vetoed items in LB195 that were not challenged included:

- \$90,880 to fund a retirement specialist position with the Public Employees Retirement Board;
- \$100,000 to the University of Nebraska to fund a DUI recidivism study;
- \$128,547 to fund increased staffing at the Foster Care Review Office;
- \$300,000 to increase staffing at the Nebraska Tourism Commission;
- \$369,001 to fund salary increases for probation officers; and
- \$2.84 million that will delay replacement of the state’s Medicaid data management system for one year.

## Capital construction

Lawmakers also voted to override three line-item vetoes in LB198, which appropriates funds for capital construction and property acquisition. Vetoed were:

- \$2.95 million to construct a University of Nebraska Medical Center College of Nursing building in Lincoln;
- \$1.4 million from the \$6 million allocated for renovation of the Nebraska History Museum; and
- \$544,000 from the Capitol Commission to fund improvements to the State Capitol Building.

Heineman said in his veto message that the nursing building was a lesser priority than others at the Univer-



Sen. Annette Dubas brought two motions to override vetoes related to the railroad industry.

sity and that savings from other construction projects should be returned to taxpayers rather than rolled into new projects.

The governor also said the history museum has sufficient funds to address deferred maintenance, failures in the original building systems, and fire code and Americans with Disabilities Act compliance issues. Further, he said, the Capitol Commission’s budget is adequate to address priority projects at the State Capitol Building.

Kearney Sen. Galen Hadley supported the motion to override, saying the nursing building is needed to help alleviate the Nebraska’s shortage of health care professionals. He said citizens are willing to donate money to scholarships and programs, but that the state also must do its part.

“It’s hard to convince the average person to contribute money to brick and mortar [projects] because they see that as the state’s responsibility,” Hadley said.

Mello said the full \$6 million would be needed to update the museum building and that the number of deferred maintenance issues at the State Capitol Building – including window replacement and water damage repair – continue to grow without adequate funding to address them.

“The Capitol is a state treasure that belongs to all Nebraskans,” Mello said. “There are significant needs here.”

The motion to override the governor’s vetoes in LB198 was adopted on a 34-5 vote. ■

# Public contract preference sought for veterans

(continued from front page)

Omaha Sen. Heath Mello offered an amendment during select file debate May 29 that would add businesses located in a designated enterprise zone under the state's Enterprise Zone Act to the bill's provisions.

Mello said the zones, which include sections of north and south Omaha as well as rural areas of the state, are defined as distressed areas where unemployment and poverty rates are higher than the national average. The state should seek economic development by encouraging individuals from these areas to compete for state contracts as well, he said.

The amendment was adopted 29-0.

When debate resumed May 30, Janssen offered an amendment that he said arose from concerns raised during discussion the previous day regarding the bill's structure, definitions and possible unintended consequences.

The amendment, adopted 42-0, replaced the bill.

As amended, LB224 would be limited to state contracts and defines a resident disabled veteran as an individual who:

- resides in Nebraska;
- was honorably discharged from



Sens. Charlie Janssen (left) and Bob Krist discuss LB244.

the U.S. Armed Forces, including reserve or National Guard;

- possesses a disability letter establishing a service-connected disability;
- owns a business or, in the case of a publicly owned business, owns more than 50 percent of the stock; and

- controls the management and daily operation of a qualifying business.

Following adoption 40-0 of a technical amendment offered by Omaha Sen. Ernie Chambers, lawmakers advanced the bill to final reading by voice vote. ■

## U.S. CONGRESS CONTACT INFORMATION

Senator Mike Johanns  
United States Senate  
404 Russell Senate Office Building  
Washington, D.C. 20510  
Tel. (202) 224-4224

Senator Deb Fischer  
United States Senate  
825 Hart Senate Office Building  
Washington, D.C. 20510  
Tel. (202) 224-6551

Congressman Jeff Fortenberry  
(District 1)  
1514 Longworth House Office Building  
Washington, D.C. 20515  
Tel. (202) 225-4806

Congressman Lee Terry  
(District 2)  
2266 Rayburn House Office Building  
Washington, D.C. 20515  
Tel. (202) 225-4155

Congressman Adrian Smith  
(District 3)  
2241 Rayburn House Office Building  
Washington, D.C. 20515  
Tel. (202) 225-6435

## Agriculture

### Climate report approved

Lawmakers gave final approval May 29 to a bill that changes duties of the state's climate committee.

LB583, introduced by Malcolm Sen. Ken Haar, requires the Climate Assessment Response Committee to prepare an initial report on cyclical climate change in Nebraska by Sept. 1, 2014. The report will include possible impacts on the state's agriculture, water, recreation and other economic sectors.

The committee will be required to provide a final report to the governor and the Legislature by Dec. 1, 2014, including significant conclusions and recommendations.

The bill passed 32-12.



Sen. Ken Haar

## Banking, Commerce & Insurance

### Insurance navigator bill amended, advanced

Senators advanced a bill from select file May 31 that would register individuals and entities applying for and acting as navigators for the state's health benefit exchange.

The exchange will be established in Nebraska under the Affordable Care Act (ACA), which requires that all exchanges include programs to assist individuals in navigating the new system.

