TRI-COUNTY MEETING AGENDA
DOUGLAS, SARPY & LANCASTER COUNTY BOARDS
THURSDAY, NOVEMBER 10, 2005 - 9:00 A.M.
JAMES ARTHUR VINEYARDS
2001 W. RAYMOND ROAD - RAYMOND, NE

1. 9:00 AM **WELCOMING RECEPTION & BREAKFAST**

2. 9:30 AM
   A. REVIEW OF LEGISLATIVE AGENDAS
   1. Lancaster County - Kerry Eagan
   2. Douglas County - Kathy Kelly
   3. Sarpy County - Fred Uhe
   4. NACO - Larry Dix, NACO Executive Director

   B. SPECIFIC LEGISLATIVE TOPICS
   1. Road Funding
   2. Medicaid Reform & General Assistance
   3. Reimbursement for State Prisoners
   4. Guardians at litem Committee Recommendations
   5. Behavioral Health Reform
   6. Road Tax Levy
   7. Other

   C. PROPOSED MEETING WITH STATE SENATORS

3. 11:00 AM **BREAK**

4. 11:15 AM **I-80 INNOVATION ZONE** - Stu Miller, Deputy Director, Nebraska Department of Economic Development

5. NOON **LUNCH**

6. 1:00 PM **GASB 45** - Steve Walker, Douglas County Fiscal Administrator; Dave Kroeker, Lancaster County Budget & Fiscal Officer; Brian Hansen, Sarpy County Fiscal Administrator

7. 1:30 PM **ELECTED OFFICIAL SALARIES** - Kerry Eagan

8. 2:00 PM **AUTOPSY/CORONER SERVICES** - Gary Lacey, Lancaster County Attorney

9. 2:30 PM **EMERGENCY PROTECTIVE CUSTODY HOSPITAL COSTS**

10. 3:00 PM **REGIONAL JAIL**

11. 3:30 PM **GENERAL DISCUSSION**

Minutes
Tri-County Retreat
James Arthur Vineyards, Raymond, NE
Thursday, November 10, 2005
9:00 A.M.

Lancaster County

Larry Hudkins, Commissioner
Deb Schorr, Commissioner
Bernie Heier, Commissioner
Ray Stevens, Commissioner
Bob Workman, Commissioner
Kerry Eagan, Chief Administrative Officer
Gwen Thorpe, Deputy Chief Administrative Officer
Dave Kroeker, Budget & Fiscal Director
Patricia Owen, Chief Deputy County Clerk
Gary Lacey, County Attorney
Amy Prenda, Lancaster County Lobbyist
Gordon Kissel, Lancaster County Lobbyist

Douglas County

Mike Boyle, Commissioner
Mary Ann Borgeson, Commissioner
Clare Duda, Commissioner
Kathleen Kelly, Chief Administrative Officer
Patrick Bloomingdale, Assistant Administrator
Kristin Lynch, Administrative Specialist
Steve Walker, Fiscal Administrator
Gage Lobb, Douglas County Clerk's Office
Stu Dornan, County Attorney
Mike Kelley, Douglas County Lobbyist
Joe Kohout, Douglas County Lobbyist

Sarpy County

Paul Cook, Commissioner
Tim Schram, Commissioner
Inez Boyd, Commissioner
Aldona Doyle, Commissioner
Mark Wayne, Chief Administrative Officer
Brian Hansen, Fiscal Administrator
Deb Houghtaling, County Clerk
Fred Uhe, Deputy County Clerk/Lobbyist
Kenneth Polikov, County Attorney
Brett Charles, Deputy County Attorney

The Lancaster County Board met with representatives of Sarpy and Douglas Counties on November 10th, 2005 at the James Arthur Vineyards, Raymond, Nebraska at 9:00 a.m. Also in attendance were Larry Dix, Executive Director of the Nebraska Association of County Officials, Mark Bowen, Chief of Staff for Mayor Colleen Seng, and Matt Olberding of the Lincoln Journal Star. The following agenda items were discussed during the retreat:

1. Legislative Agendas for Lancaster, Sarpy and Douglas Counties:

Lancaster- Kerry Eagan distributed copies of the Lancaster County 2006 Session Legislative Proposals, (Exhibit A), discussing funding priorities, 2005 Session legislation as well as 2006 new proposals and status updates on existing legislative proposals. Egan indicated that Lancaster County will be pursuing legislation on road funding as it's most critical issue.

Sarpy- Fred Uhe distributed copies of the Sarpy County Legislative Outline,(Exhibit B), discussing Sarpy's carryover legislation, economic development legislation and on-going issues such as an E911 wireless surcharge, county ordinance authority, jail reimbursement and storm water mandates.

Douglas- Kathy Kelley and Kristin Lynch discussed Douglas County's four major legislative priorities including the elimination of the minority veto, county surplus revenue, formula for state road funding allocations and allowing the district court bench to appoint the district court clerk's position.

NACO- Larry Dix distributed the 2006 NACO Legislation summary sheet (Exhibit C) and briefly discussed NACO's potential legislation and priorities.

City of Lincoln- Mark Bowen discussed the City of Lincoln's legislative priorities including a gas tax, storm water utility issues and the Community Health Endowment Fund.

2. Specific Legislative Topics:

Discussion was held regarding road funding, medicaid reform (Exhibit D), reimbursement for state prisoners, guardians ad litem committee recommendations; behavioral health reform, and road tax levies. General consensus among the group was that the jail reimbursement issue must be seen as a statewide issue, and not just a tri-county issue.

3. I-80 Innovation Zone:

Stu Miller, Deputy Director for the Nebraska Department of Economic Development distributed the document titled, Nebraska Innovation Zone Commission, Information for November 4, 2005 Meeting, (Exibit E) to the group. Miller discussed the creation of the Commission and reviewed the information within the packet. Miller indicated they are in the process of reviewing applications for the position of Coordinator for the Commission.

4. **GASB 45:**

Steve Walker, Dave Kroeker and Brian Hansen briefly discussed the new GASB rules for accrual accounting standards for retiree welfare benefits. The document, New GASB Rules for OPEB (Other Postemployment Benefits) Finalized, (Exhibit F) was included in the attendees packet.

5. **Elected Officials Salaries:**

Kerry Eagan discussed the process within Lancaster County for making recommendations for the setting of elected officials salaries every four years. The Lancaster County Elected Officials Salary Committee having been formed in 1998. Eagan indicated that these salaries must be set by January 15th in the year of a general election.

6. **Autopsy/Coroner Services:**

Gary Lacey, Kenneth Polikov and Stu Dornan discussed the process in each county for conducting and contracting for autopsy and coroner services. Douglas County indicated they performed approximately 600 a year, Lancaster handling approximately 200 a year. Sarpy indicated they handled less than 100 a year. Douglas County stated that their cost per autopsy is $600 to $800, Sarpy also stated their costs were $600 to $800, both indicating that this was only for the actual autopsy, without labs. Lancaster County's costs are approximately $2500 including lab work. Brief discussion was held on the concept of a regional cororner.

7. **Emergency Protective Hospital Costs:**

Due to pending litigation, this item was discussed very briefly.

8. **Regional Jail**

Discussion by the group was held on the status of jail capacity in each county. Sarpy County indicated that they have completed a pre-architectural study. Douglas County indicated that with the construction of their new jail they are in good shape for now, with some spare capacity. Lancaster County discussed its progress toward studying a new jail. Use of technology for arraignments was also touched upon.

9. **General Discussion**

General discussion was held on MAPA, the Metropolitan Area Planning Agency. This is a county funded regional planning agency first formed in 1964, consisting of five counties: Pottawattamie and Mills in Iowa and Washington, Sarpy and Douglas in Nebraska. General discussion was also held on the premium costs for health insurance for each county, potential drug testing programs for General Assistance applicants, cost increases for general assistance programs and the Douglas County Board of Equalization task force. The retreat was adjourned at 3:30 p.m.

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Patricia Owen, Chief Deputy County Clerk

EXHIBIT

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LANCASTER COUNTY LEGISLATIVE PROPOSALS
2006 SESSION

INTRODUCTION

The 2005 legislative session produced mixed results for Lancaster County. On the positive side, several bills of importance to the County were passed:

- LB 9, administrative approval of final plats
- LB 557, permit lodging tax revenue to be used for construction of new facilities and to pay off bonds
- LB 283, extend board of equalization action deadline to September 10th
- LB 639, beltway corridor protection authority for local government

In addition, LB 671 advanced out of committee with strong support from all state and local stakeholders. This Bill provides job and benefit protection for employees when government agencies or functions are transferred from one governmental entity to another. LB 671 was on general file when the session ended.

On the downside, the County suffered a number of setbacks. LB 56 (ordinance power for counties) was killed in committee. LB 204 (medicaid rate for inmate and emergency protective custody medical expenses) also failed to advance out of committee. Efforts to augment road funding by increasing the motor fuel tax and /or changing the distribution formula were unsuccessful. Although the Legislature did reinstate $800,000 to the State prisoner reimbursement program, there were insufficient votes to override Governor Heineman's veto.

The County faces a number of challenges as it sets its legislative priorities for 2006. Given the short session, organizing a sound legislative strategy will be even more important.

FUNDING PRIORITIES

State revenues have rebounded but the prospects for replacing State funding lost to budget cuts or procuring new funding from the Legislature are uncertain. At the same time, the County's cost of providing mandated services is increasing faster than the ability to raise funds from the property tax. On top of this our citizens demand relief from high property taxes.

Against this background, it is increasingly difficult for the County to continue performing non-mandated functions for which adequate funding is not available, especially with regard to services and functions the State is obligated to perform.

Mental Health

Lancaster County will continue to monitor the fiscal impact of the State's conversion to community-based mental health services. Specifically, the County will pay close attention to the impact of closing regional centers on general assistance and the jail population. Obtaining adequate funding for new and existing programs will again be a high priority for Lancaster County.

The Lancaster Community Mental Health Center works closely with the Nebraska Association of Behavioral Health Organizations (NABHO) on developing legislative priorities. A summary of NABHO priorities is contained in Attachment A. Important mental health funding proposals include:

- Cost-of-living rate adjustment for community-based services
- Health insurance parity for mental health and substance abuse treatment
- Mental health jail diversion
- Drug courts
- Medication assistance for persons with mental illness
- Community-based sex offender programs

Since the County is not mandated to provide mental health services, adequate State funding is essential to the success of these programs. Moreover, lack of funding in these areas can have a direct impact on general assistance, the criminal justice system, and the jail, which are the responsibility of county government.

Roads

During the past year the problem of inadequate funding for County roads has risen to the top of the Board's agenda. Budget constraints have severely limited the County's paving program, and additional funding is required for protection of the East Beltway and the Rural to Urban Transition for Streets (RUTS) program. New funding sources may be required to help solve the problem.

Possibilities for increasing road funding include:

Motor Fuel Tax - During the 2005 session a number of bills were introduced relating to the motor fuel tax. Senator Carol Hudkins introduced LB 456, providing for a two cent increase to the fuel tax and distributing the proceeds to cities and counties. Senator Chris Beutler introduced LB 555, also increasing the motor fuel tax by two cents and amending the distribution formula to give more funding to Lincoln and Lancaster County. All motor fuel tax bills were indefinitely postponed by the Revenue Committee. However, a fuel tax increase would provide an invaluable source of funding for County road projects, and this proposal will be reintroduced this session.

County Wheel Tax - Presently, only cities and villages have authority to implement a wheel tax. When Lincoln and Lancaster County recently considered the creation of a joint public agency (JPA) for administration of the RUTS program and protection of the East Beltway corridor, one of the funding options was extension of the City wheel tax to the County. However, the Board received numerous complaints from rural residents who objected to paying the City wheel tax. Also, the Board had concerns regarding the ability of the City to unilaterally raise the tax. One solution is to give Lancaster County the authority to implement its own wheel tax. The County would then have full control over the tax, possibly eliminating rural concerns about paying the City tax. The money raised could be earmarked for RUTS, East Beltway protection, the paving program, joint County-village road projects, etc.

Special Joint Public Agency Property Tax Levy - A possibility for funding the RUTS/East Beltway joint public agency (JPA) is the creation of a property tax levy which could be split equitably between the City's and County's levy authority under Neb.Rev.Stat. §77-3443 (Reissue

2003).

Juvenile Services

Lancaster County has built an impressive array of juvenile programs and community-based services providing alternatives to incarceration and out of home placements. Unfortunately, the federal grant for Families First and Foremost is completed and federal funding through the Juvenile Accountability Incentives Block Grant (JAIBG) program has steadily decreased. Replacement funding is crucial to the continued success of these important programs. Given the fact juvenile post adjudication services are a State function, additional funding from the State is appropriate.

Another area of concern is the huge increase in abuse and neglect cases. It has been suggested a change in State enforcement policy has caused the increase and therefore the State should provide additional funding for these cases.

State Prisoner Reimbursement

The County continues to support the reinstatement of full funding for the State prisoner reimbursement program under Neb.Rev.Stat. §47-119.01 (Reissue 2004). Reduced funding has cost Lancaster County $1.6 million from 2003 through 2005. The program is based on sound public policy, providing property tax relief by reimbursing counties for performing the unfunded mandate of holding State prisoners.

Medicaid Reform

The Medicaid Reform Act was passed by the Nebraska Legislature in the 2005 session. See Neb.Rev.Stat. §§68-1087 TO 68-1094 (Neb. Laws 2005 LB 709). The purpose of the Act is to moderate the growth of medicaid spending, ensure future sustainability, establish priorities for benefits, and provide alternatives to medicaid eligibility. The Act provides for the development of a medicaid reform plan and the enactment of legislation to implement the plan. One issue to be considered in the plan is the appropriate role of county government.

Lancaster County could be significantly impacted by medicaid reform. Presently, Lancaster Manor is 100% funded by medicaid reimbursement and some private pay. A change in reimbursement rates could affect the ability of the Manor to operate without supplemental property tax funding.

Another area of concern is the County's obligation to provide general assistance. If medicaid eligibility standards are tightened, the County could experience an increase in the number of general assistance applicants eligible for medical care at the County's expense.

The County will need to closely monitor the development of the medicaid reform plan and any legislation based on the plan. Additional liability for the cost of providing indigent medical care is not an appropriate role for county government.

