

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

[LB124 LB182 LB256 LB289 LB298 LB636]

The Committee on Appropriations met at 1:30 p.m. on Wednesday, March 11, 2009, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB636, LB256, LB289, LB124, LB182, LB298, and agency budgets. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Tony Fulton; Tom Hansen; Heath Mello; Danielle Nantkes; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR HEIDEMANN: Senator Wightman is here, we can get started now. []

SENATOR WIGHTMAN: As if you'd wait for me anyway. []

SENATOR HEIDEMANN: Welcome to Appropriations Committee. We're going to go ahead and get started here. We'll start with some introductions. Starting down to the right, Senator Nordquist will start by self-introducing himself. []

SENATOR NORDQUIST: I'm Jeremy Nordquist. I represent District 7, which covers downtown and south Omaha. []

SENATOR HANSEN: I'm Tom Hansen from District 42, which is Lincoln County in the North Platte area. []

SENATOR NANTKES: Hi, I'm Danielle Nantkes. I represent north Lincoln []

SENATOR WIGHTMAN: John Wightman, District 36, represent most of Dawson and, geographically, most of Buffalo County. []

SENATOR HEIDEMANN: Lavon Heidemann, Elk Creek, Nebraska, District 1, which...and I cover quite a bit of the tip of southeast Nebraska. The fiscal analyst at the present time is Jeanne. Our committee clerk is Anne Fargen. Page for the day is Andy. []

SENATOR HARMS: I'm John Harms. I represent the 48th Legislative District, Scottsbluff, Nebraska. []

SENATOR MELLO: Heath Mello, represent the 5th Legislative District, south Omaha, north Bellevue. []

SENATOR HEIDEMANN: And probably having bills in committee right now, Senator Tony Fulton will probably join us later from District 29, and Senator John Nelson from Omaha, District 6. At this time we would like to remind you, if you have a cell phone, if you would please shut it off or put it on silent or vibrate as it doesn't disrupt us later on.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

Testifier sheets are on the table near the back doors. We ask that you please fill them out completely and put them in the box or on the table when you testify. You do not have to fill out this form when you aren't publicly testifying. At the beginning of the testimony, please state and spell your name. Nontestifier sheets near the back doors, if you do not want to testify but would like to record your support or opposition, only need to fill this out if you will not be publicly testifying. If you have printed materials to distribute, please give them to the page at the beginning of your testimony. We need 12 copies. In the matter of time, we ask that you please keep your testimony concise and on topic, under five minutes is appreciated. With that, we will open up the public hearing on LB636, Senator Heath Mello. [LB636]

SENATOR MELLO: (Exhibits 1, 2, and 3) Good afternoon, Chairman Heidemann and fellow members of the Appropriations Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District. I introduced LB636, a bill that would appropriate \$500,000 to the Department of Economic Development over the next biennium to provide funding for promotional and visitor activities related to hosting the United States Senior Open. The United States Golf Association has selected Omaha as the site of the 2013 U.S. Senior Open Golf Championship. The local organizing committee for this event is asking the state of Nebraska to provide seed capital to support this internationally significant event. The projected economic impact of the event to the state of Nebraska is over \$30 million. This is similar to other appropriations this committee has made for national sporting events occurring in our state, most recently with the appropriation to the Olympic swim trials held in Omaha last summer. I am passing out a letter of support from Roger Dixon, the president and CEO of Qwest Center Omaha, wherein he outlines the revenue generated by events like the swim trials at that facility. It is common in other states to provide seed money for events of national and international significance like the U.S. Senior Open. The last three U.S. Senior Opens have received seed money from the state the event was held in: \$750,000 from the state of Kansas, \$200,000 from the state of Wisconsin, and \$600,000 from the state of Colorado. This money will be spent wisely on organizational and promotional expenses. The local organizing committee has stated that Nebraska vendors would be preferred. Making this investment will result in a significant, positive economic impact in our state by generating local and state taxes and by encouraging tourism. I've also handed out a couple of documents that would further detail these positive economic benefits. As we move through our current budgeting process, I would like the Appropriations Committee to consider the development of a strategic tourism fund where grants could be provided to events like the U.S. Senior Open, the Special Olympics, and other revenue-generating, nationally significant events. It is important to support events that will bring positive economic benefits to our state. Reports have shown that every dollar invested in tourism results in \$3 back in new revenue. The benefits of investing in this type of activity truly outweigh the cost. After introducing this bill, I have been in discussions with the organizers of the Cox Classic, an annual event held in Omaha, where I discovered that their event generates at least \$8.8 million in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