Nebraska's exchange must be operational by Oct. 1 and states have

the authority to license and regulate navigators.

LB568, as introduced by Omaha Sen. Burke Harr, would have established a licensure and regulatory system within the state Department of Insurance for navigators in Nebraska.



Sen. Burke Harr

During select file debate, Harr offered an amendment that would replace the bill's provisions with a registration program rather than a licensure system. He said the amendment represents a compromise reached since the bill was debated on general file.

The amendment removed references in the bill to navigators' duties and instead would authorize the department to register individuals and entities seeking to act as navigators in Nebraska.

The amendment also lowered the maximum registration fee from \$50 to \$25 for an individual and from \$100 to \$50 for an entity. Registration would be valid for one year and could be renewed for a fee.

Navigators would be prohibited from:

- engaging in any activities that would require an insurance producer license;
- violating Nebraska insurance licensure law;
- recommending or endorsing a particular health plan;
- advising consumers about which health plan to choose;
- accepting compensation dependent on whether a person enrolls in or purchases a qualified health plan; or
- failing to respond to an inquiry from the director.

Lincoln Sen. Danielle Conrad, who had opposed the bill during gen-

eral file debate, supported the amendment, saying it was the best option available as a political compromise.

With the amendment, she said, the bill would not apply to social workers, volunteers, church or family members who attempt to assist individuals in navigating the health exchange computer program.

Instead, it would apply only to a small group that receives federal funding to act as official navigators for the exchange, Conrad said.

"This is no longer a regulatory act ... but a state registration," Conrad said. "I think the amendment is a step forward to this state's eventual embrace of the Affordable Care Act."

Norfolk Sen. Jim Scheer expressed concern that the amendment contained no recourse if navigators give individuals advice regarding policy selection or incorrect information regarding definitions.

"Where is the protection for the consumer?" Scheer said. "There is none."

Harr said that because Nebraska chose to default to a federal exchange, the state is limited in its ability to punish violations of navigator restrictions, which are specified in federal law. The state legally cannot provide a more severe punishment than allowed under federal regulations, he said.

Lincoln Sen. Kathy Campbell supported the amendment and the bill, saying that involvement of the state Department of Insurance in the navigator oversight process

would be the primary benefit of the proposal.

Without the bill, she said, the only recourse for someone who believes that a navigator has acted in bad faith is to contact the federal government. Under LB568, individuals would have access to a local remedy, Campbell said.

Harr said the state Department of Insurance does not anticipate issues with navigators, but that having a local regulatory structure would be beneficial.

“If past performance is any [indication] .... we’re not going to have any problems,” he said.

Following adoption of the amendment 34-1, senators advanced the bill to final reading by voice vote.

## Education

### Changes to community college association membership adopted

Community colleges will no longer be required to join an association under a bill passed by the Legislature May 29.

LB211, introduced by York Sen. Greg Adams, finalizes an agreement reached by the community college boards. Under the bill, joining an association of community colleges will be voluntary.



Sen. Greg Adams

The bill strikes an existing statute requiring that any meeting by a community college association be conducted in accordance with the Open Meetings Act. Additionally, the bill authorizes the board of governors of any community college to use college funds to pay for association membership.

Senators passed the bill on a 47-0 vote.

### Nebraska Opportunity Grant Act changes adopted

Senators passed a bill May 29 that changes the income qualifications for receiving need-based aid for under-

graduate students under the Nebraska Opportunity Grant Act.

Currently, a person’s eligibility is based on either their eligibility to receive a federal Pell grant or an expected family contribution of no more than the qualifying maximum. Pell grant eligibility and the expected family contribution are determined based on an individual’s Free Application for Federal Student Aid application. The qualifying maximum equals the prior award year qualifying maximum increased by 2.5 percent.

Under LB331, introduced by Scottsbluff Sen. John Harms, the income qualification will be an expected family contribution equal to or less than 110 percent of the maximum expected family contribution to qualify for a Pell grant in that award year.



Sen. John Harms

LB331 incorporates the provisions of two bills, both introduced by Lincoln Sen. Bill Avery.

A provision from LB466 clarifies that the authorization a postsecondary institution receives to operate on a continuing basis shall continue indefinitely.



Sen. Bill Avery

A provision from LB467 allows interstate reciprocity agreements regarding postsecondary distance education and allow fees for such agreements and for applications to modify recurrent authorizations to operate.

The bill passed on a 47-0 vote.

### Remedial Adult Education Innovation Act passed

Senators passed a bill May 29 that provides assistance to institutions

that offer high school equivalency programs.

LB366, introduced by Omaha Sen. Tanya Cook, provides eligible institutions an assistance payment of \$310 for:



Sen. Tanya Cook

- each participant who enrolls in its high school equivalency program;
- each enrolled participant who takes an initial examination for a diploma of high school equivalency; and
- each participant not enrolled in the high school equivalency program who takes the examination for a diploma or high school equivalency.

An institution will not receive assistance for any participant who fails the examination for a diploma or high school equivalency. Each institution receiving funds under the program will be required to report annually to the department.