OTHER EXISTING PRIORITIES

Many of the existing County priorities have been discussed above. LB 671 (job and benefit protection for transferred employees) has broad support and should remain a priority. In addition, the authority to require building permits on farmstead residences still needs to be clarified for the benefit of both for the County and City of Lincoln.

Other County priorities did not fare as well, including LB 204 (Medicaid rate for inmates and emergency protective custody patients) and LB 56 (ordinance power). The County Board will need to reassess whether these measures are worth pursuing in the future.

NEW PROPOSALS

1. Transfer of Development Rights

The County Board is considering amending the County Zoning Resolution to allow transfer of development rights (TDR). The Lancaster County Attorney has advised the Board to obtain enabling legislation giving the County specific authority to enact a TDR program. This could be accomplished by the following amendments:

> Neb.Rev.Stat. §23-114 (2) - The zoning resolution may regulate and restrict... (e) the density of population, including but not limited to the establishment, transfer, and exercise of development rights.
>
> Neb.Rev.Stat. §23-174.01 - Every county in which is located a city of the primary class shall have the power...to regulate and restrict...(4) the density of population, including but not limited to the establishment, transfer, and exercise of development rights.

2. Allow Elections by Mail for Trustees of Road Improvement and Special Improvement Districts

Lancaster County now has seven road and special improvement districts. Accommodating these small entities on the ballot creates a number of complications and increases costs. Allowing improvement districts to elect trustees by mail helps solve the problem.

3. Update of General Assistance Statutes

Administration of general assistance is becoming increasing difficult and expensive for counties. In Lancaster County, the general assistance budget has risen from $1,000,000 in fiscal year 1998 to $3,728,326 in fiscal year 2005. This year the County has conservatively budgeted $4,000,000. However, the County has little control over liabilities, especially in the area of medical assistance.

As the State considers reform of the medicaid system, the role of counties needs to be carefully considered. In fact, determining the appropriate role of counties is one of the stated purposes of the Medicaid Reform Act. The State's solution to medicaid's fiscal problems should not include shifting the burden to counties. To the contrary, budget lids and levy limits restrict the ability of counties to absorb additional responsibility for indigent medical care without severely impacting other vital services.

There are a number of other problems with the administration of general assistance with regard to nonresidents. Collecting from other counties is difficult, and often times the only solution is litigation. Forcing nonresidents to return to their county of legal settlement is bad public policy, especially if treatment facilities are not available in that county. Moreover, relocating persons to another county against their will raises constitutional concerns. The general assistance provisions governing nonresidents were written in the 1800's and are inadequate to address these issues.

Given these problems, a thorough review of the general assistance statutes is necessary.

4. **Eliminate Separate Checking Account for County Veterans Fund**

Neb.Rev.Stat. §80-102 (Reissue 2003) requires a county veterans service committee to maintain a separate checking account for the purpose of issuing payment to claimants from the county veterans aid fund. The committee then files claims with the county clerk for reimbursement of the payments made to claimants from the veterans aid fund. The County Veterans Service Officer is proposing elimination of the separate checking account. Instead, the committee would simply prepare vouchers and submit them to the County Clerk for payment from the veterans aid fund.

5. **Increase Treasurer's Fee for Issuance of Tax Deeds and Certificates**

County treasurers are authorized by statute to collect $10 for each tax deed or certificate issued for real property sold for taxes, plus a small notary fee. See Neb. Rev.Stat. §77-1823 (Reissue 2003). This fee is inadequate and should be increased. It does not even cover the cost of conducting tax sales and issuing deeds or certificates.

6. **Amend County Purchasing Act to Allow Sale of Surplus Property Through Electronic Auctions**

Often times it costs more to sell surplus property than the revenue collected. It has been suggested costs could be cut and a broader audience could be reached if surplus property could be sold through electronic auctions such as E-Bay.

EXISTING PROPOSALS

1. **Provide State Supportive Services without Requiring the Child to Become a Ward of the State**

Currently State protective services cannot be provided to children who are not wards of the State. There are many situations where a child might be able to stay in the family home if some supportive services are available. This could save money for the State and support the goal of keeping families together. The Nebraska Association of Behavioral Health Organizations (NABHO) sponsored this legislation last session (LB 606), and will be making it a priority again this year.

2. **<u>Amend Neb. Rev. Stat. §48-818 to Include Ability to Pay</u>**

The terms, conditions and wages of governmental service are subject to review and modification by the Commission of Industrial Relations in accordance with the provisions of the Industrial Relations Act, Neb. Rev. Stat. §48-801 through 842 (Reissue 1998). Pursuant to §48-818, "...the Commission of Industrial Relations shall establish rates of pay and conditions of employment which are comparable to the prevalent wage rates paid and conditions of employment maintained for the same or similar work of workers exhibiting like or similar skills under the same or similar working conditions..."

Conspicuously missing from this statutory formula is the ability to pay. In other words, the County may be required to fund large increases in wages and benefits, regardless of the impact on the budget. This problem is exacerbated by reductions in State funding and budget lids. Moreover, strict adherence to comparability can lead to large increases in wages and benefits for the government sector while wages in the community remain steady or decline due to recession.

3. **<u>Ultimate Fighting</u>**

In recent years ultimate fighting has made its way into Lincoln bars. Local authorities have attempted to block it with existing criminal statutes and ordinances. A legal action was filed seeking to enjoin the City's efforts to prohibit the activity. The Honorable Paul Merritt issued an opinion in that case holding that ultimate fighting is subject to regulation by the State Athletic Commission. This decision was reversed on appeal and remanded to the trial court.

During the 2002 session Senator Hartnett introduced LB 1034 to prohibit ultimate fighting. Due to conflicting schedules, key City and County personnel were unable to attend the hearing and voice support. The Bill was indefinitely postponed. However, it remains a high priority for local law enforcement agencies and the County Attorney.

4. **<u>Civil Liability for Dishonored Checks</u>**

The Lancaster County Attorney devotes a staff attorney to the prosecution of dishonored checks. If budget shortfalls continue, this position may be eliminated. Unfortunately, the high costs of collection preclude private collection of bad checks through civil court. Other states have statutes which allow holders of dishonored checks to recoup these costs, including attorneys fees. Such legislation would provide a remedy for businesses and individuals who are victimized by bad check writers, as well as free up resources in the County Attorney's Office.

5. **<u>Eliminate Responsibility of Counties to Pay HHS Rent</u>**

When the State assumed responsibility for welfare, a legislative provision was added requiring counties to maintain facilities for HHS as they existed on April 1, 1983. See Neb.Rev. Stat. §68-130. Counties should be relieved of this responsibility. The fiscal impact on the State could be softened by either phasing in the change or delaying the effective date.

6. **<u>Amend Neb. Rev. Stat. §77-1507(4)</u>**

In 1999 this statute was amended by LB 194 to prohibit counties from adding omitted property to the tax rolls which was properly reported to the assessor after June 25 of the year or years in which the property was omitted. The intent of LB 194 was to end the practice of some county assessors of equalizing values beyond the deadline of June 25 by use of omitted value provisions. The restriction is written so broadly that counties are prohibited from capturing omitted value on properties for previous years. The County believes this amounts to an unconstitutional commutation of taxes.

A possible solution to this problem is to amend §77-1507(4) to limit the ability of counties to collect interest and penalties on property which was properly reported but inadvertently left off the tax rolls.

7. Tax Exemption Status for Assisted Living Facilities

In the case of Bethesda Foundation v. Buffalo County Board of Equalization, 263 Neb. 454 (2002), the Nebraska Supreme Court expanded Nebraska law to grant tax exempt status to a nonprofit assisted living facility. The ramifications of this decision could result in a large number of properties being taken off the tax rolls in Lancaster County. Many assisted living facilities are presently operating for profit. By simply changing their status to nonprofit they will now be able to claim exemption from property taxes. The County Attorney's Office believes legislation is needed to prevent this reduction of the property tax base.

8. Repeal Neb. Rev. Stat. §23-346.01

This statute requires county clerks to estimate annual supplies for the operation of county government. The Clerk in Lancaster County has not performed this function for many years and §23-346.01 should be repealed.

9. Civil Protective Custody

A law enforcement officer has the power to place an intoxicated person in civil protective custody (CPC) pursuant to Neb. Rev. Stat. §53-1,121. Cornhusker Place, which provides CPC services to Lancaster County, has expressed its concern that the CPC statute applies only to alcohol and not to drugs. Thus the authority of a law enforcement officer to place a person into CPC should be expanded to include drugs.

LB 646 was introduced in the 2005 session to address this problem. It was held in committee and will be considered again this year

10. Avoidance of Motor Vehicle Sales Tax

The Lancaster County Treasurer's Office has expressed concern regarding the practice of avoiding sales tax on new vehicle purchases by having a nominee purchase the car and then make a gift to the intended purchaser. Although this practice is illegal, State officials have been reluctant to enforce it. The Treasurer is seeking the right to directly impose sales tax on the fraudulent gift.

11. Institute a Registration Fee for Public Defender Services

This fee has been proposed as a funding mechanism for programs such as the indigency screener. This concept is similar to a proposal requiring defendants represented by the public defender to help defray some of the costs of their representation, depending on their ability to pay.

12. **Engine Brakes**

Technically, a county has power to prohibit engine braking only on interstate highways within its jurisdiction. See Neb. Rev. Stat §60-680 (Cum.Supp 2002). Responding to an increase in the number of complaints regarding engine braking on local roads, the County Board recently passed a resolution prohibiting engine braking on public roads within Lancaster County's jurisdiction. The board relied on §68-680 (1)(x), which authorizes local authorities to, "Adopt other traffic regulations except as prohibited by state law or contrary to state law." A possible legal challenge could be made against the resolution because State statute specifically mentions the interstate system as the only type of road where counties can prohibit the use of engine brakes. This problem could be removed by amending §60-680 to give counties the power to prohibit the use of engine brakes on all county roads.

13. **Costs of Collecting Delinquent Taxes**

Under existing law, counties are required to bear the entire cost of collecting delinquent taxes; yet other levying entities share in the revenue collected. It would be more equitable to distribute the financial burden of collecting delinquent taxes among all the political entities which share in the revenue.

14. **Economic Development**

Lancaster County is interested in examining legislative incentives for economic development, including the possibility of establishing property tax benefits or State rebates.

15. **Complete Record Fee**

The Nebraska Association of County Officials (NACO) is sponsoring a proposal to amend Neb. Rev. Stat.§33-106 (Reissue 1998) to remove language which allows the $15 complete record fee to be waived by the parties. It has been suggested by the Clerk of the District Court that the complete record fee should also be increased. The additional funds could be used to help defray the District Court Clerk's increasing costs of records management.

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EXHIBIT

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Sarpy County Legislative Outline
Tri-County Meeting
November 10, 2005

Economic Development

County Industrial Sewer Act

We will be proposing legislation to the above referenced act to amend sections 23-3602, 3604, 3605 and 3614 to add provisions for residential use of sewers developed under the act. The potential for economic development and the need to avoid environmental degradation makes this legislation essential to the future of the area.

Tax Increment Financing/Constitutional Amendment

We intend to begin the discussion of the potential of granting counties ability to utilize tax increment financing as an economic development tool. Blighted and substandard properties are not unique to the cities and villages of Nebraska and may often occur outside the corporate limits of those jurisdictions. Current discussions are continuing regarding the intent of the act and uses and abuses of such. This is a pertinent time to gauge interest in granting such power to counties in the State. It would require a constitutional amendment to implement such a change.

County Sales Tax

Our point of discussion on this item is to question the rationale of implementing a county sales tax only in the unincorporated areas of a county or in those cities/villages that do not currently assess a city sales tax. Since all residents of a county would benefit from a sales tax is it fair to charge it only in parts of the county? We are aware of concerns regarding impact on both the State and cities tax bases but we feel the issue needs to be raised. Perhaps a formula whereby the State rebates a .05 or .025% of the State sales tax to each county based on taxable sales in that county. These figures are currently being tracked and it would help to broaden the county tax base and reduce dependence on property tax dollars.

Financing Infrastructure Improvements

Without a doubt, activity in the greater Omaha-Lincoln metropolitan area is the engine driving the economy of the State of Nebraska. The recent passage of LB546, the Nebraska Opportunity Zone Act and the creation of the Nebraska Innovation Zone Commission further emphasizes that fact. We in Sarpy County are facing infrastructure needs that are far beyond our capacity to stay abreast of these needs. These needs include interstate exchanges at Plug Road and 180th Street, development of a southern by-pass of the metro area along the Platteview Road corridor and local costs associated with the new Highway 34 Bridge over the Missouri River. Whether this aid comes in the form of changes in the current distribution of highway trust fund dollars or a new package of aid, it should be discussed.

Ongoing Issues

E911 Wireless Surcharge

The Transportation and Telecommunications committee of the Nebraska legislature is conducting an interim hearing study (see attached LR143) on issues surrounding both landline and wireless 911 in the State. Also in the last legislative session the Public Service Commission sought an increase in the wireless surcharge they collect from $.50 to $1.50 (LB458). This bill was held by the committee and as a result of this the PSC has requested guidance from the Legislature as to how to proceed on both Phase I and Phase II implementation on locating wireless callers to the PSAPs. We have attached an updated analysis of our call volumes, surcharge revenue and expenses associated with our 911 center. This shows a further transfer of these costs to the property taxpayer away from the telecommunication users.

County Ordinance Authority

We have been unsuccessful in our previous efforts to obtain ordinance powers for counties in Nebraska. We intend to request limited authority in areas such as false alarm fees, public nudity issues and animal control. We will be offering specific language to members of the Legislature's Government Committee to gauge response. Hopefully, we will be able to show members of the body that we are responsible in enacting limited ordinances and that we may be trusted in the future with general authority.

Jail Reimbursement/Community Corrections

I think that every county in the State is supportive of increasing the funding in the State prisoner reimbursement program. We add community corrections to the discussion because with the Department of Corrections at or nearing capacity and with the likelihood of the Legislature funding another prison being almost nonexistent, we feel we need to monitor any changes that could perhaps increase local costs and/or jail populations.