both direct and indirect injections. Supporting these types of nationally recognized events is critical to the long-term growth of our state. The creation of a strategic tourism fund, as well as a sustainable funding mechanism for these purposes, could develop standards and a process for organizations to qualify for such funding, instead of requiring each individual event to come before the Legislature's Appropriations Committee. I look forward to working with the committee to advance this legislation. Would be happy to take any questions. [LB636]

SENATOR HEIDEMANN: It says how much seed capital does the event need from the state, \$500,000. I notice that Wisconsin put in \$200,000; Colorado, \$600,000; Kansas, \$750,000. What determines how much seed money is needed? [LB636]

SENATOR MELLO: You know, Chairman Heidemann, I don't have the answer for you in regards to how their appropriations committee came up with that number, but that's something I could probably research and get back to the committee. [LB636]

SENATOR HEIDEMANN: And was the other states, was it General Fund money? [LB636]

SENATOR MELLO: As far as I know, yes. [LB636]

SENATOR HEIDEMANN: Okay. Senator Hansen. [LB636]

SENATOR HANSEN: Senator Mello, how many golf courses are there in the state? Do you have any idea? I wonder if we could raise the green fees just a little bit. [LB636]

SENATOR MELLO: (Laugh) I do not have an answer to that question, Senator Hansen, but once again I am fairly certain I could get back to you on that and get you an answer. [LB636]

SENATOR HANSEN: What month is it going to be in Omaha? Is this the Open? [LB636]

SENATOR MELLO: It is, and I would... [LB636]

SENATOR HANSEN: Senior Open. [LB636]

SENATOR MELLO: ...I would prefer to have more questions answered regarding the details of the event by the local organizing committee that will be testifying after me. [LB636]

SENATOR HANSEN: All right. [LB636]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR MELLO: And I also, due to other bills, I'm going to have to waive my closing. [LB636]

SENATOR HEIDEMANN: All right, so noticed. [LB636]

WALTER RADCLIFFE: (Exhibit 4) Senator Heidemann, members of the committee, my name is Walter Radcliffe and I am a registered lobbyist for the 2013 U.S. Senior Open local organizing committee. I would hasten to add that I am pro bono on this. Now many of you have heard me say that pro bono is Latin for stupid (laughter), but I...golf is something I've done all my life and I've gotten to know the people who sponsor this. Patrick Duffy, who's going to follow me, has been very active with the local committee up there and will explain some things. A few questions that were asked: Senator Hansen, I think there's a little over 200 courses in the state; Senator Heidemann, that was...those were General Fund dollars in the other states. I have a handout here, if the pages would just help me for a minute. It's two-sided: One talks about the outlines of the \$30 million economic impact, and the other talks about some of the indirect economic impact on the back. I just wanted to share a couple thoughts with you about the event and Patrick will follow me and will be brief as well. Des Moines hosted a U.S. Senior Open about 10 or 12 years ago and it really is quite an event. I mean it's a national sporting event. To say that it is the equivalent of one of the major golf tournaments being played would be accurate. I mean we've got the four major ones--the PGA, the Masters, the British Open, the U.S. Open--and this falls right behind it. Actually, the players that are in it, frankly, are probably better well-known than many of the players on the rest of the PGA Tour. It's a great event for Omaha and the Omaha Country Club invested probably, oh gosh, \$5 million, \$6 million, \$7 million in redoing their golf course to get this event and it's a magnificent facility and Nebraska is very, very fortunate to have it. Senator Heidemann, as far as...as far as where we came up with the half a million dollars, I'd be less than honest if I said to you that it was the result of some particular formula that we did. We really looked at how much we were going to be spending on promotion and tried to come up with what we thought was a reasonable number. Could it have been \$400,000? Could it have been \$600,000? Could it have been \$700,000? Yes. A hundred or two hundred would not have been sufficient to get it kick-started. So I can't sit here and in all honesty say to you there's some real precision measuring in coming up with that number. So I'd be happy to answer any questions. [LB636]