The bill also authorizes a one-time allocation of \$85,550 from the Education Innovation Fund to the department for fiscal year 2013-14. The money will be given to each eligible institution for the acquisition and upgrade of equipment and software necessary to administer GED examinations.

The bill passed on a 42-0 vote.

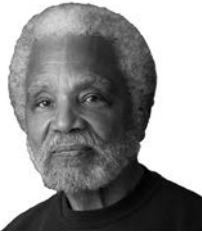
## Executive Board

### Tax modernization committee plan approved

Senators passed a resolution May 30 that establishes the Tax Modernization Committee to review and recommend updates to Nebraska’s tax code.

Under LR155, introduced by

Omaha Sen. Ernie Chambers, the committee will continually review and recommend updates to Nebraska's tax code. Chambers said the committee's focus will be on gathering information.



Sen. Ernie Chambers

"[The committee] is not starting with the notion that the ultimate outcome will be a recommendation to slash the tax system," he said. "The committee will not be creating a framework or structure. They will be producing a report and if the conclusion is that the process or system must be change, the report would tell the Legislature what needs to be done."

The committee is directed to consider fairness, competitiveness, simplicity and compliance, stability, adequacy and complementary tax systems as it evaluates Nebraska's current tax code.

The committee comprises the speaker of the Legislature and members of the appropriations, health and human services, revenue and planning committees.

Ex officio members include the Legislature's fiscal analyst, tax experts from the University of Nebraska and the tax commissioner and property tax administrator from the state Department of Revenue.

Lincoln Sen. Bill Avery supported the resolution, saying it provides a unique opportunity.

"We need to make sure we're taxing the things that need to be taxed and doing it consistently," he said. "I have no doubt we will benefit significantly from this study."

The committee will provide a preliminary report to the Legislature and the governor by Dec. 15 and a final report is due by Nov. 15, 2014.

The committee will continue to meet at least once annually to review and evaluate the tax code.

Senators approved the resolution on a 40-0 vote.

## General Affairs

### Six new state patrol positions approved

Senators passed a bill May 29 that creates six new State Patrol positions to improve enforcement of liquor laws.

LB579, introduced by Wilber Sen. Russ Karpisek, makes several State Patrol investigators available to spend the majority of their time on liquor law enforcement.



Sen. Russ Karpisek

Under the bill, six officers will spend a majority of their time in administration and enforcement of the Nebraska Liquor Control Act. The reassignment of officers will be offset by the addition of six new full-time officers.

The bill passed on a 42-1 vote.

## Government, Military & Veterans Affairs

### State contract transparency approved

Lawmakers gave final approval May 29 to a bill intended to increase transparency in the expenditure of state funds.

LB429, introduced by Bellevue Sen. Sue Crawford, requires the state to provide access to contract information via the Internet.

The bill requires that the state treasurer's website include a link to the state Department of Administrative Services website, beginning July 1, 2014, which will contain a searchable database of all active contracts that are the basis for an expenditure of state funds.

All agencies and departments of the state will be required to provide DAS an electronic copy of contracts that are active on or after Jan. 1, 2014.

Exempted from the bill are references to all subcontracts and contracts entered into by the following agencies as letters of agreement for services to a specifically named individual:

- the state Department of Health and Human Services;
- the University of Nebraska or any state college; and
- the state Department of Veterans' Affairs.

Also exempt are contracts entered into by the state Energy Office to provide financing from the Dollar and Energy Saving Loan program and for employment contracts with any agency, board, commission or department of the state.

Agencies will be allowed to redact certain information, such as:

- a social security number;
- federal identification number;
- protected public health information;
- information that may be withheld under public records law; or
- any information that is confidential under state or federal law.

The bill passed on a 43-0 vote.



Sen. Sue Crawford

## Health & Human Services

### Changes to intermediate care facility reimbursement funds approved

Senators gave final approval May 29 to a bill intended to improve utilization of a reimbursement fund for intermediate care facilities for individuals with developmental disabilities, known as ICF/MR.

LB23, introduced by Kearney Sen. Galen Hadley, changes allocation of the state's ICF/MR Reimbursement Protection Fund.



Sen. Galen Hadley

The bill requires the state Department of Health and Human Services (DHHS), beginning July 1, 2014, to use the ICF/MR Reimbursement Protection Fund – including the matching federal participation funds – to enhance rates paid under Medicaid to ICF/MR and for annual contributions to community-based programs for persons with developmental disabilities.

Beginning July 1, 2014, the bill allows for the tax to end if federal participation funds become unavailable or if money in the ICF/MR Reimbursement Protection Fund is appropriated, transferred or otherwise expended for any use other than permitted by law.

LB23 requires, beginning in fiscal year 2014-15, that funds be remitted from the ICF/MR Reimbursement Protection Fund as follows:

- the first \$55,000 for administration of the fund;
- the amount needed to reimburse the cost of the tax to ICF/MR;

- \$312,000 for community-based services for persons with developmental disabilities;
- \$1 million to the state's General Fund; and
- the remaining proceeds of the tax amount available in the fund to enhance rates in non-state-operated ICF/MR by increasing the annual inflation factor to the extent allowed by such proceeds and any funds appropriated by the Legislature.