Storm Water Mandates

Counties and certain cities in the State are still facing Federal mandates on National Pollutant Discharge Elimination System permit requirements. LB102, which would allow cities, counties and NRDs to establish and fund storm management areas, was introduced in the 2005 session and remains in the Natural Resources committee. Opponents argue that this is a responsibility of local governments and should be funded by property tax dollars. Proponents argue that a fee system would allow governments to require those contributing the most runoff to contribute more to the mitigation of the pollutants, while allowing for credits for best management practices in the control of the runoff. The chances for this bill in the 2006 session are very limited and the local jurisdictions will undoubtedly need to proceed using property tax dollars. We intend to raise this issue with our Federal delegation for possible future assistance.

Geographic Information Systems

LB490 was introduced by Sen. Nancy Thompson in the last legislative session and basically stated that governmental entities could regulate access to our GIS databases. As a result of this hearing, LR99 was introduced by Sen. Pam Brown to study use of GIS by the public and whether restrictions should be placed on those who would access these databases. Over the summer a task force has been meeting with Sen. DiAnna Schimek, Government Committee and other legislative staff, representatives of the State of Nebraska, NACO, the League of Municipalities, the Cities of La Vista and Omaha and Lancaster and Sarpy Counties to develop appropriate legislation. Current draft legislation allows for us to restrict the usage of data that we provide as public records, namely that you could not sell our database in it's entirety for profit, however normal use of the information in the course of your business would be allowed. Additionally, we would like to codify current practices regarding the protection of government produced software to ensure that we would not have to provide copies of any underlying computer code.

Specific Carryover Legislation

LB500/Entertainment and Tourism Development Act-Support

Better known as the Cabela's bill and despite the announcement regarding Cabela's plans in La Vista, the underlying bill still has tremendous potential for the entire State. Amendments clarifying the retail aspects of this bill will be offered. We helped author the committee amendment adding counties to the bill and will strongly work to ensure that those provisions are included in any future projects.

LB407/Eliminates "Greenbelt" recapture provisions-Oppose

In the past two years, Sarpy County has recaptured over $1.6 million in taxes, of which approximately 20-35% was paid directly to the county. The loss of this revenue would have a negative impact on our budget.

NINETY-NINTH LEGISLATURE

FIRST SESSION

LEGISLATIVE RESOLUTION 143

Introduced by Baker, 44

Read first time May 17, 2005

Committee:

PURPOSE: An integral part of the public safety network is 911 emergency telephone service. Pursuant to the Emergency Telephone Communications Systems Act, individual cities and counties are responsible for the implementation of landline 911 service in their area. They are permitted to impose a uniform service surcharge to cover costs associated with the purchase, installation, maintenance, and operation of landline 911 service. Except for cities of the metropolitan class, the surcharge may not exceed one dollar. The surcharge imposed by cities of the metropolitan class may not exceed fifty cents. The Public Service Commission currently administers the Enhanced Wireless 911 Fund and oversees implementation of enhanced wireless 911 services throughout the state pursuant to the Enhanced Wireless 911 Services Act. Annually, the commission reviews and determines the level of surcharge necessary to carry out the Enhanced Wireless 911 Services Act. The surcharge may not exceed 50 cents per subscriber.

This study shall investigate issues related to the current state of landline and enhanced wireless 911 service and the means to ensure statewide access to landline 911 and enhanced wireless 911 service for all Nebraska residents. Input shall be solicited from the Public Service Commission, landline telecommunications carriers, wireless telecommunications carriers, counties, municipalities, public safety answering points, and the public.

Study topics shall include, but need not be limited to, the following areas:

(1) Issues relating to landline 911, including:

(a) Analyzing the current status of landline 911 in each county;

(b) The rate of the surcharge established by each county; and

(c) The use of the surcharge funds collected;

(2) Issues related to enhanced wireless 911, including:

(a) Analyzing the current status of enhanced wireless 911 in Nebraska;

(b) Analyzing how other states have implemented Phase I and Phase II of enhanced wireless service;

(c) Reimbursement of costs of wireless service providers; and

(d) Modification of the distribution of the wireless surcharge;

(3) Issues relating to the consolidation of oversight of landline and wireless 911, including:

(a) Funding mechanisms;

(b) Administration of programs; and

(c) Costs, including those related to software, networks, and equipment;

(4) Issues related to consolidation of public safety answering points, including:

(a) Impacts on local dispatch of emergency services;

(b) Issues related to stranded investment;

(c) Administration and oversight;

(d) Costs, including, but not limited to, software, equipment, and network;

(5) The use of federal homeland security funding or other federal funding to fund projects in Nebraska; and

(6) Any other issues arising during the course of the study relevant to furthering access to enhanced wireless 911 service.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NINETY-NINTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Transportation and Telecommunications Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

SARPY COUNTY, NEBRASKA
ANALYSIS OF E911 SURCHARGE REVENUES AND EXPENSES
1998 FISCAL YEAR THROUGH 2005 FISCAL YEAR

	1998 FY	1999 FY	2000 FY	2001 FY	2002 FY	2003 FY	2004 FY	2005 FY
E911 Surcharge Revenues	$ 691,342	$ 721,495	$ 746,318	$ 756,404	$ 781,030	$ 736,516	$ 693,372	$ 885,356
Communications Dept Expenses	$ 1,575,685	$ 1,817,413	$ 2,160,600	$ 2,383,972	$ 2,631,192	$ 2,917,197	$ 3,188,621	$ 3,075,761
Number of Incidents Reported	108,695	118,820	113,330	120,492	132,845	138,845	148,438	146,924

Analysis:

* From 1998 to 2005, the E911 Surcharge revenues will have increased by an average of $27,716[1] per year while Communications Dept. expenditures increased by an average of $214,299 per year.

* From 1998 to 2005, the incidents reported have increased by an estimated 6.5% per year.

* In 1998, 43.8% of the Communications Dept. expenditures were covered by E911 Surcharge revenues. By 2005, that rate will decrease to only 28.7%.

[1] These averages include a $169,765 payment from Qwest during the 2005 FY.

Statement of Problem:

A smaller and smaller percentage of the Communications Department expenditures is being covered by E911 Surcharge revenues. As less of the Communications Department is funded by E911 Surcharge revenues, more reliance is placed on property tax dollars.

In the first half of the 2005 calendar year, 55% of all E911 calls were made from wireless phones. Legislation passed in the 2001 session placed a 50 cent/month fee on wireless phones, but directed the proceeds to a grant-type fund available to all PSAP's and providers. These fees do not begin to cover the vast majority of operational costs of the E911 Communications Dept.

Recommendation:
Propose an additional 50 cent surcharge that would go directly to the PSAP's to offset the erosion of revenues needed to cover Communications Department operating expenses. This would raise the wireless rate to $1.00, the same rate paid by wire lines.

EXHIBIT

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2006 NACO Legislation

Pursue:
- Clarify the process for retention of passport fees.
- Increase jail aid to cover all requests.
- Increase fuel taxes to provide funding for county road purposes.
- Revise recall provisions to allow cancellation of election if official resigns after election date is established.
- Assess property based upon the geographic center of a river.
- Reinstate Form 13AG to collect farm machinery sales information.
- ~~Increase the cost of a marriage license from $15 to $25 and certified copies of the same from~~ $5 to $8.
- Authorize fire districts to receive distribution of taxes without submitting an order and allow distribution by direct deposit.
- Increase tax sales certificate and redemption fees.
- Collect motor vehicle sales tax at the time of titling.
- Authorize renewal of motor vehicle registrations prior to the renewal month.
- Limit county liability and impose a statute of limitations for failure to carry forward a salvage brand.

Study for legislative conference/placement on platform:
- Revise general assistance requirements.
- Change the fiscal year to allow budgets to be set before spending begins.
- Provide more enforcement authority for out-of-state motor vehicle registrations.

Senator will pursue:
- Clarify cemetery statutes.
- Place fuel costs outside of levy and budget limits.
- Eliminate constitutional prohibition on 50 cents
- Eliminate lid altogether

2006 Potential Legislation

1. **Clarify the process for retention of passport fees.** A recent Attorney General's opinion indicates that execution fees generated through the issuance of passports by clerks of the district court must be paid over to counties. However, the process for doing so is not set out in statute or the opinion. For consistency, language should be enacted to designate that the execution fee should be paid to the county treasurer for distribution to the county's general fund.

2. **Increase jail aid to cover all requests.** In 1997, legislation was adopted at NACO's request to provide reimbursement to counties at a rate of $35 per day for holding state prisoners in county jails. Following an initial appropriation of $4.4 million in FY00-01, budget cuts have reduced the amount available to counties to $3.5 million in FY04-05. This funding is often depleted by the third quarter and no further reimbursement is available. During the 2005 session, a measure to return the appropriation to the prior year's level was approved by the Legislature but vetoed by Governor Heineman. This proposal would seek additional funding to fully reimburse counties for the costs of holding state prisoners.

3. **Revise general assistance requirements.** As state and federal funds have been cut to medical assistance and social programs in recent years, county costs for general assistance in many counties have increased dramatically. Some of the increase is due to persons who are unable to qualify for other programs or waiting for determinations for eligibility, as well as conflicts in determining the amount of services to be provided to legal residents of other counties. This proposal would create a task force of county and social services officials to develop revisions to the existing law and propose legislation in 2007.

4. **Place fuel costs outside of levy and budget limits.** Although fuel prices began to increase before county budgets were set, most counties did not have the budget or levy authority to accommodate massive price increases and must consider prioritizing county road projects, law enforcement patrols, heating costs, and the like. To help counties cope with future uncertainties in fuel prices, spending for increased fuel costs should be placed outside of budget and levy limits.

5. **Increase fuel taxes to provide funding for county road purposes.** Legislation has been proposed during recent sessions to increase fuel taxes, redistribute the highway trust fund, transfer motor vehicle fees, and otherwise revise the statutory mechanism for collecting and distributing state road funds. The integrity of the highway trust fund should be maintained and fuel taxes should be increased to provide much-needed funding to counties for road projects.

6. **Revise recall provisions to allow cancellation of election if official resigns after election date is established.** Under §32-1306, if a recall petition is successful and an election is scheduled, the election cannot be cancelled, even if the official who is the subject of the recall petition resigns. This section should be revised to allow counties to save money by cancelling an unnecessary recall election.

7. **Clarify cemetery statutes.** As one of the main routes for the nation's westward expansion, the state of Nebraska is home to a large number of pioneer cemeteries, as well as many small family plots and cemeteries located near vacated churches and town sites. Existing statutes do not clearly define the county's role in assuming care and regulatory responsibilities for such cemeteries. Legislation should address such issues as farming on or near gravesites, burials in abandoned cemeteries, and the transfer of cemeteries to counties.

8. **Change the fiscal year to allow budgets to be set before spending begins.** Except for counties over 200,000, counties must operate on a July 1-June 30 fiscal year. However, county budgets are not set until Sept. 20, nearly three months after spending for the fiscal year begins. The state of Nebraska also operates on a July 1-June 30 fiscal year and most municipalities have a Oct. 1-Sept. 30 fiscal year. In order to synchronize budgeting and spending, the fiscal year for counties should be changed to Oct. 1-Sept. 30.

9. **Assess property based upon the geographic center of a river.** Under Nebraska case law, title to riparian lands runs to the thread of the contiguous stream of the river. Because braided rivers, such as the Platte, change channels frequently, property ownership also changes frequently under this standard. This proposal would declare the geographic center of the river as the property line for parcels adjacent to rivers and streams.

10. **Reinstate Form 13AG to collect farm machinery sales information.** The mandatory filing of Form 13AG, the Nebraska Sales and Use Tax Exemption Certificate for Agricultural Machinery and Equipment Purchases or Leases, was completely eliminated by legislation adopted in 2004. Prior to that time, sales of depreciable ag machinery and equipment were exempt from Nebraska and local option sales and use tax when purchased for use in commercial agriculture. All exempt sales of such equipment had to be supported by a Form 13AG. County assessors used the information to create the personal property tax roll. This form should be reinstated to help assure that all property is taxed appropriately.

11. **Increase the cost of a marriage license from $15 to $25 and certified copies of the same from $5 to $8.** The Department of Health and Human Services Finance and Support Vital Records Management section (HHS) is updating the electronic registration system and would like to include the electronic filing of marriage license data. Because county clerks will do all of the data entry using existing equipment provided by the Secretary of State, efficiency on the state side will be increased. However, the state will request a $4 increase in the cost of certified copies issued by the state to help offset their costs. This proposal would increase the issuance fee received by counties as well as the cost for certified copies to help offset county costs.

12. **Authorize fire districts to receive distribution of taxes without submitting an order and allow distribution by direct deposit.** Under §35-509, fire districts must apply, on a countersigned form, to the county treasurer for distribution of taxes. It is not clear that an

electronic transfer of these funds is allowed. This proposal would eliminate the need for a counter-signature and clarify that electronic transfer of funds is acceptable but not mandatory.

13. **Increase tax sales certificate and redemption fees.** Under existing law, the fee charged by county treasurers for issuing a tax sales certificate is $10 and the fee for redemption is $2. These should be increased to $25 and $10, respectively. In addition, no more than one parcel should be listed on any certificate.

14. **Collect motor vehicle sales tax at the time of titling.** Under existing law, motor vehicle sales tax must be paid at the time of registration. However, some vehicle owners continually transfer title without registering the vehicle and do not pay sales taxes. The state loses a significant amount of sales taxes due to title jumping. To help increase collections, the sales tax should be paid at the time of titling.

15. **Authorize renewal of motor vehicle registrations prior to the renewal month.** Motor vehicle registrations may not be renewed outside of the 30 day period which follows the first of the month. Many customers ask to renew earlier but must be refused. Customers should be allowed, within a reasonable time frame, to renew their registrations prior to the month due.

16. **Provide more enforcement authority for out-of-state motor vehicle registrations.** Several border counties regularly attempt to prosecute vehicle owners who title, register and plate their vehicles in an adjoining state with less expensive motor vehicle taxes and fees. Attempts to enforce motor vehicle tax situs laws have met with limited success. Counties should be given more authority to enforce these statutes.

17. **Limit county liability and impose a statute of limitations for failure to carry forward a salvage brand.** Recently a county was sued and paid $10,000 to a vehicle owner for failure to carry over a salvage designation to a new title. County officials, who are acting as agents of the state in issuing titles, should be given some limitation on liability or a cap on damages from such accidents and a statute of limitations should be imposed.