SENATOR HEIDEMANN: Senator Wightman. [LB636]

SENATOR WIGHTMAN: Thank you for being here, pro bono, I might add. [LB636]

WALTER RADCLIFFE: You know what that means, too, Senator. All of you do. Twelve thousand dollars a year is pro bono. (Laughter) [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR WIGHTMAN: I guess I'm wondering how much is the city of Omaha going to put up from (inaudible) funds. [LB636]

WALTER RADCLIFFE: Patrick can probably respond to that, and he nods his head that he can. [LB636]

SENATOR WIGHTMAN: Okay. I'll wait and ask him. [LB636]

WALTER RADCLIFFE: Fair question. [LB636]

SENATOR HEIDEMANN: Senator Nordquist. [LB636]

SENATOR NORDQUIST: Well, this is, Mr. Radcliffe, this is the...we had...we just put \$1 million in our preliminary for the Special Olympics. We put money in last year, two years ago for the swim trials. What are your thoughts on looking at ways to come up with a sustainable fund for events like this that we can have that we don't have to keep coming... [LB636]

WALTER RADCLIFFE: Frankly, I was remiss, Senator, in not saying that I think that's an excellent idea, and I think we should look. You know, Senator Hansen, you mentioned adding something to greens fees for it. I'm sure that would be well-received when I go to my next Golf Association meeting, but on the other hand that...quite honestly, something like that is not unheard of. Also, I would submit, Senator Nordquist, that if there were such a fund, one of the things I would strongly urge you to do is to create it in such a way that it can receive contributions from the private sector. For instance there's a...the Nebraska Golf Association has a foundation. Now they, I'm sure, will be contributing some money, too, to this event. However, if there were a state fund there, there are a number of those types of private foundations that I think could be encouraged to contribute. So I'd urge you to leave that door open so there's just not state dollars but also that there's a methodology for putting some private dollars into it and perhaps there could be some tax deduction if they did. That's...I think there's a...I think it's a good idea and I think it should be explored as widely as possible and not just something that we just dump state dollars into and forget about. [LB636]

SENATOR HEIDEMANN: Senator Fulton. [LB636]

SENATOR FULTON: Thanks for testifying. What...I have a contact today from a buddy up in Omaha who's on the board of the Cox Classic, so I've researched this and taken a little bit of interest in it. Can you tell me, is the attention here \$500,000 over the next biennium, or is there the potential that after this biennium has eclipsed that in 2011 or 2012 there will be another request (inaudible)? [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

WALTER RADCLIFFE: That was...that was about the second question Senator Heidemann asked me, after he asked me to explain golf to him. (Laughter) But the answer is, no, we will not be back. [LB636]

SENATOR FULTON: Okay. [LB636]

WALTER RADCLIFFE: And I cleared that; we will not come back to seek any follow-up funding. [LB636]

SENATOR FULTON: Thank you. [LB636]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB636]

WALTER RADCLIFFE: Thank you. [LB636]

PATRICK DUFFY: (Exhibit 5) Members of the committee, my name is Patrick Duffy. I'm testifying today on behalf of the Greater Omaha Chamber of Commerce and the local organizing committee, a volunteer committee in Omaha, with respect to which I am the chairman. I have a letter from the Chamber of Commerce here in support. As I mentioned, I'm the chairman of the volunteer organizing committee for the 2013 United States Senior Open Championship. I'd like to thank Walt Radcliffe for representing us on a pro bono basis, and certainly thank the Appropriations Committee for their attention to this important economic development opportunity. The 2013 U.S. Senior Open is a tremendous opportunity for the state. This is an event of international significance, and to make this event a success we are asking for a one-time grant of \$500,000 to fund our initial organization and promotional expenses. This championship is conducted by the United States Golf Association, which also administers national grant programs which have allocated \$63 million in grants to successful programs throughout the country, bringing the game's values to disadvantaged...children with disadvantaged backgrounds and people with disabilities. Nebraska programs through the years have received hundreds of thousands in USGA grants from this program. The U.S. Senior Open will be broadcast to more than 50 countries, including 16 hours of live television exposure on ESPN and NBC Sports. Past champions of this event have included Jack Nicklaus, Arnold Palmer, and Gary Player. This is a major championship and a major opportunity for Nebraska. The U.S. Senior Open projects an economic impact of more than \$30 million to the Nebraska economy comprised of the following projections, which are all based on championships that have been held previously in the Midwest: state and local taxes in excess of \$1 million; more than 7,000 hotel room nights; 7,500 off-site meals; direct championship expenses of \$7 million. The majority of such expenditures will be with local vendors, including a local media spend of up to \$1 million, and \$4 million in construction and implementation expenses tied to putting on the championship. These are professional athletes so the good news is the prize money will be subject to state income tax as well. We project more than 150,000 spectators