DHHS is required to provide an annual report to the Legislature regarding the amounts collected from each tax and the amount of each disbursement from the fund.

The bill also incorporates LB343, originally introduced by Lincoln Sen. Colby Coash, which replaces the term “mental retardation” in state law with the term “intellectual disability.”



Sen. Colby Coash

The bill passed 46-0.

### Foster care transition provided

Certain state wards who have aged out of the foster care system may continue to receive services until age 21 under a bill passed May 29.

LB216, introduced by Lincoln Sen. Amanda McGill, allows eligible youth to enter into a voluntary foster care agreement with the state Department of Health and Human Services (DHHS) for extended services, including:



Sen. Amanda McGill

- Medicaid;
- postsecondary education assistance;
- continued foster care maintenance

- payments;
- placement in a foster home, institution or independent living; and
- continued case management to help access additional supports.

Eligibility is limited to former state wards ages 19 to 21 and excludes those who entered the foster care system through the Office of Juvenile Services. Youth in foster care will receive information about the program at age 16.

To qualify for the program, an applicant will need to be:

- employed for at least 80 hours per month;
- enrolled in an institution that provides postsecondary or vocational education;
- completing a secondary education or a program leading to an equivalent credential;
- participating in a program or activity designed to promote or remove barriers to employment; or
- incapable of doing any of the above activities due to a medical condition.

Implementation of the program will not begin until the DHHS state plan amendment receives federal approval. If the federal government denies the state plan amendment, the bill requires DHHS to implement a \$2 million, state-only version of the program as a pilot project.

The bill also creates the Young Adult Voluntary Services and Support Advisory Committee. The Nebraska Children's Commission will provide appointment to and oversight of the advisory committee.

LB216 passed 44-2 and takes effect immediately.

### Newborn heart disease screening approved

Senators voted May 29 to adopt the



Nebraska Critical Congenital Heart Disease Screening Act.

Under LB225, introduced by Papi- lion Sen. Jim Smith, all newborns in Nebraska will be required to undergo screening for critical congenital heart disease (CCHD) in accordance with standards adopted by the state Department of Health and Human Services (DHHS).



Sen. Jim Smith

The bill requires birthing facilities to develop and implement policies for newborn CCHD screening. For planned deliveries outside of a birthing facility, the prenatal care provider will inform the parent of the screening requirement and the parent will be responsible for having the screening performed.

For other deliveries outside of a birthing facility – if the newborn is not admitted to a birthing facility – the person registering the birth will be responsible for having the screening performed.

The bill also requires DHHS to apply for federal funds for the program. LB225 passed on a 47-0 vote.

**Child welfare oversight changes passed**

A bill seeking changes to oversight of the state’s child welfare system passed May 29.

LB269, introduced by Lincoln Sen. Kathy Campbell, adds a tribal representative to the Nebraska Children’s Commission and adds the Inspector General for Nebraska Child Welfare as an ex officio member.



Sen. Kathy Campbell

Additional changes to the commis- sion include:

- moving the commission to the Foster Care Review Office;
- hiring a child welfare policy researcher to support the com- mission’s work; and
- adding the director of the Foster Care Review Office as voting member of the commission.

LB269 requires determination regarding eligibility for Medicaid coverage for state wards. The bill also requires the state Department of Health and Human Services to:

- apply for federal reimburse- ment of costs associated with the Nebraska Juvenile Service Delivery Project;
- establish new foster home li- censing requirements to expand the use of child-specific, relative and kinship placements;
- secure evidence of financial stability from entities that sub- contract with the department to provide child welfare services; and
- develop a policy for reimburse- ment of all allowable foster care maintenance costs under Title IV-E.

The bill passed 48-0 and takes ef- fect immediately.

**Automated pharmacies for long-term care facilities passed**

Senators gave final approval May 29 to a bill that allows automated pharmacies to operate in long-term care facilities.

Under LB326, introduced by Omaha Sen. Sara Howard, a Nebras- ka-licensed phar- macist can install and operate phar-



Sen. Sara Howard

macies in long-term care facilities. The pharmacist in charge of the automated pharmacy is required to develop and implement policies for security, ac- countability and drug and medical order verification to ensure compli- ance with the Uniform Controlled Substances Act and must also be in compliance with the drug storage and five-year record-keeping requirement of the Pharmacy Practice Act.

The bill requires that each phar- macy be registered annually and allows pharmacists to supervise a pharmacist technician operating the automated pharmacy by way of a real-time audito- ry and video communication system.

Additionally, the bill clarifies that the management of a long-term care facility where an automated medica- tion system is located cannot require a resident of the facility to obtain medication through the automated medication system or restrict or impair the resident’s ability to obtain medi- cations from the pharmacy of his or her choice unless otherwise allowed by state or federal law or regulation.

The bill passed on a 46-0 vote.

**Subsidized employment pilot program approved**

Lawmakers passed a bill May 29 that creates a subsidized employment pilot program in Nebraska.

LB368, intro- duced by Omaha Sen. Sue Crawford, is intended to provide oppor- tunities for em- ployers and par- ticipants in the Aid to Dependent Children (ADC) program, known at the federal level as Temporary Aid to Needy Families (TANF).