2005 - Ninety-Ninth Legislature Carryover Bills

Motor Vehicle

LB/LR	Position	Status	Description
24	Support	Committee	Require drivers to use caution near parked emergency vehicles
65	Watch	General File	Provide for Military License Plates
68	Watch	General File	Provide for veterans' spouses to receive specialty license plates as prescribed
77	Support	General File	Change motor vehicle registration fee distribution
86	Watch	General File	Change requirements for Pearl Harbor license plates
248	Support	General File	Change motor vehicle tax calculations
288	Watch	General File	Provide for child abuse prevention license plates
400	Support	Committee	Eliminate the ten-day grace period for failure to register a vehicle
438	Watch	General File	Provide for Shriners License Plates
587	Oppose	General File	Provide for taxation, titles, and registration of replica motor vehicles
663	Oppose	General File	Change certificate of title and registration provisions for assembled, kit, and historical vehicles

Law Enforcement, Jails, Probation & Parole

LB/LR	Position	Status	Description
112	Oppose	Committee	Require electronic recording of custodial interrogations
152	Support	Committee	Define innocent third party for purposes of vehicular pursuit
200	Support	Committee	Eliminate the strict liability requirement for pursuits by law enforcement officers
483	Support	Committee	Change sheriff's fees and handgun certificate fees
537	Support	Committee	Provide for copayments for health care services provided for certain inmates
642	Oppose	Committee	Change and eliminate provisions relating to probation and parole
714	Support	Committee	Adopt the Prisoner Reimbursement to the County Act
747	Oppose	Committee	Adopt the Department of Probation and Parole Services Act
22CA	Support	Committee	Constitutional amendment to change distribution of certain forfeited or seized money

Courts

LB/LR	Position	Status	Description
168	Watch	Committee	Change witness fees provisions for public employees
207	Support	Committee	Permit service of summons of proposed jurors by first-class mail
464	Watch	Committee	Change provisions relating to civil protective custody
529	Oppose	General File	Provide court reform with the state assuming costs of district courts and consolidation of positions
643	Watch	Provisions amend. into LB 348	Change certain court fees as prescribed
650	Support	Select File	Clarify provisions relating to audiovisual court appearances
727	Support	Committee	Provide a change of venue docket fee
729	Support	Committee	Change district court fees

County Government & Operations

LB/LR	Position	Status	Description
160	Watch	General File	Direct the Executive Board of the Legislative Council to create a task force to study county government
232	Watch	Committee	Authorize interlocal agreements relating to assumption of duties of certain county officials
337	Watch	Committee	Change provisions relating to municipal counties
379	Watch	Committee	Change election procedures for formation of municipal counties
432	Watch	Committee	Create the County Issues Task Force
490	Support	Committee	Regulate access to geographic computer data bases

Health and Human Services

LB/LR	Position	Status	Description
204	Support	Committee	Provide a rate of payment for certain medical services and emergency protective custody situations
521	Support	Committee	Provide for funding services for persons with developmental disabilities
618	Support	Amend. into LB 551	Provide for tracking, reporting, and funding relating to behavioral health services
719	Watch	Committee	Eliminate certain payments to guardians of wards of the Department of Health and Human Services
726	Watch	Committee	Change emergency protective custody provisions under the Nebraska Mental Health Commitment Act

Land and Property Taxes

LB/LR	Position	Status	Description
407	Watch	General File	Eliminate provisions relating to agricultural and horticultural land valuation
523	Support	Committee	Authorize claims against the state for certain property taxes
565	Support	Committee	Adopt the Land Information System Program Act and provide funding
578	Watch	Committee	Change provisions relating to payment of property tax refunds

Roads

LB/LR	Position	Status	Description
470	Watch	Committee	Provide direction to the Department of Roads relating to state road projects
631	Watch	Committee	Change issuance provisions for permits for extraordinary use of controlled-access highways
679	Watch	Committee	Change amounts and procedures for proposing the issuance of highway bonds

Livestock Waste Management

LB/LR	Position	Status	Description
120	Watch	General File	Change Livestock Waste Management Act permit conditions
293	Support	General File	Change application review procedures under the Livestock Waste Management Act

Taxes

LB/LR	Position	Status	Description
44	Watch	General File	Change income tax deductions and create a homestead exemption
542	Watch	General File	Create the Tax Policy Reform Commission

All Other Bills and LR's of Concern

LB/LR	Position	Status	Description
4	Watch	General File	Adopt the Interstate Compact for Juveniles
71	Watch	Select File	Reenact the Agricultural Opportunities and Value-Added Partnerships Act
79	Watch	General File	Change provisions relating to railroad crossings
102	Oppose	Committee	Authorize natural resources districts, counties, and certain cities to establish and fund storm water management areas
157	Watch	General File	Reenact telecommunication provisions relating to provision of services by political subdivisions
163	Watch	Committee	Change the Mutual Finance Assistance Act which provides for funding fire protection, emergency response, and training
190	Watch	Committee	Adopt the Electronic Equipment Recycling Act
195	Support	Committee	Provide for appropriation of funds to counties for administrative license revocation expense reimbursement
221	Support	General File	Modify the duty of landowners to cut vegetation along public roads
258	Support	Committee	Change provisions relating to legal settlement for public assistance programs
281	Oppose	Committee	Change limitation of action provisions under the Political Subdivisions Tort Claims Act
287	Support	Select File	Require a cemetery study and report by the General Affairs Committee
304	Watch	Committee	Adopt the Education Buildings Review Commission Act
341	Support	General File	Change provisions of the Enhanced Wireless 911 Fund
366	Watch	General File	Change membership and contribution rate provisions for state and county retirement plans
397	Watch	Committee	Adopt the Cathode Ray Tube Device Recycling Act
399	Oppose	Committee	Terminate inheritance, estate, and generation-skipping taxes
419	Watch	General File	Create the Legal Education for Public Service Loan Repayment Act
428	Watch	Committee	Change provisions relating to renewal assessment funds under the Deferred Building Renewal Act
429	Watch	Committee	Increase a court fee and extend the Law Enforcement Improvement Fund
443	Support	Committee	Change provisions relating to the discontinuance of township organization
447	Watch	Committee	Create a state employees retirement health care account and change contribution rates
463	Watch	Committee	Change Employment Security Law relating to remuneration subject to tax and the tax rate
473	Watch	General File	Change and eliminate provisions relating to filing for office and political parties
480	Watch	General File	Change provisions of the Nebraska Clean Indoor Air Act
486	Watch	Committee	Change unemployment combined tax rate provisions
487	Watch	Committee	Provide for a solvency surcharge under the Employment Security Law
496	Watch	Committee	Change provisions relating to deposits of public funds with certain credit unions
500	Watch	General File	Adopt the Entertainment and Tourism Development Act
509	Watch	Committee	Change county personnel policy board membership provisions
552	Watch	Committee	Authorize issuance of bonds by certain natural resources districts
554	Watch	General File	Change minimum wage and training wage provisions

636	Watch	Committee	Change cost calculations for wards' education and special education
661	Watch	Committee	Change employment provisions and adopt the Advocacy Leave Act
670	Support	Committee	Prohibit acts relating to computers and electronic mail
671	Watch	General File	Provide county personnel policies for transferring employees from the state or other political subdivisions to a county at county request
673	Oppose	Select File	Adopt the Black-Tailed Prairie Dog Management Act
693	Watch	Select File	Allow the Nebraska Investment Finance Authority to authorize projects tied to the federal new markets tax credit
696	Watch	Provisions amend. into LB 312	Provide for timing of refunds under the Employment and Investment Growth Act
706	Support	Committee	Eliminate fence viewing and provide for mediation for resolution of fence disputes
724	Watch	Committee	Provide for a pilot project for child abuse and neglect investigations
730	Watch	Committee	Change provisions relating to the Nebraska Clean Indoor Air Act
735	Watch	General File	Change provisions relating to the Community Development Law for cities and villages
740	Watch	Committee	Change provisions relating to the limitation of actions for certain political subdivisions
759	Watch	Committee	Prohibit employment discrimination based on sexual orientation
2CA	Watch	Select File	Constitutional amendment to authorize use of revenue bonds to develop and lease property for use by nonprofit enterprises
24CA	Watch	Committee	Constitutional amendment to permit the Legislature to direct fines, penalties, and license fees to the perpetual fund for common school purposes
26CA	Watch	Committee	Constitutional amendment to provide that misdemeanors related to election to office are grounds for impeachment of civil officers

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NACO Bills

LB/LR	Position	Status	Description
207	Support	Committee	Permit service of summons of proposed jurors by first-class mail
221	Support	General File	Modify the duty of landowners to cut vegetation along public roads
727	Support	Committee	Provide a change of venue docket fee
729	Support	Committee	Change district court fees

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Medicaid Reform Fact Sheet

LB 709 (2005)

LB 709 requires development of a **Medicaid reform plan** by two persons, one appointed by Governor Heineman and one appointed by Senator Jim Jensen as chair of the Legislature's Health and Human Services Committee. The designees are Richard Nelson, Director of HHS Finance and Support, and Jeff Santema, legal counsel to the Health and Human Services Committee.

The designees must:

1. Consult with the Governor, the Health and Human Services Committee, the HHSS Policy Cabinet, and the federal Centers for Medicare and Medicaid Services;
2. Solicit public input;
3. Conduct at least one public meeting in each congressional district;
4. Provide monthly reports to the Governor and the committee;
5. Meet monthly with the Medicaid Reform Advisory Council; and
6. Develop and submit a Medicaid reform plan to the Governor and the Legislature by December 1, 2005.

The Health and Human Services Committee must conduct a public hearing on the plan by December 15, 2005. **The chair of the Health and Human Services Committee**, in consultation with the committee, may introduce legislation in 2006 to implement the plan.

LB 709 establishes a Medicaid Reform Advisory Council consisting of ten persons, five appointed by the Governor and five appointed by Senator Jensen as chair of the Legislature's Health and Human Services Committee, and representing health care providers, health care consumers/advocates, business, insurers, and elected officials.

The Medicaid Reform Advisory Council must:

1. Meet monthly with the two designees;
2. Review monthly reports submitted to the Governor and the committee by the designees; and
3. Review the Medicaid reform plan and provide recommendations relating to the plan to the Governor and the committee by December 14, 2005.

The council is <u>not</u> required to develop the plan, and is only one source of input to the designees during development of the plan.

Tentative Timeline for Activities by Reform Designees (2005):

July – Sept.	Solicit public input, research and develop draft policies and recommendations
Oct. – Nov.	Solicit public input on draft policies and recommendations, conduct public meeting(s) in each congressional district
Dec.	Submit reform plan, assist in preparing draft legislation to implement the plan (draft legislation introduced in January 2006)

Medicaid in Nebraska

Medicaid is a state-federal partnership administered as a welfare entitlement program within broadly established federal guidelines under Title XIX of the federal Social Security Act. The cost of the program is shared by the state and federal government (approximately 60% federal, and 40% state).

Nebraska has also established a Children's Health Insurance Program as a Medicaid expansion under Title XXI of the federal Social Security Act. The combined Medicaid program for children is called "Kid's Connection."

The state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets payment rates for services; and administers the program on a day-to-day basis. Core federal requirements applicable to all state Medicaid programs include (1) statewideness, (2) comparability, (3) freedom of choice, and (4) sufficiency in amount, duration, and scope of Medicaid services. Portions of federal Medicaid authorizing legislation may be "waived" to provide states with greater Medicaid flexibility.

Elements of a state Medicaid program must be approved by the federal Centers for Medicare and Medicaid Services (CMS). The Medicaid "state plan" is a comprehensive written document, developed and amended collaboratively with CMS, that describes the nature and scope of the state's Medicaid program, and gives assurances that the state will administer the program in compliance with federal requirements.

Medicaid is (1) a chronic and long-term care program for low income seniors and persons with disabilities; (2) a supplement to Medicare for this same population; (3) an insurance-like program for low income pregnant women, children and some parents; and (4) a funding source for safety net hospitals and community health centers that serve a disproportionately high share of uninsured persons. Medicaid coverage includes both federally mandated and state optional services and eligible persons.

Medicaid in Nebraska is shaped by public policy established by the United States Congress and the Nebraska Legislature and the complex interaction of four interrelated elements: (1) eligibility, (2) services, (3) reimbursement, and (4) administration.

Medicaid program costs are affected by (1) caseload (determined by eligibility criteria), (2) utilization (determined by services covered and service limits), and (3) unit price (determined by provider reimbursement rates).

Total Medicaid General Fund appropriations grew from $201 million in FY 86-87 to $1.4 billion in FY 06-07, from 8.6% of state GF appropriations to 17.8%, from a monthly average of 88,000 eligible persons to 200,000. The average annual growth in Medicaid appropriations during the period was 10.8%. Average annual growth in GF revenues during the period was 6.9%.

The majority of Medicaid beneficiaries in FY 04-05 were children and pregnant women (64.5%), but the majority of Medicaid expenditures (66.7%) were made on behalf of the elderly and disabled. The highest Medicaid expenditures in FY 04-05 were for nursing home care, inpatient hospital services, and prescription drugs. Total Medicaid long-term care expenditures were approximately 36.3% of the Medicaid budget in FY 04-05.

Since their original adoption in 1965, Nebraska Medicaid statutes have been amended approximately 46 different times in 26 different legislative sessions. Nebraska Medicaid and related statutes are found in Chapter 68, Article 10 of the Nebraska Revised Statutes.

Appendix to the October 2005 Report on Medicaid Reform Activities
Preliminary Findings and Recommendations

Prepared by
Richard P. Nelson, Director
Department of Health and Human Services Finance and Support
And
Jeffery W. Santema, Legal Counsel
Health and Human Services Committee
Nebraska Legislature

October 15, 2005

Introduction

This appendix to the October 2005 monthly report will summarize preliminary findings and recommendations from information and feedback received to date by the Medicaid reform designees for review by Governor Heineman, members of the Nebraska Legislature, members of the Medicaid Reform Advisory Council, and the general public.

The preliminary findings and recommendations contained in this report are intended for the purpose of soliciting further public input to the process of Medicaid reform in the State of Nebraska. Although they offer a general framework and direction for Medicaid reform, they are not comprehensive, nor should they be considered as final recommendations of the Medicaid reform designees.