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

and 3,000 volunteers will all gather from all 50 states and around the globe. Five hundred worldwide media members will come to Nebraska to cover this event. As mentioned, it is fairly typical for state and local government to support USGA championships in their region. Government support for the U.S. Senior Open in neighboring states is very similar to our request today. In 2006 the event was held in Kansas and the event received support totaling \$750,000, and last year it was held in Colorado and the event received support of \$600,000. We do expect support from the city of Omaha and the Convention and Visitors Bureau, and they have provided us initial funding of \$25,000 tied to our documentation and P.R. activities when we're able to secure the contract with the USGA. We have a total championship budget of...in excess of \$7 million. That championship budget will ultimately be funded through ticket sales, through corporate hospitality sales, merchandise sales, and concession sales. Because most of those revenues will be earned in 2012 and 2013, the proposed grant is absolutely critical for the organizing committee to make this an economic success for Nebraska. Again, the grant funds would be used for initial organization expenses and for promotional expenses. Any questions? [LB636]

SENATOR HEIDEMANN: Just for the record, could you spell your last name for us? [LB636]

PATRICK DUFFY: Yes, Patrick Duffy, D-u-f-f-y. [LB636]

SENATOR HEIDEMANN: All right. Thank you. [LB636]

PATRICK DUFFY: Okay. [LB636]

SENATOR HEIDEMANN: Senator Harms. [LB636]

SENATOR HARMS: Do you have any concerns in regard to the condition the economy is in that you'll be able to raise the dollars? Because when I look at the shape the economy is in and I look at what's happening with corporations and businesses, do you have any concern at all about being able to raise, was it, \$8 million? [LB636]

PATRICK DUFFY: Yes, sir. I think the general economic conditions, if this event were held in 2009 or 2010, we would be very concerned. Given that it's held in 2013 and we'll have a number of years to promote the event and sell hospitality tickets and other corporate packages, we're less concerned. But it's certainly a concern. [LB636]

SENATOR HARMS: Yeah, I guess as I look at it, people will be lucky if they're healed up by that time. [LB636]

PATRICK DUFFY: Right. [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR HARMS: I mean it's going to be pretty deep and we're continuing to see that sort of thing. So I hope you have a plan B. [LB636]

PATRICK DUFFY: We do. Predominantly, most of the championship budget is tied to the success and how your sales are going. The more tickets you sell the more bleachers you have to put up, but definitely. [LB636]

SENATOR HEIDEMANN: Senator Wightman. [LB636]

SENATOR WIGHTMAN: Mr. Duffy, thank you for appearing before us. You talked about one-time seed money and, you know, I'm looking at how we maybe fit this into our budget and so I'm interested in knowing when the one time is. [LB636]

PATRICK DUFFY: Yes. [LB636]

SENATOR WIGHTMAN: Do you expect it all up front or could it be spread over two years of the biennium? [LB636]

PATRICK DUFFY: Yes, a one-time ask. I should have been careful there, but we're perfectly comfortable with it being spread over two installments. [LB636]

SENATOR WIGHTMAN: So that if it didn't all come in, in the first year, you're going to have ongoing expenses that this could help with. [LB636]

PATRICK DUFFY: Yes, sir. [LB636]

SENATOR WIGHTMAN: Thank you. [LB636]

SENATOR HEIDEMANN: Senator Fulton. [LB636]

SENATOR FULTON: Thank you, Mr. Duffy. To clarify, I'm reading something here regarding the taxes to be generated, the anticipation to the state. So if we're looking at this mathematically from the state's perspective, we're being asked to put out \$500,000, the return to the state of \$1.3 million, am I reading that correctly, in income and sales tax? [LB636]

PATRICK DUFFY: That's the projection of total local and state taxes. I don't know the exact breakdown between state and city taxes but, yes,... [LB636]