Sen. Sue Crawford

The bill creates a wage subsidy pilot

program for low-income, TANF recipients using existing “rainy day” TANF funds. A nonprofit organization will administer the pilot program, which will become operative July 1, 2014, and expire on July 1, 2018. A final report on the program will be submitted to the Legislature.

The nonprofit organization will establish an application process for employers that will include a process for initial client assessment, job development, job placement and employment retention services and strategies for placement.

Additionally, the nonprofit organization will:

- recruit participants and employers;
- determine participant eligibility;
- assist with employer and employee match;
- ensure the pilot program operates in both rural and urban areas; and
- gather data and performance measures.

No more than 10 percent of the \$1 million appropriated to carry out the program may be used for administrative costs, which do not include the cost of service delivery.

Participating employees will receive a prevailing wage for 40 hours per week, not to exceed six months. The subsidies will be 100 percent in the first two months, 75 percent in month three, 50 percent in months four and five and 25 percent in month six.

LB368 passed on a 34-7 vote.

**Child care subsidy quality assurance program approved**

Lawmakers gave final approval May 29 to a bill aimed at creating a comprehensive system for assessing and promoting quality care among

the state’s publicly subsidized child care providers.

LB507, introduced by Lincoln Sen. Kathy Campbell, adopts the Step Up to Quality Act, which will put in a place a quality rating and improvement system (QRIS) for child care providers.



Sen. Kathy Campbell

The system will develop quality ratings based on a five-tiered system and assign ratings to applicable programs. The QRIS will be available to all child care providers and early childhood education programs in the state, but will be required for programs that receive significant public funds.

Mandatory participation will be phased in over a three-year period. Beginning July 1, 2014, programs that received over \$500,000 in child care subsidy assistance in fiscal year 2011-12 will become subject to the QRIS and programs that received over \$250,000 in that fiscal year will join starting July 1, 2015.

Beginning July 1, 2016, programs that received over \$250,000 in subsidies in the previous fiscal year will become participants.

The state departments of education and health and human services will be required to develop, implement and provide oversight to the QRIS and will make program ratings public beginning in 2017. The QRIS will include incentives for participating programs to improve their quality of care based on measurable outcomes.

Child care facilities subject to the bill’s provisions must achieve a rating of step three or higher in order to be eligible for a higher reimbursement rate. Facilities that have regained licensure following a revocation will be eligible to participate in the rating system.

The bill also includes provisions originally introduced by Lincoln Sen. Danielle Conrad as LB625, which will expand eligibility for the state’s subsidized child care program.

Currently, eligibility is capped at 120 percent of the federal poverty level (FPL). LB507 increases the rate to 125 percent of FPL in FY 2013-14 and 130 percent of FPL in FY2014-15 and thereafter.

The bill passed 42-1 and takes effect immediately.

**Foster care reimbursement increased**

Senators gave final approval May 29 to a bill intended to overhaul Nebraska’s foster care reimbursement rate system.

LB530, introduced by Fullerton Sen. Annette Dubas, requires the state Department of Health and Human Services (DHHS) to



Sen. Annette Dubas

implement by July 1, 2014, the following reimbursement rates:

- \$20 per day for children younger than five;
- \$23 per day for ages six to 11; and
- \$25 per day for ages 12 to 18.

DHHS also is required to develop a pilot project by July 1, 2013, to implement standardized level of care assessment tools recommended by a temporary committee.

The department will review the pilot program and provide two preliminary reports to the Nebraska Children’s Commission and a final report to the commission and the Legislature’s Health and Human Services Committee by Feb. 1, 2014.

The bill also reauthorizes the Foster

Care Reimbursement Committee, which will make recommendations to DHHS regarding:

- the statewide foster care reimbursement rate structure;
- adoption assistance payments; and
- the statewide standardized level of care assessment.

The committee will re-evaluate the foster care payment system every four years.

LB530 passed 44-0 and takes effect immediately.

### Children's behavioral health bill approved

Senators gave final approval May 29 to a bill intended to expand the use of telehealth services to address children's behavioral health needs in Nebraska.

LB556, introduced by Lincoln Sen. Amanda McGill, requires the state Department of Health and Human Services to develop rules and regulations for utilizing telehealth services for children's behavioral health.



Sen. Amanda McGill

The bill establishes a pilot program for telehealth behavioral services that will include three clinics, with at least one urban and one rural clinic. Parents of children in pediatric practices within the pilot clinics will be offered routine mental and behavioral health screenings for their child during regular physical exams or at the request of a parent.

Children identified through screening as being at risk may be referred for further evaluation and treatment, and faculty and staff of several programs at the University of Nebraska Medical Center will be available via telehealth to the primary care practice. Intervention

would be in coordination with the state's regional behavioral health authorities.

The bill requires an appropriately trained staff member or employee to be available in person to a child receiving telehealth services in case of an emergency situation. The requirement may be waived by a parent.

Data from the pilot programs will be collected and evaluated by the Munroe-Meyer Institute and the pilot program will terminate after two years.

Senators approved the bill on a 42-0 vote.

### Health care system evaluation approved

Lawmakers adopted a resolution May 30 that will create a partnership to examine how best to control costs and improve quality in Nebraska's health care system.