Executive Summary

The current Nebraska Medicaid Program is not fiscally sustainable. The growth of Medicaid spending in Nebraska has outpaced the growth of General Fund revenues for the past twenty years. An analysis of current and projected costs and changes in the state's population shows that the program will continue to outpace the growth of state revenues. Substantial reform of the program is necessary.

Nebraska lacks a clear Medicaid public policy. The Legislature should clarify the purposes and values of the Medicaid program. This can be accomplished as a part of a recodification of the Medicaid laws.

Medicaid reform in Nebraska may be accomplished in either of two ways. First, through important modifications within the current program structure, the growth of Medicaid can be reduced substantially with support of providers and consumers, the program can become fiscally sustainable without significant changes in eligibility and few or no changes to covered services. The program can continue to define the benefits eligible persons are entitled to receive, coupled with increased use of cost-effective waivers. The growth of costs can be moderated and appropriate health care services delivered through improved oversight of high cost services and high cost individuals and through increased personal responsibility.

Second, Medicaid reform may be accomplished through a complete restructuring of the current entitlement system. Several reform-minded states are proposing to move to systems where the state provides a defined amount of funding to recipients to assure that the program is fiscally sustainable. The recipient is then responsible for obtaining appropriate health care insurance or health care services.

The Preliminary Findings and Recommendations do no select between these two paths. They propose alternative recommendations for public discussion before the final reform plan is prepared. Similarly, this report proposes alternative recommendations with regard to fiscal sustainability, public policy, covered services, cost-sharing, and ways to moderate the Medicaid cost-drivers.

There are alternatives to Medicaid that also should be pursued. Establishment of additional community health centers can improve access to primary care and medications for both the uninsured and Medicaid-eligible populations. Small employers and their employees can be encouraged and assisted in obtaining health insurance coverage. These recommendations are also presented as alternatives to invite public discussion.

Fiscal Sustainability

Preliminary Finding. The Nebraska Medicaid program is not fiscally sustainable as it is currently structured and operated. In the past 20 years, the state General Fund cost of the Medicaid program grew from $57 million to $468 million, or from 6.9% of General Fund appropriations to 17.2%. This was an average annual growth of 10.8% while General Fund revenues grew at only 6.9%. Considering only the increased costs of medical care and the projected changes in the makeup of Nebraska's population, the required General Fund cost of the program may grow to $2.4 billion per year in the next 20 years. This growth will continue to exceed the projected growth in state revenues. Without significant changes, the State General Fund costs of the program will consume a greater share of General Fund revenues. Such a growth would compete for funding with other state government programs that presently rely on General Funds.

Preliminary Recommendations. One or more of the following recommendations may be adopted.

- The Medicaid program must be structured to reduce the growth of expenditures. Because Medicaid growth and state revenue growth do vary from one another, and may be counter-cyclical, the effective reduction of growth should be measured over time.
- Medicaid should not take a larger share of state revenues, over time, than it currently does.
- Long-term Medicaid growth projections, based on current eligibility and covered services, Medicaid cost inflation, and demographic changes, compared to General Fund Revenue growth projections, suggest that projected Medicaid expenditure growth would have to be reduced an average of 1.9% a year to avoid a $907 million General Fund shortfall by 2025.
- Long-term Medicaid growth projections should be compiled, compared to revenue growth projections, and adjusted every two years as a part of each biennial budgeting and appropriations process.

Medicaid Public Policy

Preliminary Finding. The Nebraska Medicaid law lacks an explicit statement of the state's public policy for Medicaid.

Preliminary Recommendations. One or both of the following recommendations may be adopted.

- Recodification of Medicaid and related statutes should contain a clear statement of the state's Medicaid public policy. Such a policy statement could include a description of the purposes of the program and the values it supports.

- The Nebraska Medicaid program should be guided by the following principles:
  - Those who are able to do so should assume personal responsibility for themselves, their minor children, and others for whom they are legally responsible 1) to pay for or contribute to the costs of health care services, and 2) to appropriately use cost effective health care goods and services.
  - The populations to be served by the Medicaid program are low income children, parents or caretakers of eligible children, aged persons, and persons with disabilities.
  - The services to be provided by the Medicaid program are the federal mandatory services and those optional or waiver services that are cost effective alternatives.
  - Neither Medicaid eligibility nor services should be expanded without having achieved sufficient savings, having a corresponding reduction elsewhere in the program, or having identified existing General Funds in other programs that can provide state matching funds.
  - The federal Medicaid program contains entitlements to services for eligible persons. The Nebraska Medicaid program will create no additional entitlements and, where appropriate, it should seek waivers of entitlements from the Centers for Medicare and Medicaid Services.

Type of Reform

Preliminary Finding. Medicaid Reform has become a priority for numerous states that find their current program is not fiscally sustainable. Reform is taking two major forms: 1) moving from a defined benefit to a defined contribution structure, as in Florida or South Carolina, and 2) placing nearly all eligible persons and all eligible services in statewide managed care programs, as in Indiana or Ohio. Statewide managed care programs are not likely to be successful in Nebraska at this time. A defined contribution plan is specifically designed to allow a Medicaid program to become fiscally sustainable. In addition, the Nebraska Medicaid program may become fiscally sustainable by adopting changes within the current structure.

Preliminary Recommendations. One or more of the following recommendations may be adopted.

- The state of Nebraska should pursue the adoption of a defined contribution plan waiver request by 1) funding a consulting contract, 2) issuing a Request for Proposals (RFP) and retaining a consultant, and 3) preparing and submitting a waiver request to the Centers for Medicare and Medicaid Services.
- The state of Nebraska should immediately proceed to modify the Medicaid program within its existing structure through program improvements, increased use of cost effective HCBS waivers for the aged and disabled populations, and the use of some form of care coordination or case management of selected populations or disease conditions. (See Preliminary Findings and Recommendations for Moderating Cost Drivers in the Medicaid Program, page 5)
- The state of Nebraska should modify the Medicaid program within its existing structure as a short-term Medicaid reform strategy and should pursue a defined contribution waiver as a long-term Medicaid reform strategy.

Eligibility

Preliminary Findings. Mandatory eligibility for adults is limited to 70% or less of the Federal Poverty Level (FPL) and for children it is limited to 133% FPL. Optional eligibility in Nebraska has been extended primarily to the Medically Needy categorically eligible persons and to children through the State Children's Health Insurance Program (SCHIP). Both of these populations are within the priority populations that should receive assistance in obtaining health care. Categorical eligibility is an appropriate requirement for the Medicaid program, which is intended to serve only the poorest and most vulnerable residents. With the present projected growth of Medicaid, expansion of Medicaid to uninsured persons is not fiscally sustainable.

Preliminary Recommendation. There should be no change to current eligibility requirements, either by expanding or contracting eligibility standards. The issue of the uninsured should be dealt with through alternatives to Medicaid eligibility.

Covered Services

Preliminary Findings. Long-term care services for the aged and disabled, which are not normally covered under commercial health insurance policies, are available under the Medicaid program. The other health care services covered by the Nebraska Medicaid program are roughly equivalent to those available to state employees through employer sponsored health plans, with the following exceptions: cost-sharing through premiums, deductibles, and co-payments are widely used in employer sponsored plans and allowed to be used only to a very limited extent in Medicaid; a few services are more limited as to total services or total expenditure in the employer sponsored plan, mental health services are more available in the Medicaid plan, and Medicaid covers more home and community services that are intended to be cost effective.

Preliminary Recommendations. One of the following recommendations may be adopted with regard to the actual services.

- There should be no change to covered services.
- With the exception of long-term care services for the aged or disabled, covered Medicaid services should be limited as to total services or total expenditures in a manner similar to private health insurance.
- The SCHIP program, from 133% to 185% of poverty, should be a stand-alone program and no longer a Medicaid-expansion program, which would allow coverage to be tailored to the needs of that population.

Preliminary Findings. Federal regulations allow only minimal cost sharing for Medicaid eligible persons. Mandatory eligibility income levels are low enough that additional cost sharing is likely to limit access to necessary services. The optional Medically Needy are currently required to contribute their excess income to their care. There are a few optional populations, including SCHIP and low income Medicare eligible persons who have incomes above 100% FPL that may be able to participate in additional cost sharing, on a sliding scale, without limiting access to necessary services. In addition, several eligibility groups allowing children to receive services do not count parental income when determining eligibility or cost-sharing.

Preliminary Recommendations. One or more of the following recommendations may be adopted with regard to cost-sharing.

- There should be no additional cost-sharing required of eligible persons.
- Cost sharing should be imposed upon eligible persons at or above 100% of the federal poverty level (FPL) though submission of a waiver to CMS.
- SCHIP, from 133% to 185% of poverty, should be a stand-alone program and no longer a Medicaid-expansion program, which would allow additional cost-sharing to be required.
- Cost-sharing should be imposed on those parents currently excluded from cost-sharing whose children are receiving Medicaid services and whose incomes exceed 133% FPL.

Moderating Cost Drivers in the Medicaid Program

Preliminary Finding. The majority of Medicaid costs are incurred providing services to the aged and the disabled. Adults with disabilities are the most expensive to serve. The aged are the second most expensive, and children with disabilities are third. In addition, in each category of eligibility, a small percent of recipients are very expensive and require the majority of expenditures for the entire category. People with chronic conditions have better clinical outcomes if their care is monitored in accordance with accepted protocols. Pharmaceuticals are growing in importance in health care and their costs are escalating rapidly. Any reform plan must find a way to deliver appropriate care while controlling costs. The Nebraska Medicaid program cannot control general health care inflation, but it can employ means to reduce the unnecessary utilization of goods and services and to purchase the most cost-effective goods and services.

Preliminary Recommendations. One or more of the following recommendations may be adopted.

- Increase the availability of Home and Community Based Services as an alternative to nursing facility care, particularly as the number of 65+ persons increases.
- Encourage nursing facilities, hospitals, and other facility-based services to provide cost-effective Home and Community Based Services, particularly in those rural areas where there are shortages of services.
- Contract for care coordination or care management for the most expensive 10% of each of the four eligibility categories (children, adults, aged, and disabled).
- Contract for disease management services for those persons with chronic diseases for which accepted management protocols have been established.
- Contract to provide more intensive prenatal and postnatal counseling or care coordination.
- Contract to provide education and information regarding effective use of psychotropic medications to prescribers.
- Require prior authorization of all new brand name prescription drugs until the efficacy and appropriate utilization is clearly established.
- Establish an open formulary and preferred drug list for those classes of prescription medications for which established efficacy studies exist.
- Participate in a drug purchasing pool with other states.
- Implement a Cash and Counseling model for providing eligible persons access to Home and Community Based Services.

Alternatives to the Medicaid Program

Preliminary Finding. Approximately 145,000 Nebraskans under the age of 65 are uninsured. The uninsured are more likely to have low incomes and to work for small employers. With the costs of employer sponsored health insurance plans increasing, small employers are increasingly reluctant to provide health coverage to their employees. Where coverage is available, the employee's contribution to employer health plans in Nebraska exceeds the national average.

Preliminary Recommendation. One or more of the following recommendations may be adopted:

- The state should study the feasibility and cost-effectiveness of a Medicaid waiver.
- The state should explore the possibility of creating a pubic/private partnership with small employers to offer insurance coverage to employees.
- A study could include the feasibility of a state-created reinsurance program to stabilize premiums in conjunction with the Children's Health Insurance Program, to allow Medicaid to pay a portion of the health insurance premium for families at or below 185% of poverty.
- The state should develop an educational program to inform consumers and small employers of benefits of health insurance coverage and the features offered by different kinds of health policies.

Preliminary Finding. Community health centers are an important part of the primary health care network. They can provide improved access to primary and preventative care for Medicaid-eligible and uninsured persons. They can be operated successfully by local health departments and non-profit organizations. Organizing and financing community health centers is complex and requires the cooperation of the local community and technical assistance.

Preliminary Recommendation. The state of Nebraska should establish a technical assistance committee to work with local health providers, elected officials, and other community leaders to establish community health centers, satellites of existing community centers and, where possible, to help them qualify as Federally Qualified Health Centers.

Preliminary Finding. Pharmaceuticals are both important to maintaining health and controlling health conditions. They are expensive and difficult to obtain, particularly for the uninsured. Actions should be taken to improve access to necessary drugs.

Preliminary Recommendation. The federal 340B Program provides access to discount drugs. Eligible entities should be informed of the program and encouraged to apply for it. The state should also encourage the formation of a pharmacy clearinghouse that would assist eligible consumers to identify and apply for available pharmaceutical manufacturers' drug discount programs.

EXHIBIT

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NEBRASKA INNOVATION ZONE COMMISSION

Information for November 4, 2005 Meeting

Prepared by
Nebraska Department of Economic Development
November 2005

NEBRASKA
possibilities...endless℠
Department of Economic Development

NEBRASKA INNOVATION ZONE COMMISSION

Information for November 4, 2005 Meeting

At the previous commission meeting, a number of issues and questions arose. The following information addresses some of those queries.

Zoning

Part of the Innovation Commission's statutory charge is to recommend "uniform zoning within the opportunity zone . . . ." Thus, an effort was made to identify the current zoning regulations in the six counties. In addition, the counties were asked whether their zoning information was in a GIS (graphic information system) accessible database. Although all counties have enacted zoning, it is GIS accessible in only one county:

- Cass Co. – Not GIS accessible; will be in a few months.
- Douglas Co. – County data not available; Omaha has provided its zoning data.
- Lancaster Co. – Data available and supplied.
- Sarpy Co. -- Not GIS accessible; will be in a few months.
- Saunders Co. – Data not available; have not been able to contact the county's consultant to see if they have the data.
- Washington Co. -- Not GIS accessible; will be in a few months.

Until we have all the data together analysis of zoning and land use cannot be completed for the study area.