SENATOR FULTON: Okay. [LB636]

PATRICK DUFFY: ...that's our projection. [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR FULTON: Okay, for the entire event. [LB636]

PATRICK DUFFY: For the entire event, yeah. [LB636]

SENATOR FULTON: Okay. [LB636]

SENATOR HEIDEMANN: Senator Nelson. [LB636]

SENATOR NELSON: Thank you. I'm just going to guess that the purse money, the \$3 million, that comes from the participants? They pay money in? Is that solely from participants, that \$3 million? [LB636]

PATRICK DUFFY: Yes, the \$3 million of purse money and, again, that's an estimate based on the USGA, but the USGA puts up the purse money and then the participants effectively play for the purse money and the champion would receive the greatest share of that \$3 million purse. [LB636]

SENATOR NELSON: Is the state income tax then, is that held out of the purse money or are we depending on the out-of-state players who win that to file a Nebraska state income tax return? [LB636]

PATRICK DUFFY: Right. I'm not sure how mechanically it's done administratively, but we'll be sure to get you a list of who received what check, so that will be easy to track, yes. [LB636]

SENATOR NELSON: Okay. Turn that over to the Department of Revenue. [LB636]

PATRICK DUFFY: You bet. [LB636]

SENATOR HEIDEMANN: Senator Hansen. [LB636]

SENATOR HANSEN: Thank you. Patrick, in Senator Mello's opening, he said that the vendors, local vendors, would be preferred. We have two top ten golf courses in...actually in Hooker County, the Sandhills... [LB636]

PATRICK DUFFY: Yes. [LB636]

SENATOR HANSEN: ...and Dismal River Club. Could you...they may be vendors, I'm not sure, to get people out there to play their course, but who are the other local vendors that might even be interested? It looks like this would all be national vendors rather than any local. So what's the reality? Is it...? [LB636]

PATRICK DUFFY: Yes. A large portion of the championship budget will be spent on

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

things such as local media spends, whether it's through the newspapers, the radio stations, the TV stations, billboard media, and we think that will be close to \$1 million. Senator Harms had a good comment; it just depends on how successful we are, but that's what we're projecting. There will also be money spent on...significant money spent on local hospitality, whether it's caterers and beverage providers and other hospitality functions. A significant portion of the money will be spent on construction, building bleachers, grandstands and other facilities for spectators and corporate hospitality. That's the predominant portion of the expenditures and we will definitely prefer local vendors throughout this process, and that's pretty typical with the other championships that most of the money is spent locally. [LB636]

SENATOR HANSEN: Good. Thank you. [LB636]

SENATOR HEIDEMANN: Senator Wightman. [LB636]

SENATOR WIGHTMAN: Yeah, just a follow-up question. First of all, Senator Nelson asked some of the questions that I would have with regard to how you track the income and whether there would be withholding out of it, and I don't know whether any arrangements are made with the Senior Golf Association or who might have control of that. I would have some concern, too, that some of this might not actually be included in a separate income tax for the state of Nebraska. My other question is, how much will either the city of Omaha or the Omaha Chamber be contributing in direct contribution to this, if you know the answer to that? [LB636]

PATRICK DUFFY: I do not know the answer to that, yes. [LB636]

SENATOR HEIDEMANN: Senator Nantkes. [LB636]

SENATOR NANTKES: Hi, Mr. Duffy. Thank you for being here. I think your committee and your supporters have done a fantastic job of distilling the very tangible benefits that this type of activity can... [LB636]

PATRICK DUFFY: Thank you. [LB636]

SENATOR NANTKES: ...provide for our state. And I'm thinking that with our recent experience in terms of making a contribution in support of the Olympic swim trials in Omaha, we also had some good information in terms of specific tangible benefits that that contribution was able to bring. But since that event occurred, it's my understanding, talking with folks from, Friday, different chambers of commerce in Lincoln and in Omaha and otherwise, that they've also distilled a very real impact in regards to promotion of the state and how important that was for Nebraska. And so I'm thinking, in addition to some of these hard figures which you've provided, there's many, many more benefits that this type of activity would bring to Nebraska as a whole. [LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