LR22, introduced by Lincoln Sen. Kathy Campbell, designates the Health and Human Services Committee, in cooperation with the Banking, Commerce and Insurance Committee, to bring together policymakers and stakeholders at all levels to work toward the following goals:

- providing a comprehensive review of Nebraska's health care delivery, cost and coverage demands;
- engaging partners in dialogue, roundtable discussions and public policy discourse;
- developing a framework for health care system transformation to meet public health, workforce, delivery and budgetary responsibilities; and
- developing cooperative strategies and initiatives for the design, implementation and accountability of services to improve care, quality and value while advancing the overall health of Nebraskans.

The Health and Human Services Committee may conduct public hearings and, in conjunction with the Banking, Commerce and Insurance Committee, undertake communication, outreach and educational activities. A joint hearing will be held prior to Nov. 1, to brief the committees on information obtained by the partnership.

Campbell said passage of federal health care reform has provided the state an opportunity to discuss what Nebraska's health care priorities should be and how to achieve them.

"Our intent is to try and bring together people from across the state of Nebraska and ask what should we do," she said.

Grand Island Sen. Mike Gloor, chairperson of the Banking, Commerce and Insurance Committee, spoke in favor of the resolution. He said 25 percent of Nebraska's budget is spent on issues related to health care and the percentage is growing. As a result, he said, the state needs to be more aggressive about long-term planning and public health.

"The state used to lead the dialogue and the discourse on this," Gloor said.

A Health and Human Services Committee amendment, adopted 41-0, removed references to funding for the committee's activities from Affordable Care Act grants and specified that funding instead will be from existing appropriations in the Health Care Cash Fund.

The resolution was adopted 41-0.

## Judiciary

### New controlled substances passed

Senators passed a bill May 29 that adds substances and compounds to the Schedule I controlled substances list.

In order to be classified as a Schedule I drug under federal law, a drug or substance must have a high potential for abuse, lack an accepted safe use under medical supervision and have no currently accepted medical treatment use in the United States. No prescriptions may be written for Schedule I controlled substances and they are subject to production quotas by the federal Drug Enforcement Administration (DEA).

LB298, introduced by Omaha Sen. Beau McCoy, makes adamantoylindoles, tetramethylcyclopropanoylindoles, adamantylindole carboxamides, phenethylamine, tryptamine and their compounds Schedule I controlled substances.

The bill passed with an emergency clause on a 44-2 vote.

### Incarcerated parent pilot program passed

Senators approved a bill May 29 that funds a pilot program for the state Department of Correctional Services to improve parenting skills of incarcerated parents.

LB483, introduced by Lincoln Sen. Kate Bolz, appropriates \$250,000 from the Correctional Industries Revolving Fund to the department to implement a two-year pilot program that provides incarcerated parents of children up to five years old evidence-based parent education, early literacy, relationship skills development and re-entry planning prior to their release.

The bill also allows the department



Sen. Beau McCoy

to award competitive bid contracts to operate the pilot program and requires them to gather program participation and recidivism data.

The bill passed on a 41-1 vote.

### Juvenile service project passed

Senators passed a bill May 29 that expands the Nebraska Juvenile Service Delivery Project statewide through a three-step process beginning July 1, 2013.

Under LB561, introduced by Omaha Sen. Brad Ashford, the Office of Probation Administration will take over the community supervision, juvenile parole and evaluation duties currently held by the Office of Juvenile Services.

The bill also will require the state Department of Health and Human Services to develop a model alternative response to reports of child abuse or neglect under the Child Protection Act. Alternative response is a practice that handles low-risk child welfare cases by empowering families to build on their strengths, rather than criminally investigating them or placing them on the Child Abuse and Neglect Register.

Under the bill, the model must include costs, eligibility, procedures and assessment protocols necessary for the implementation of alternative response. The department is required to provide the model in a report to the Nebraska Children's Commission by Nov. 1 and the commission is required to electronically submit the report to the Legislature by Dec. 15.

The bill was passed with an emergency clause on a 44-1 vote.



Sen. Brad Ashford

## Natural Resources

### Water task force created

Lawmakers passed a bill May 29 that creates a task force concerning the long-term sustainability of state water resources.

LB517, introduced by Holdrege Sen. Tom Carlson, creates a task force to work on the state's water issues.

The Water Funding Task force will comprise the Nebraska Natural Resources Commission, the director of Natural Resources, the chairperson of the Natural Resources Committee and 10 additional members to be appointed by the governor.

The bill allocates \$1 million for research, data collection and production of a final report, which the task force will submit to the Legislature by December 31. The report will identify water resources programs, projects and activities in need of funding to meet the long-term statewide goals of water sustainability, efficiency and productivity including:

- research, data and modeling needed to assist the state in meeting its water management goals;
- rehabilitation or restoration of existing and new water supply infrastructure;
- conjunctive management, storage and integrated management of ground and surface water; and
- compliance with interstate compacts or agreements.

The bill passed on a 45-0 vote.

### Plan to contain future wildfires adopted

Senators passed a bill May 29 that



Sen. Tom Carlson

establishes new procedures for fighting and preventing wildfires.