Kansas K-7 Corridor Study

The conduct of the Kansas K-7 highway corridor study has been a two-phase process. The Kansas Department of Transportation (KDOT) hired an engineering firm consultant to identify projected traffic volumes and patterns along a 38-mile corridor through 2030. The second phase, now being completed, has been a series of interactive meetings to gather community input. There has been considerable effort to consider local development expectations as part of needs identification. The final objective is a KDOT MOU with each of the corridor communities covering expectations on phased development. Study objectives include:

- Determine road type.
- Develop access requirements and street network.
- Determine right-of-way needs.
- Develop phased implementation
- Develop and execute memorandums of understanding (MOUs)

Demographic Information

State statutes charge the Innovation Zone Commission with fostering "multicommunity partnerships" and with encouraging "continuity, coordination, and cooperation among national, state, multicommunity, and local economic development initiatives and service providers in the opportunity zone . . . ." Encouraging community cooperation necessarily entails working with and through local governments. The table below lists the number and type of local government units in the Zone.

Number and Type of Local Governments in Innovation Zone by County

Type/Category of Local Government Unit	Cass	Douglas	Lancaster	Sarpy	Saunders	Washington	Total Gov't Units in Category
Places (incorporated cities)	15	8	13	5	15	6	**62**
Townships	0	0	0	0	24	5	**29**
Airport Authorities	1	1	1	0	1	1	**5**
Cemetery Districts	0	5	1	0	0	1	**7**
Sewer & Water SIDs	2	14	3	3	6	1	**29**
Multifunction SIDs	2	128	5	84	1	3	**223**
Fire Protection	11	10	9	5	13	5	**53**
Rural Water Districts	3	0	1	0	2	1	**7**
Drainage Districts	0	0	0	1	2	2	**5**
Electric Power	0	1	1	0	0	0	**2**
Housing Authority	2	2	1	1	1	1	**8**
Highway SIDs	0	1	0	3	2	0	**6**
Natural Resources Dist (HQ)	0	1	1	0	0	0	**2**
School Districts	7	11	13	4	16	3	**54**
Total Gov't Units in Co.	**43**	**182**	**49**	**106**	**83**	**29**	**492**

Source: USDOC, Bureau of the Census, 2002 Census of Governments, 2005.

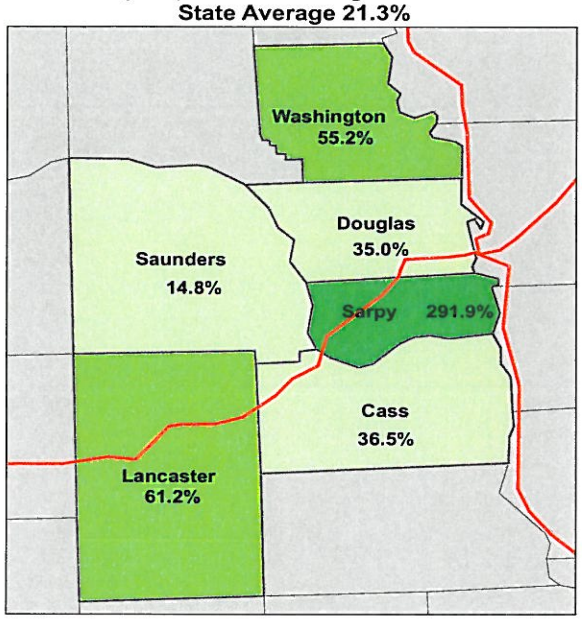
Difference in figures is SID's

Population

It is no surprise to learn the Innovation Zone counties include half the population of the state – the Zone is bookended by the two most populous counties in the state, Lancaster and Douglas. The map and table below show:

- The largest population growth in the region between 1960 and 2004 occurred in Sarpy County, not Douglas or Lancaster Counties.
- The region's population grew at over double the state rate – 55.8 percent versus 21.3 percent – between 1960 and 2000. The regional and state growth rates were closer between 1990 and 2000 – 14.0 percent and 8.4 percent, respectively.
- The total population of the Innovation Zone counties steadily increased as a percent to the state population – from 40.9 percent in 1960 to an estimated 54.1 percent in 2004.

County Populations Change 1960 to 2004
State Average 21.3%



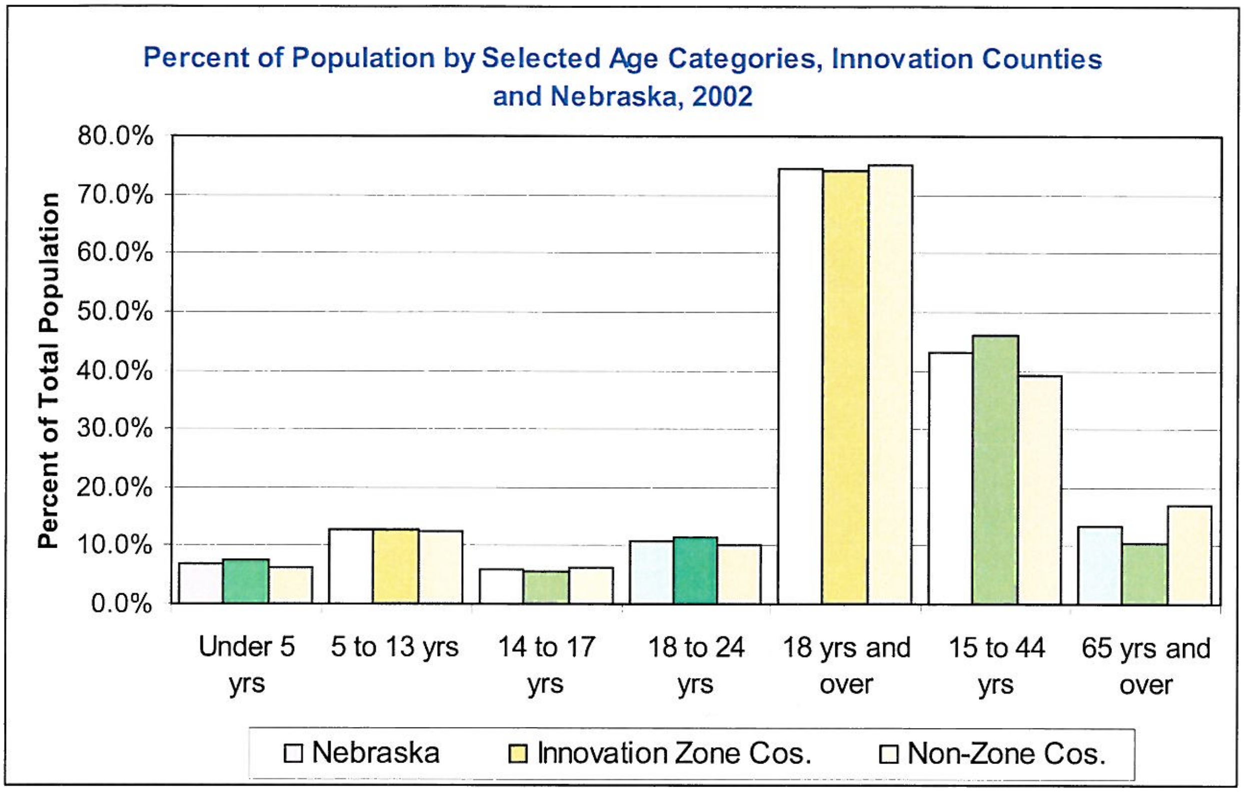
Innovation County Populations, 1960 to 2004 [1]

Region/County	1960	1970	1980	1990	2000	2004	Change 1960-2000
Cass	17,821	18,076	20,297	21,318	24,334	25,671	36.5%
Douglas	343,490	389,455	397,038	416,444	463,585	482,112	35.0%
Lancaster	155,272	167,972	192,884	213,641	250,291	261,545	61.2%
Sarpy	31,281	63,696	86,015	102,583	122,595	135,973	291.9%
Saunders	17,270	17,018	18,716	18,285	19,830	20,344	14.8%
Washington	12,103	13,310	15,508	16,607	18,780	19,605	55.2%
Innovation Co Totals	**577,237**	**669,527**	**730,458**	**788,878**	**899,415**	**945,250**	**55.8%**
Nebraska	**1,411,330**	**1,485,333**	**1,569,825**	**1,578,417**	**1,711,263**	**1,747,214**	**21.3%**
Inno. Cos. As % State	40.9%	45.1%	46.5%	50.0%	52.6%	54.1%	

Source: U.S. Bureau of the Census, "1990 Census of Population and Housing, CPH-2-29, Nebraska" and Census Web site (www.census.gov) April 14, 2005.

[1] 1960 to 2000 numbers are Census counts; 2004 number is a Census estimate subject to revision.

The Innovation Zone counties have a slightly younger population than the statewide average.



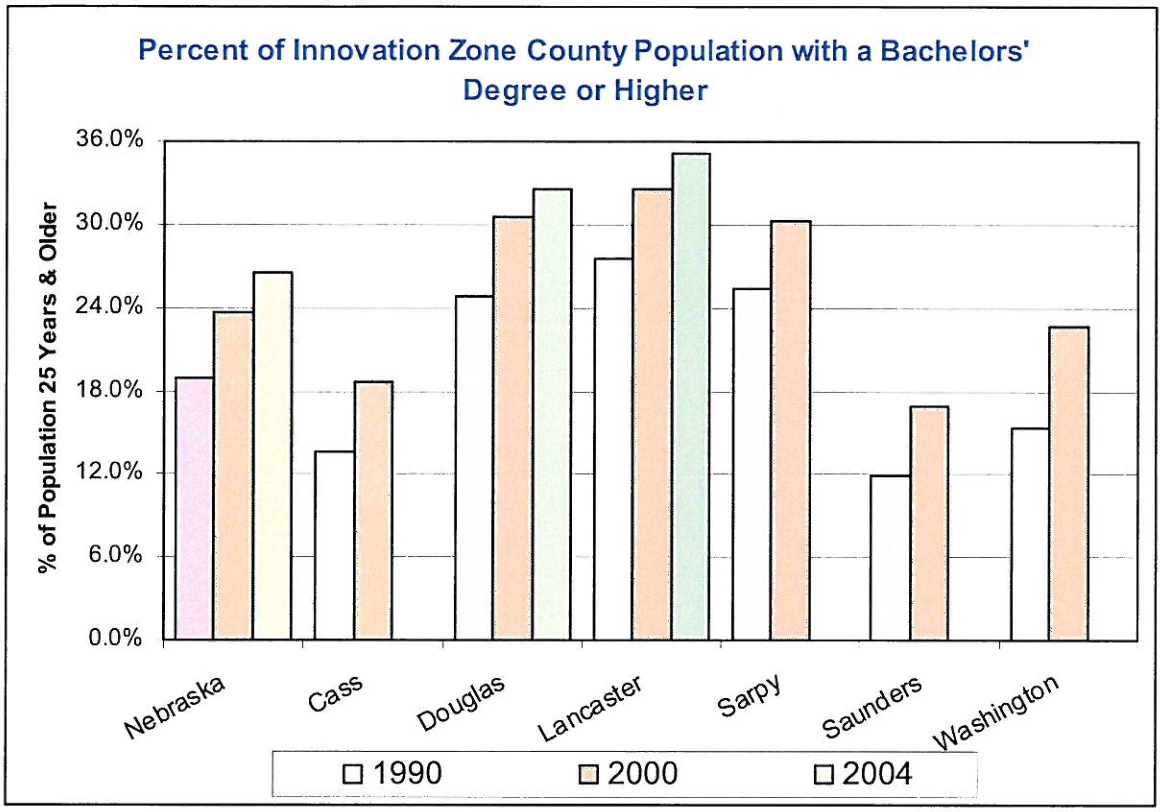
Nebraska Innovation Zone County Population Estimates by Selected Age Categories: 2002

County	Total	Under 5 yrs	5 to 13 yrs	14 to 17 yrs	18 to 24 yrs	16 yrs & over	18 yrs & over	15 to 44 yrs	65 yrs & over	85 yrs & over
Nebraska	**1,729,180**	**117,787**	**218,279**	**103,327**	**184,586**	**1,342,585**	**1,289,787**	**742,932**	**232,134**	**35,528**
	100.0%	**6.8%**	**12.6%**	**6.0%**	**10.7%**	**77.6%**	**74.6%**	**43.0%**	**13.4%**	**2.1%**
Cass	24,839	1,607	3,367	1,568	2,175	19,096	18,297	10,183	3,057	425
Douglas	472,744	35,923	61,182	27,187	47,505	362,122	348,452	212,771	51,161	6,682
Lancaster	257,513	17,895	29,193	12,862	37,230	204,183	197,563	125,570	26,382	3,612
Sarpy	129,319	10,373	19,020	8,348	13,544	95,709	91,578	61,748	9,364	881
Saunders	19,894	1,155	2,701	1,348	1,598	15,383	14,690	7,804	3,072	507
\Washington	19,211	1,073	2,489	1,232	2,223	15,041	14,417	8,114	2,462	369
Total	**923,520**	**68,026**	**117,952**	**52,545**	**104,275**	**711,534**	**684,997**	**426,190**	**95,498**	**12,476**
% of Total	**100.0%**	**7.4%**	**12.8%**	**5.7%**	**11.3%**	**77.0%**	**74.2%**	**46.1%**	**10.3%**	**1.4%**

Source: USDOC, Bureau of the Census, County Population Estimates by Selected Age Categories and Sex: 2003

Education

Another demographic category in which the Innovation counties exceed state averages is educational attainment. The 1990 and 2000 Censuses show Douglas, Lancaster, and Sarpy counties well above the state average in the percent of population 25 years and older with a bachelor's degree.