PATRICK DUFFY: Yes, and I think that's a good point. We have not included in any of those soft numbers intangible benefits in this, and I think, unlike the swim trials or the College World Series, this is televised nationally, 16 hours of nationally and internationally. So the state of Nebraska will get a substantial amount of television exposure and we have not hired any outside consultants to put a number of that. I do know that the College World Series has identified the exposure, the media exposure, as some sort of a tangible value of \$5 million. We have not hired any consultants but we think it will be greater because of the international scope of this event. Yes. [LB636]

SENATOR NANTKES: Thank you. [LB636]

PATRICK DUFFY: Thank you. [LB636]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB636]

PATRICK DUFFY: You're welcome. Thank you. [LB636]

CHAD MARDESEN: (Exhibit 6) Good afternoon. My name is Chad Mardesen, spelled C-h-a-d M-a-r-d-e-s-e-n. I'm the tournament director for the Cox Classic, presented by Lexus of Omaha. I'm here today to testify in support of LB636 and to reinforce our foundation, the Omaha Community Service Foundation, board's ongoing support of the concept of creating a sustainable fund that would help events like ours and events like, of course, the Senior Open continue to operate and promote tourism and economic development for the state of Nebraska. The mission of the Omaha Cox Classic is to conduct the premier professional golf event on the nationwide tour. We provide an outstanding community event for the city of Omaha and surrounding regions, a platform from which to promote Nebraska, with the ultimate goal of providing significant funds for worthy charitable causes. We have accomplished this feat to a large extent. Our event is widely known as the best on tour, and for four days every summer the Golf Channel displays Omaha as one of the best hosts in the country, I should add to that, on a national level. The Golf Channel is televised nationally. Since 1996, the Cox Classic has given over \$1.6 million to 12 local charities. The charities include: Boy Scouts of America, Mid-America Council; Camp CoHoLo; Girl Scouts, Great Plains Council; Heartland Equine Therapeutic Riding Academy; Hogan's Junior Golf Heroes; Nebraska Children's Home; Nebraska Organ and Tissue Coalition; Omaha Hearing School; Omaha Jaycees; Ronald McDonald House; Tangier Shriners; and Youth Emergency Services. Many of these charities derive a substantial portion of their operating budget, oftentimes all of their operating budget, from our contribution. In 2007, in order to accurately gauge the overall community impact of our particular event, the Omaha Classic commissioned an independent study that was commissioned by Dr. Christopher Decker, Ph.D., who is an associate professor of economics at the University of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

Nebraska-Omaha. Dr. Decker found the Cox Classic has approximately \$8.8 million of economic impact to the Omaha community yearly: \$6.9 million of that total impact is from non-Omaha residents; \$235,000 of that impact is actually sales tax revenue generated by the tournament; and approximately \$37,000 of that is yearly state income tax, not only generated by our staff but also from the players. And I should add to that, I do...an earlier question, I do know how the PGA Tour calculates and collects that sales tax revenue. They actually do it directly. We are one of nine states that do that on behalf of the players. I can't speak directly as to how the USGA does it, but I do know how the PGA does it. Attendance for the event has grown tremendously from just over 20,000 in 1996 to nearly 100,000 in 2008. Additionally, all but 3 years of the 13 years of our event have been covered nationally on the Golf Channel. With a projected 2009 Golf Channel audience of nearly 800,000 people, that brings the total audience for the event to nearly 1 million people nationally. This national audience allows us to promote the state of Nebraska tourism and sporting event opportunities to a worldwide audience. Along with many other expenses, the cost to bring the Golf Channel to Omaha has grown dramatically and continues to grow. The current Golf Channel contract has built-in increases of 15 percent each year, making our 2009 cost to bring that coverage to Omaha approximately \$250,000. This increase is obviously difficult to continue to fund each year. The Cox Classic is in support of bills like LB636, which establishes a strong precedent for state support for events like ours, which not only give national exposure to the state but provide substantial revenue to area businesses as well as the state itself. It is our desire to see legislation that would provide a long-term, sustainable solution that would provide financial support for events like ours. This type of support would allow our event to continue to promote Omaha and Nebraska tourism, and continue to host the preeminent event on the Nationwide Tour. This model is actually not new territory. Several events on the Nationwide Tour specifically receive support from their state or county. Other states and counties that contribute to their respective events are: West Virginia provides approximately \$200,000 to their Nationwide Tour Players Cup; the Fort Smith Classic will receive this year approximately \$50,000 from the city and \$100,000 from the state board of tourism in Arkansas; the Xerox Classic, which is actually taking a hiatus this year but is expected to be back next year, received last year approximately \$100,000 from their county; Northeast Pennsylvania Classic receives approximately \$160,000 each year from their county, which is Lackawanna County; and the Albertson's Boise Open receives approximately \$30,000 from the Travel Idaho-Tourism. We strongly suggest you send this bill to the General File and add amendments to make this fund a long-term, sustainable source that events like the Cox Classic can utilize to keep providing positive economic impact to the community as well as promote the state of Nebraska. Thank you for your time. I'd be interested in questions if you have any. [LB636]