LB634, introduced by Hyannis Sen. Al Davis, directs the Nebraska Forest Service to:



Sen. Al Davis

- contract with private aviation companies to place two single engine air tankers at airports near Chadron and Valentine during fire season;
- thin forests to reduce fuel loads, substantially reducing risk to residents, communities and emergency personnel;
- provide expanded training programs for volunteer firefighters, private landowners and communities in order to increase fire suppression effectiveness and safety;
- develop a Nebraska-based Type 3 incident management team that would serve as a comprehensive resource to augment and help manage large wildfire operations;
- expand the federal excess property programs managed by the Nebraska Forest Service to provide volunteer fire districts with fire suppression equipment; and
- rehabilitate forest lands that have been destroyed by wildfires.

The Nebraska Emergency Management Agency will be responsible for carrying out the bill's provisions.

The bill passed on a 45-0 vote.

## Retirement

### Changes to judges' retirement contributions adopted

Lawmakers passed a bill May 29 that extends an increase in Nebraska judges' retirement contribution rates.

LB306, introduced by Omaha Sen. Jeremy Nordquist, removes the pending July 1, 2014, sunset on a 1 percent employee



Sen. Jeremy Nordquist

contribution rate increase that was established in 2009.

The bill incorporates provisions of LB229, a bill Nordquist also introduced, removing a scheduled July 1, 2014 sunset of an additional \$1 fee on various court filings that was added in 2009. The fee increase is directed to the Judges Retirement Plan and will help offset any unfunded liabilities.

The bill passed on a 41-6 vote.

## Revenue

### Changes to Nebraska Advantage Act adopted

Lawmakers passed a bill May 30 that revises current definitions under the Nebraska Advantage Act.

Currently, the definition of taxpayer under the act includes any person who is subject to sales and use taxes and withholding. It also includes specific entities, including corporations and partnerships, that are subject to the same taxes. LB34, introduced by Kearney Sen. Galen Hadley, eliminates the specific references and substitute the word entity in its place.



Sen. Galen Hadley

The bill also allows flow-through entities and cooperatives to qualify as taxpayers even though all or some portion of the partners or members are political subdivisions or exempt entities.

LB34 makes several other changes, some of which include:

- changing calendar year to year for purposes of calculating the county and Nebraska average weekly wage;
- amending the definition of equivalent employees to clarify that salaried employees are deemed to have worked 40 hours per week for purposes of calculating the number of equivalent employees;
- creating the definition of political subdivision for purposes of the act and including in the definition a group of political subdivisions that form a joint public agency or are organized through an interlocal agreement or other method of joint action;
- changing the definition of year from taxable year of the taxpayer to calendar year;
- creating a presumption of interdependency when the taxpayer's application or plan includes every location in the state that is involved in a qualified business activity; and
- changing the provisions for establishing and using credits.

The bill also creates a new provision directing the state tax commissioner to disclose information to an acquiring taxpayer about the project they are purchasing in order to determine future benefits and liabilities.

LB34 requires the tax commissioner to act within 180 days of application. It also clarifies the method by which the timeline will be determined to have started and allows the tax commissioner and taxpayer to agree on the extension of the timeline.

The bill passed on a 46-0 vote.

### Municipal land banks passed

Senators passed a bill May 29 that allows the establishment of land banks

in metropolitan class cities or counties that have at least three first class cities—currently only Douglas and Sarpy. Land banks are tax-exempt political subdivisions that acquire, manage and develop vacant and tax-delinquent properties.

Under LB97, introduced by Omaha Sen. Heath Mello, the land banks can be created by passing a city ordinance or by way of interlocal agreements. Each land bank is required to have a seven-member board of directors appointed by the mayor and confirmed by a two-thirds vote of the governing body.



Sen. Heath Mello

The bill also allows land banks to borrow money, issue bonds, procure insurance, enter into both private and public contracts, have priority over other bidders in tax foreclosure proceedings and sell property to private entities in which they will receive 50 percent of the collected property tax amount for five years after the sale.

Additionally, the bill caps a land bank's legal title holdings at 7 percent of the total number of parcels of real property located in the municipality. Land banks are prohibited from exercising eminent domain rights to acquire private property and from collecting property taxes on a property that has been redeveloped under the Community Development Law, unless the authority enters into an agreement for the remittance of such funds to the land bank.

The bill passed on a 47-0 vote.

**Wind energy incentive, sales tax limitation passed**

Senators passed a bill May 29 to incentivize companies that create

sources of renewable energy to locate in Nebraska.

LB104, introduced by Omaha Sen. Steve Lathrop, expands the definition of qualified business to include renewable energy producers in the existing incentive tiers. It defines sources of renewable energy to include wind, solar, geothermal, hydroelectric, biomass and transmutation of elements.



Sen. Steve Lathrop

Prospective wind energy developers will be required to invest a minimum of \$20 million in qualified property.

The bill also incorporates provisions related to LB266, introduced by Omaha Sen. Ernie Chambers, which reduce from 2 percent to 1.5 percent the maximum local option sales tax a city of the metropolitan class may levy. Any revenue resulting from an increase in a metropolitan class city can be used only for public purposes.