Educational Attainment, Nebraska and Selected Counties

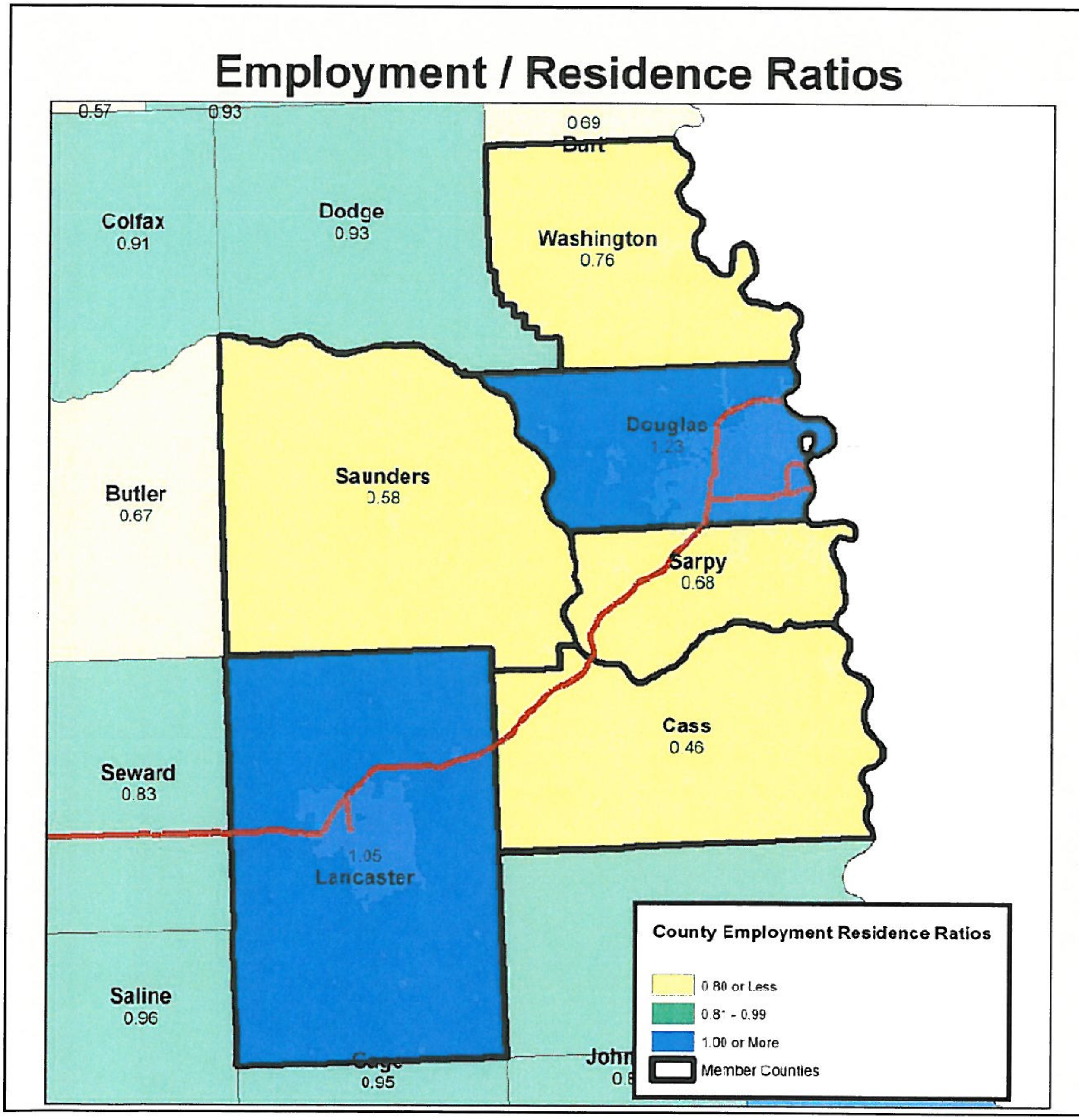
	Percent of Population 25 Years & Older:					
	1990		2000		2004*	
	High School Grad. or Higher	Bachelor's Degree or Higher	High School Grad. or Higher	Bachelor's Degree or Higher	High School Grad. or Higher	Bachelor's Degree or Higher
Nebraska	**81.8%**	**18.9%**	**86.6%**	**23.7%**	**89.4%**	**26.6%**
Cass	82.1%	13.6%	89.4%	18.7%	NA	NA
Douglas	84.5%	24.9%	87.3%	30.6%	89.2%	32.5%
Lancaster	88.1%	27.6%	90.5%	32.6%	92.0%	35.1%
Sarpy	91.0%	25.4%	93.3%	30.2%	NA	NA
Saunders	79.1%	12.0%	86.8%	16.9%	NA	NA
Washington	82.7%	15.4%	89.7%	22.7%	NA	NA

Source: U.S. Department of Commerce, Bureau of the Census, 2000 Census and American Community Survey, 2005.

*Estimated numbers from American Community Survey.

Work Force

The map and table that follow highlight the inter-relationship of the Innovation Zone counties. In Cass, Sarpy, Saunders, and Washington counties, there are a large number of workers who commute to jobs in Douglas or Lancaster counties. Actually, Douglas county is more of a magnet than Lancaster with a thousand more workers commuting from Lancaster to Douglas county than vice versa.



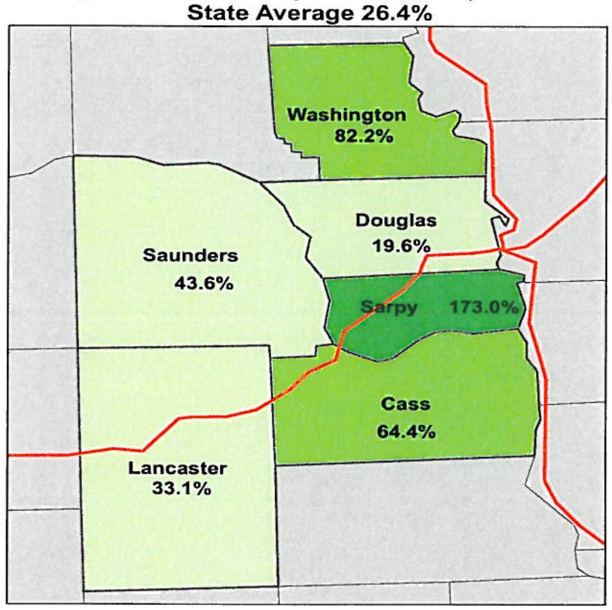
Worker Employment & Residence by County for Innovation Counties, 2000

County	Total Working in Co.	Total Residing in Co.	Employment/Residence Ratio*
1	2	3	4
Cass	5,754	12,582	0.46
Douglas	292,115	236,799	1.23
Lancaster	145,493	138,151	1.05
Sarpy	45,388	66,535	0.68
Saunders	5,899	10,183	0.58
Washington	7,613	10,043	0.76

Source: USDOC, Bureau of the Census, County Workforce Flows, 2005.
*Column 4 = Column 2/Column 3. The employment/residence ratio is the total number of workers working in a county divided by the total number of workers residing in a county no matter where they work, i.e., no matter whether they commute out of a county to work or not. A ratio <1 indicates more workers are working outside the county than are commuting in to work; a ratio >1 indicates a county attracts more workers from other counties than commute to jobs outside the county.

The Innovation Zone counties included an even higher percentage of state nonfarm jobs in 2004 than population – 61.1 percent. Fifty-three percent of Zone jobs were in Douglas and Lancaster counties. The largest job growth between 1990 and 2004 occurred in the other Zone counties, however.

Change in Work Force (Nonfarm Jobs) 1990-2004
State Average 26.4%



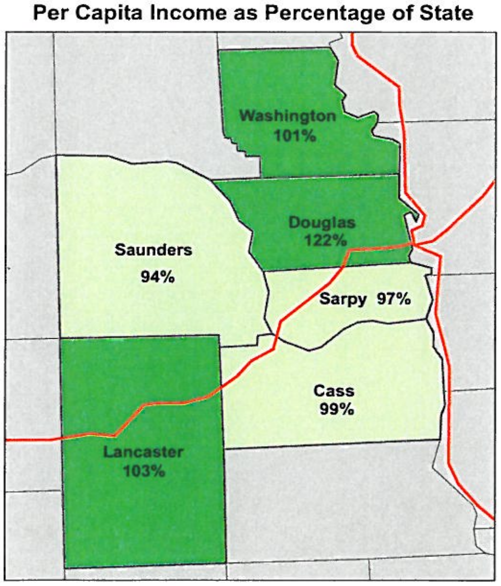
Innovation Zone County Work Force Numbers (Nonfarm Jobs), 1990, 1995, 2000 & 2004

County	1990	1995	2000	2004	Change 1990-2004
Cass	3,343	4,118	4,974	5,495	64.4%
Douglas	273,036	303,836	338,366	326,424	19.6%
Lancaster	121,698	137,285	154,298	162,021	33.1%
Sarpy	20,697	26,772	35,821	56,510	173.0%
Saunders	3,550	4,219	4,449	5,099	43.6%
Washington	4,652	6,162	7,324	8,477	82.2%
Nebraska	**730,026**	**816,367**	**908,983**	**922,905**	**26.4%**
Zone Cos. As % State	58.5%	59.1%	60.0%	61.1%	

Source: Nebraska Department of Workforce Development, Labor Market Information, 2005.

Income

Per Capita Income as Percentage of State



Obviously, Nebraska personal income is highest in Douglas County -- $17,473,122,000 of a state total of $52,435,752,000, or one-third of the 2003 total. Douglas County still dominated in terms of per capita income with 121.5 percent of the state average in 2003. The next closest among the Innovation counties was Lancaster at 102.6 percent. But, in terms of the growth in per capita income between 1990 and 2003, the growth in Cass and Saunders counties exceeded the growth in Douglas county, suggesting the Innovation counties are becoming more demographically and economically similar.

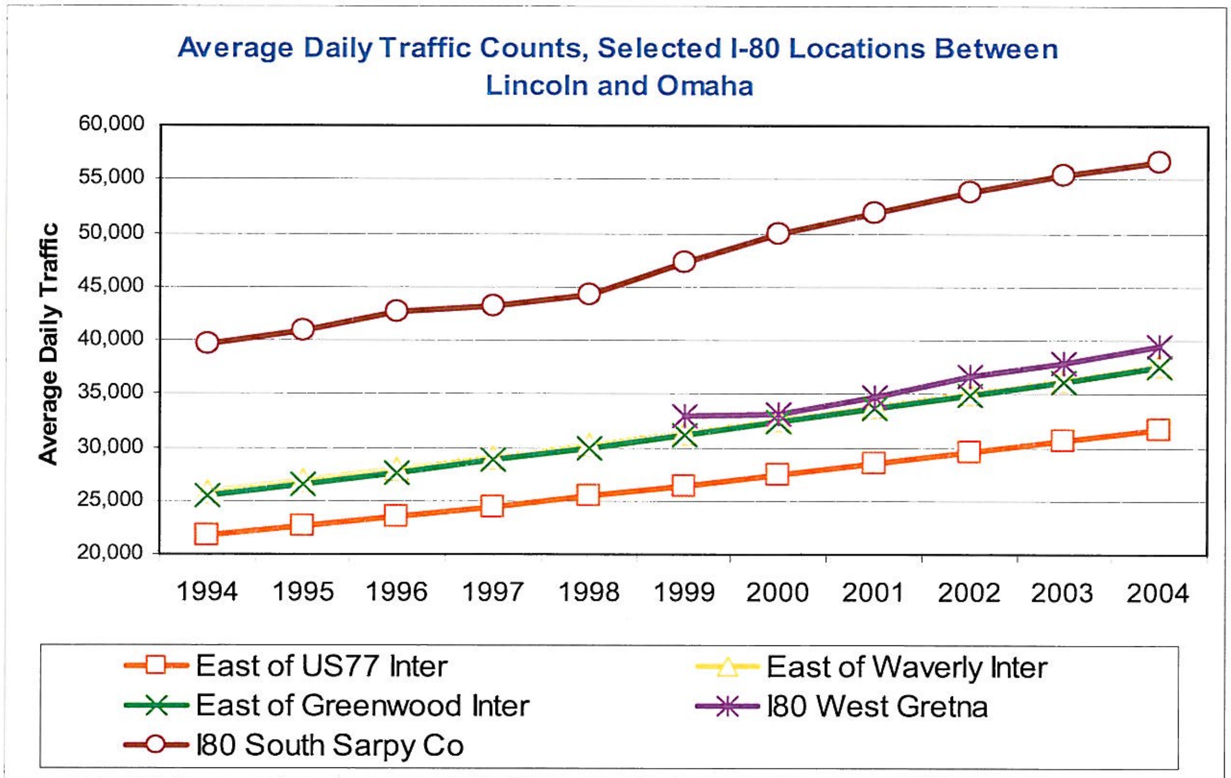
Innovation Zone County Per Capita Income, 1990, 1995, 2000, & 2003

County	1990	1995	2000	2003	Change 1990-2003	2003 as % State
Cass	$16,481	$19,927	$27,466	$29,966	81.8%	99.3%
Douglas	21,213	27,824	34,717	36,672	72.9%	121.5%
Lancaster	18,316	23,583	29,226	30,978	69.1%	102.6%
Sarpy	17,587	19,861	26,986	29,286	66.5%	97.0%
Saunders	15,071	17,594	25,761	28,263	87.5%	93.7%
Washington	18,308	22,660	28,959	30,551	66.9%	101.2%
Nebraska	**$18,088**	**$22,196**	**$27,627**	**$30,179**	**66.8%**	**100.0%**

Source: USDOC, Bureau of Economic Analysis, 2005.

Traffic Counts

Over 55,000 vehicles a day traversed a section of Interstate 80 near the south Sarpy County border in 2004. That was nearly half again the traffic at the other traffic counting sites shown in the graph below. But between 1994 and 2004, the rate of growth was about the same at all the locations.



Source: Nebraska Department of Roads, Automatic Traffic Recorder Data, 2005.

Average Daily Traffic Counts, Selected Innovation County Locations

Year	East of US 77 Inter	East of Waverly Inter	East of Greenwood Inter	I-80 West Gretna	I-80 South Sarpy Co	US 6 N of Gretna
1994	21,739	25,768	25,496	NA	39,684	6,127
1995	22,629	26,833	26,570	NA	40,820	6,408
1996	23,540	27,924	27,669	NA	42,658	6,893
1997	24,471	29,041	28,796	NA	43,263	7,594
1998	25,425	30,185	29,951	NA	44,303	8,043
1999	26,402	31,357	31,135	32,965	47,196	7,821
2000	27,404	32,560	32,349	33,158	49,930	7,123
2001	28,430	33,794	33,596	34,703	51,800	7,766
2002	29,483	35,060	34,876	36,595	53,750	9,156
2003	30,563	36,361	36,192	37,894	55,389	10,231
2004	31,672	37,696	37,544	39,500	56,682	11,703
Change 1994-2004	**45.7%**	**46.3%**	**47.3%**	**19.8%**	**42.8%**	**91.0%**

Source: Nebraska Department of Roads, Automatic Traffic Recorder Data, 2005.