SENATOR HEIDEMANN: Thanks, Chad. Are there any questions? Did a good job.
[LB636]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

CHAD MARDESEN: All right. [LB636]

SENATOR HEIDEMANN: Thank you. [LB636]

CHAD MARDESEN: Thank you. [LB636]

SENATOR HEIDEMANN: Is anyone else wishing to testify on LB636? Seeing none, and being as Senator Mello waived closing, we will close the public hearing on LB636. We will now open up the public hearing on LB256, Senator Harms. [LB636]

SENATOR HARMS: (Exhibits 7 and 8) Senator Heidemann, my name is John, J-o-h-n, middle initial N, Harms, H-a-r-m-s. I represent the 48th Legislative District. This is really just a very short testimony. We've already placed these dollars into our budget under the Game and Parks Commission. I just want to give you an opportunity to ask any question that you might have in regard to this. I'm handing out some information that really tells the story about all the findings and the sorts of things that we have in western Nebraska. As I pointed out to you earlier, this is probably one of the greatest fossil finds in North America and it's just unbelievable of what is actually there. And as you get to that paper, the article from the newspaper, I think you'll find it enjoyable. You'll see some of the different species that they have discovered. When you look at that, you'll notice that the rabbit hasn't changed in 40 million years. It's amazing to me at what's taken place. So I just wanted to ask if you had any questions. The Game and Parks has been supportive of this. And so do you have any questions you'd like to ask? If not, I'd be... [LB256]

SENATOR HEIDEMANN: It is always that green out there in western Nebraska? [LB256]

SENATOR HARMS: Well, it hasn't been in the past, very long anyway, [LB256]

SENATOR HEIDEMANN: Senator Wightman. [LB256]

SENATOR WIGHTMAN: Senator Harms, as you know, I spent a weekend last summer out there, and you showed me around (inaudible) I do believe there's a lot to be tapped into and I'd liken it to the one up in Hot Springs, South Dakota, on the Mammoth Pits. And then (inaudible) the economic growth in that area from probably a full-time archeologist or anthropologist... I guess it would be archeologists that worked in Hot Springs and the tourist attraction that has become. And I know you've been, Senator Harms, it could be larger--the largest find in North America. Is that right? [LB256]

SENATOR HARMS: Yes, it's one of the largest finds in North America. [LB256]

SENATOR WIGHTMAN: I do think there's a lot of potential if you go out to the

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Transcriber's Office

Appropriations Committee
March 11, 2009

Scottsbluff area, Senator Harms will inform you, and he has here, that western Nebraska or Scotts Bluff County is the best kept secret in the state of Nebraska. I know he wants that not to be true. He wants the secret to get out. But there is a lot of potential out there and I think that's true. [LB256]

SENATOR HARMS: Well, thank you. If you'll look on the back side of this you'll see the fossil highway. It's just loaded with fossils all the way through, and there's some...they said in our area there's some rare finds. And this is a partnership with the Game and Parks Commission and they'll be very heavily involved in the actual planning. What this is, the money is for, is just really to plan for the expansion of the facilities. We need a climatically controlled vault and things as they start to dig. Once they start peeling that land away and start opening that up to the air, they're going to have to be able to preserve that. And a lot of it will come to the State Museum. It will be stored here. Probably molds will be made and displayed. It's a great educational tool for children. People just come there by the hundreds throughout the year for education and training. It just ties into a great economic opportunity for us and we just need help for planning. So I'll close there and are there any more questions? [LB256]