Sen. Ernie Chambers

Currently, Omaha is the only metropolitan class city in the state.

The bill passed on a 38-2 vote.

**Tax exemptions increase for college savings plans**

Lawmakers passed a bill May 29 that provides higher tax deductions to persons making contributions to a Nebraska College Savings Program (NCSP) account.

Currently, contributions to a NCSP account are exempt from state income tax up to \$2,500 for a married person filing separately and \$5,000 for a married couple filing jointly.

Under LB296, introduced by Ke-

arney Sen. Galen Hadley, the amount of contributions exempt from income taxes will increase to \$5,000 for a married person filing separately and \$10,000 for a married couple filing jointly.



Sen. Galen Hadley

An adult making contributions to an account established under either the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act — as well as rollover contributions from another state's savings program — will be exempt under the bill.

The bill also establishes transfer of ownership procedures. In the case of the account owner's death and there is no successor named, ownership of the account will transfer to the beneficiary.

The bill passed on a 48-0 vote.

**Alternative minimum tax repealed**

Senators passed a bill May 29 that makes changes to the computation of income taxes.

LB308, introduced by Columbus Sen. Paul Schumacher, eliminates the federal alternative minimum tax (AMT) calculation for individual state income tax purposes for taxable years beginning Jan. 1, 2014.



Sen. Paul Schumacher

The proposed changes apply to estates and trusts required to pay state income taxes. The federal credit for prior year AMT for taxable years beginning in 2014 also is eliminated.

The bill passed on a 48-0 vote.

## Changes to employee stock ownership plans adopted

Senators passed a bill May 29 that creates a state definition of shareholder for purposes of employee stock ownership plans (ESOP).

Currently, individual stockholders in a qualified corporation can exclude from taxable income all extraordinary dividends paid on and the capital gain from the sale or exchange of capital stock of a corporation acquired through employment.

LB573, introduced by Omaha Sen. Burke Harr, designates an ESOP as a qualified corporation, allowing its individual shareholders to exclude dividends and capital gains from their taxable incomes.



Sen. Burke Harr

The bill also clarifies that an ESOP should not be treated as a single shareholder, but that each participant in an ESOP constitutes a separate shareholder.

Senators passed LB573 on a 46-0 vote.

## Legislative power to subpoena advanced

Senators amended and advanced a bill from select file May 30 that would codify the state's ability to issue subpoenas.

LB613, introduced by Columbus Sen. Paul Schumacher, originally would have established the Tax Modernization Commission to review and recommend updates to Nebraska's tax code. The bill's original language was incorporated into LR155.

A Schumacher amendment, adopted 38-1, removed the language that would have created the Tax Moderniza-

tion Commission from the bill, leaving language authorizing the Legislature's investigatory powers. Schumacher said the power to issue subpoenas already exists in legislative rules.

"Currently, the authority is not clearly spelled out [in statute,]" he said. "This would codify the authority for all committees — special and standing — so that they could make the decisions they need to make."

A committee would have to receive approval by a majority vote of the Executive Board to issue a subpoena with regard to a specific inquiry or investigation. The committee could require any state agency, political subdivision or individual to provide information relevant to the investigation within 30 days of the initial request.

York Sen. Greg Adams supported the amendment, saying the authority to subpoena should be used with discretion.

"It's important for the Legislature to be able to gather information, but the power of the subpoena, rarely ever used, is to the extreme," he said. "I don't want it abused by this body, by any standing or special committee. Hopefully we'll never have to use it."

Following the adoption of a technical amendment, senators advanced the bill to final reading on a 37-0 vote.

## Transportation & Telecommunications

### Veteran notation on driver's licenses passed

Senators passed a bill May 29 that amends the Motor Vehicle Operator's License Act.

LB93, introduced by Fullerton Sen. Annette Dubas, allows eligible veterans to request that their veteran status be indicated on their driver's licenses

or state ID cards.

The bill also requires the state Department of Veterans Affairs to create and maintain a registry that includes veterans' active duty records, status, discharge and retirement information. Those who submit fraudulent applications will have their driver's licenses or state IDs revoked until their eligibility is verified with the department.

The bill passed on a 47-0 vote.



Sen. Annette Dubas

### Changes to PSC appeals process approved

Lawmakers passed a bill May 30 that changes appeal procedures for the Public Service Commission (PSC).

Under LB545, introduced by Fullerton Sen. Annette Dubas, PSC appeals will go directly to the court of appeals instead of the district court as currently required under the Administrative Procedures Act. The appellate court will conduct a review of a PSC order de novo on the record.

Among other provisions, the bill also will:

- require that commission orders, except natural gas rate orders, may be reconsidered within 10 business days after the effective date of the order;
- suspend the time for filing a notice of intention to appeal pending resolution of a motion to reconsider; and
- allow parties to natural gas rate orders to file a motion for reconsideration within 30 days.

LB545 passed on a 43-2 vote. ■

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Nebraska Legislature  
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Clerk of the Legislature: Patrick J. O'Donnell

Editor: Heidi Uhing

Contributors: Nicole Behmer, Bess Ghormley,  
Kate Heltzel and Ami Johnson

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