Proposed Development Activities and Projects Between Omaha and Lincoln

Many development activities and projects have been proposed and carried out between Omaha and Lincoln in recent years. Some were controversial, some were not. The following list, while not inclusive, suggests the nature and diversity of those development proposals. Looking closely at some items suggests more regional cooperation and communication might have expedited some developments or mitigated some community conflicts. This list was derived from a review of past editions of the Omaha World-Herald and the Lincoln Journal/Star to see what development stories had appeared in those papers over the last few years.

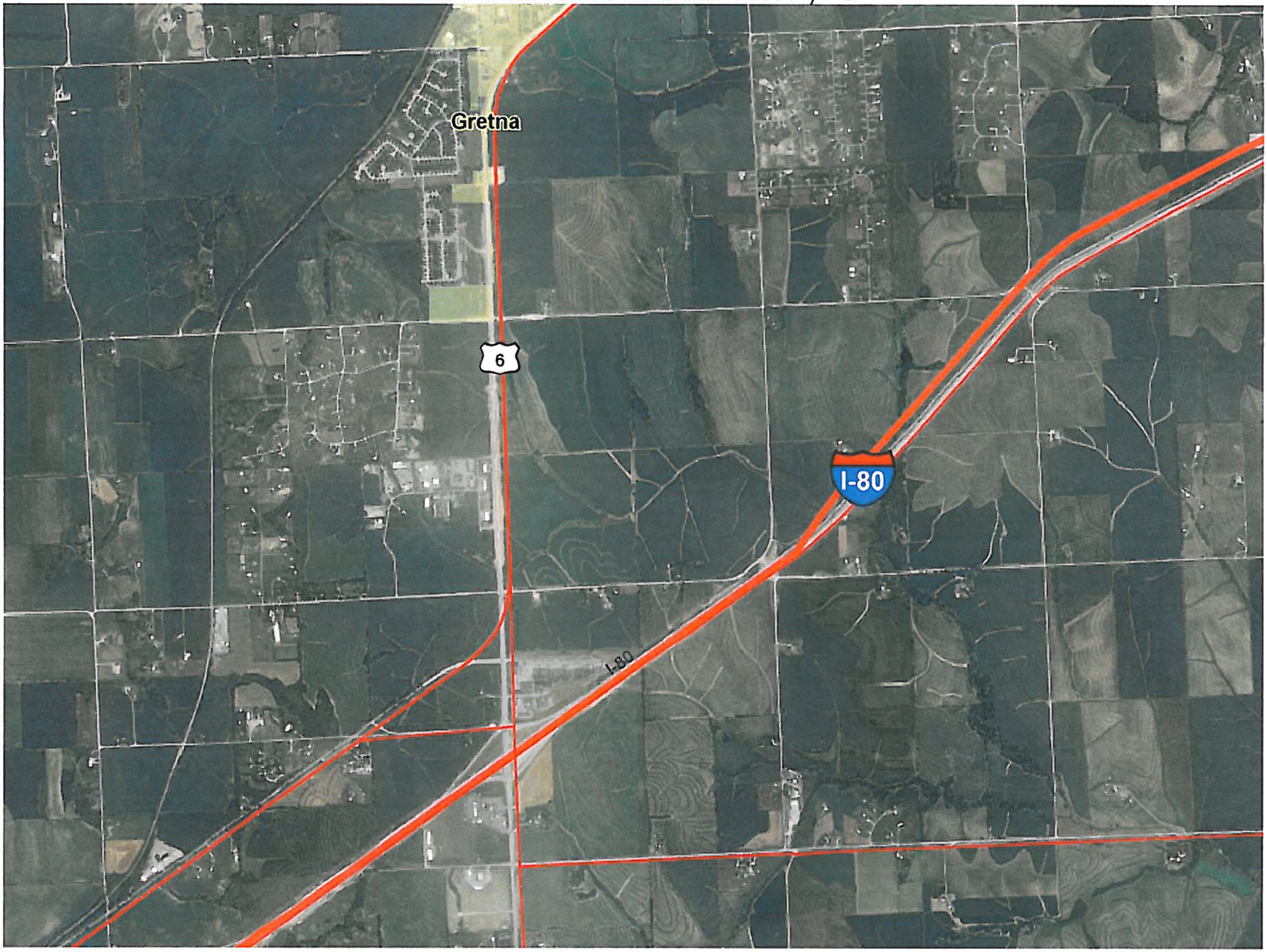
- 2005 – MBA Poultry – Waverly – construction of headquarters, processing, and distribution center – currently have production facility in Tecumseh
- 2005 – Amusement Park – proposed project in Omaha; LB 500 introduced in 2005 would have provided tax incentives for construction of the project (as yet to be built)
- 2005 – Salvage Yard – long-running attempt by the city and state government to close unlicensed "dump" in Ashland
- 2005 – Cabela's – establishing a new store in La Vista; controversy over the provision of development incentives (OWH 10/1/05) (as yet to be built)
- 2005 – Controversy over Omaha's attempt to annex Elkhorn and Omaha Public Schools efforts to consolidate all school districts (as yet unresolved)
- 2005 – Theme Park and Amphitheater – proposed to be built near Ashland (LJS 2/8/05) (as yet to be built)
- 2004 – Tractor Supply – building regional distribution center in Waverly
- 2004 – New dam and lake proposed for west Omaha (OWH 11/17/05); NRD being sued by local land owners over this proposal (dam as yet to be built)
- 2002 – WWII Library and Museum
- 2002 – Chapel – built along I-80 between Mahoney Park and Gretna exits
- 2001 – Chip Davis proposed a "Red Rocks" like outdoor amphitheater near Mahoney State Park – he gave up idea after the Quarry Oaks Gulf Course voiced opposition
- 1998 – Sac Museum – moved from Bellevue
- 1998 – Henry Doorly Zoo Safari Park (constructed)
- 1998 – Horse Track
- 1996 – Quarry Oaks Golf Club (constructed)
- 1995 – Prison – construction of new state prison in Tecumseh

Waverly Nebraska

Greenwood Nebraska

Ashland Nebraska

Gretna Nebraska Hwy 6



Gretna Nebraska Hwy 370

EXHIBIT

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A MILLIMAN GLOBAL FIRM

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Consultants and Actuaries

PERiScope

SEPTEMBER 2004

New GASB Rules for OPEB (Other Postemployment Benefits) Finalized

by Glenn Bowen

Well, it finally happened. After a decade and a half on the Governmental Accounting Standards Board's (GASB) to do list, employers now have an accrual accounting standard for retiree welfare benefits, in the form of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Governmental entities, auditors, taxpayers, and bond rating agencies will likely have many questions regarding the new standard. Let us start off with the basics:

WHO is affected by the standard? All public employers who follow GAAP and offer postemployment benefits other than pensions (see next paragraph) will be subject to the new accounting, reporting, and disclosure requirements. Note that even if retirees pay 100% of the premium for their insurance, in many cases the new rules will require reflecting an employer cost.

WHAT is OPEB? OPEB (other postemployment benefits) includes benefits other than pensions and termination incentives provided to former employees. Examples include medical, dental, and vision coverage, life insurance and long-term care. Note that some of these benefits may be provided by a pension plan. In that case, GASB 45 applies only to the healthcare benefits and GASB 27 applies to the rest.

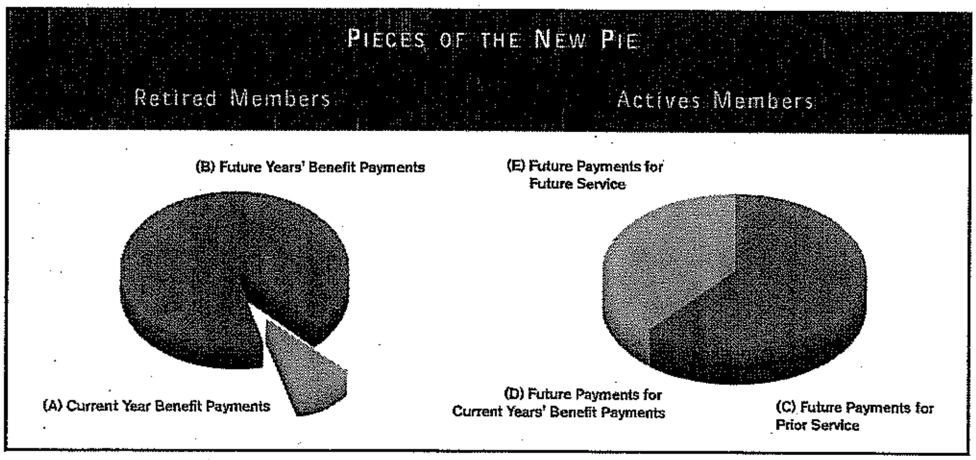
WHEN should we get started? Now would be just fine. Effective dates for GASB 45 are phased in for periods beginning after December 15 of 2006, 2007, or 2008, depending upon the size of the entity. This means that contracts resulting from upcoming union negotiations may extend beyond the effective date, thus you will want to determine the potential accounting impacts prior to bargaining. Since your first valuation can be performed based on census data collected up to 24 months prior to the effective date, many entities will soon be in a position to have calculations prepared that could be used for implementation.

WHERE do the numbers go? The Annual OPEB Cost will be reported on the income statement, and the Net OPEB Liability, if any, will appear on the balance sheet. See Figure 1,"The Pieces of the New Pie" for a discussion of how these numbers are developed.

WHY do we have to accrue for OPEB for active employees? Employees earn a right to postemployment benefits during their working years. The goal of accrual accounting is to match up the cost of an employee's services, including long term obligations such as OPEB, to that employee's period of active service. Thus GASB concluded that the current generation of users of governmental services should recognize the cost of government services as they accrue, even though the benefits are actually paid later. This is analogous to the treatment of pension benefits under GASB 27.

HOW often must we measure our liability? Plans with 200 or more members will require an actuarial valuation at least once every two years,

FIGURE 1



and plans with less than 200 members will require an actuarial valuation at least once every three years. Note that "members" includes all retirees and beneficiaries currently receiving benefits, as well as all current active employees and deferred vesteds who may ultimately earn a right to receive OPEB. (Plans with less than 100 members may choose to take advantage of a "simplified plan alternative" and forego an actuarial valuation. However, "simplified" in this case should not be confused with "simple.")

In Figure 1, pay-as-you-go accounting reflects slice (A) only, the current year's cash cost for OPEB actually paid to retirees. Accrual accounting under GASB 45 is designed to also reflect the value of future benefits for retirees and the portion of benefits for actives that have been earned but are not going to be paid in the current year. First, the present value in today's dollars of all future benefits expected to be received by each retired member and each active employee is calculated. An actuarial cost method is employed to allocate the active liability into the three pieces shown above in the Active Member pie. Slice (C) reflects the portion of the ultimate benefits allocated to prior service. Slice (D) is the portion allocated to the current year. Slice (E) is the portion allocated to future years. For retirees, all benefits to be paid this year (slice (A)) and in years to come (slice (B)) are also allocated to prior service. Actuaries call slice (D) the Normal Cost, and the combination of slices (A), (B), and (C) the Actuarial Accrued Liability (AAL).

The Annual OPEB Cost that will appear on the income statement comprises the Normal Cost and an amortization payment of the Unfunded Actuarial Accrued Liability (UAAL), plus some technical adjustments. The UAAL is the AAL less any assets that have been irrevocably set aside to fund future benefits.

The Net OPEB Liability that will appear on the balance sheet is the sum of all prior year's Annual OPEB Costs less the sum of all prior year's contributions, since the effective date of the standard.

Accrual Versus Pay-as-you-go Accounting in Real Life

To demonstrate the potential differences between accrual and pay-as-you-go accounting for OPEB, consider a study that Milliman recently performed for a municipal police and fire plan. The expected pay-as-you-go cost for retiree benefits in the effective year of the standard was roughly $300,000 (slice (A)). The expected Normal Cost (slice (D)) was roughly $800,000. The AAL (slices (A), (B), and (C)) was roughly $27,000,000. Since there were no plan assets to offset the AAL, the amortization payment of the UAAL was roughly $1,100,000. Thus, adding the Normal Cost and the UAAL amortization yields an expected Annual OPEB Cost of $1,900,000 under the new standard, over six times the pay-as-you-go or current cash cost that the municipality was used to thinking about when they considered the OPEB plan.

GASB 45 does not require advance funding for OPEB, just accrual accounting and reporting. Entities are free to continue pay-as-you-go funding. However, under the standard, the decision to advance fund would affect the allowable actuarial assumptions. More favorable investment return assumptions (discount rates) can generally be used only by entities that fund their liabilities as they accrue, which will produce significantly lower liabilities and accrual costs. Since funding, or the lack thereof, will influence the accounting results, there may be a strong incentive for governmental entities with available cash flow to commence funding their OPEB plans.

Does GASB 45 Really Matter?

If a sponsor's financial statements are used to assist in borrowing or are otherwise subject to scrutiny, the standard may have a significant impact. Ultimately, though, long-term plan costs are determined by plan provisions, not accounting treatments.

More Important Issues

Regardless of the details of the accounting standard, two significant issues looming on the horizon are certain to demand the attention of plan sponsors in years to come. The first is healthcare inflation, which has and likely will remain well in excess of wage inflation for the foreseeable future. The second is the pending wave of baby boomer retirements. Considering these two items in tandem, the resulting question is "How significant and sustainable are the benefit promises we are making?" Milliman was recently asked by a large statewide retirement system to project plan costs out for 10 years. We found that the annual pay-as-you-go cost, expressed as a percentage of annual payroll, was expected to nearly triple over that time. And, of course, that was just the start.

While many plan sponsors may find the new GASB 45 rules an added burden to the already complicated process of compiling financial statements, there is a silver lining to this new cloud. Many computer programs and methods used by actuaries to calculate the required disclosure amounts also produce projections of year-by-year future OPEB benefit payments. This information can help sponsors understand how pay-as-you-go costs will increase and plan for the retirement of baby boomers and medical cost increases.

It's Time to Act

The first item on a plan sponsor's to do list should be having an actuarial valuation performed to estimate accounting numbers, and project future pay-as-you-go costs. These estimates will help the plan sponsor understand how the accounting process works and prepare for the upcoming change. An analysis of the impact of funding these benefits on the accounting figures may be helpful for certain plan sponsors as well. While there is still some time until the effective date(s), it is advisable to start looking into the situation now, to allow as much reaction time as possible.

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