SENATOR WIGHTMAN: Taking my clue from Senator Nantkes yesterday, but mine is more of a statement than a question. [LB256]

SENATOR HEIDEMANN: Any other questions? [LB256]

SENATOR HARMS: And I would waiver my closing. [LB256]

SENATOR HEIDEMANN: Close. Thank you. Is anyone else wishing to testify on LB256? Seeing none, we'll close up the public hearing on LB256 and open up the public hearing on LB289. Senator Mark Christensen. Welcome. [LB256]

SENATOR CHRISTENSEN: (Exhibit 9) Thank you, Chairman and members of the Appropriations Committee. I'm Senator Mark Christensen, M-a-r-k C-h-r-i-s-t-e-n-s-e-n. I represent the 44th Legislative District, here to introduce LB289. LB289 would appropriate \$55,554.25 from the General Fund for the year 2008-2009 to Game and Parks Commission to match the federal funds to repair the flood damage done to the dam at Champion Mill State Historical Park in June 2007. I've handed out a memo from Roger Kuhn that outlines the damages done by the floodwaters to the dam in the mill and the planned repairs and the cost involved. As you will see in the memo, the remaining anticipated expenditures is \$222,217, for which the FEMA disaster relief would provide 75 percent of the cost, and the 75 percent of the FEMA reimbursement comes to \$166,662.75, leaving that \$55,554.25 being asked for in 2008-09. Local communities take great pride in Champion Mill State Historical Park. They have been without it for a year and a half, and I encourage you to appropriate \$55,000 for a matching fund to repair the dam at the park. I thank you for your consideration and

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Transcriber's Office

Appropriations Committee
March 11, 2009

would be willing to answer any questions you may have. [LB289]

SENATOR HEIDEMANN: What was the damage? [LB289]

SENATOR CHRISTENSEN: What happened was they had a gate that a cable broke on it and they couldn't open it. They're hand-cranked. And the water went over the top and it washed dirt away from the side of the dirt part of the dam. It put mud in the dam and then in the repair they're wanting to make it no manpower out there again. They want to put a berm out in front of it, rock it, and put in an erosion barrier and things this way so the water just naturally comes up and goes over the top rather than having to rely on somebody to get down there and crank the gates open. So the basic damage is the mud in the dam and then what it's washed off the backside. But they...for the codes that they want to meet right now, they want about 12 feet of trees taken off the backside of the dam also. [LB289]

SENATOR HEIDEMANN: And a lot of this money is then used for dredging to get the dirt out of the...? [LB289]

SENATOR CHRISTENSEN: Correct. Let's see, I think it's on that memo. The 14,000 cubic yards of debris and silt from the lake bottom is projected to cost \$52,000. The bulk of the expense is because they want to put that big berm in there, rock covered, to make sure no man has to go out there if it's a big rain, waters are coming fast, and potentially harm somebody. They're trying to get to a human-free system. [LB289]

SENATOR HEIDEMANN: So if it floods again we won't have this problem? [LB289]

SENATOR CHRISTENSEN: That's what they are telling me. What I see is if water comes too fast, rocks can move, you know, so you could have to put rocks back on that berm. But they're telling me they would use a liner with the rocks on it so hopefully there wouldn't be a complete washout. [LB289]

SENATOR HEIDEMANN: But theoretically the dirt in the lake would still happen because... [LB289]

SENATOR CHRISTENSEN: Yes. The dirt that they're wanting to remove is just what filled in because of the massive rain and erosion above, and, you know, as soon as it hits they settle in or a slowing down area, silt drops in, and that's just got to be removed for maintaining the lake. [LB289]

SENATOR HEIDEMANN: Senator Nantkes. [LB289]

SENATOR NANTKES: Senator Christensen, thanks for bringing this. I'm wondering if you've had a chance to pursue any alternative funding sources for this request before

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

you came to this committee. [LB289]

SENATOR CHRISTENSEN: Well, I have worked with Game and Parks and DNR extensively through the summer, trying to figure out other alternatives we could do to shorten the cost or get it done quicker. And part of it comes in, we have to have an engineer sign off, and my people want the dam. Just shut the gates and get going. But we have to have everything done according to code, and that's been the biggest problem is just getting the engineers. The engineering and design is all done. It's all in FEMA's hands. Now it's up to us to match it. This has just been the chosen approach. But other alternatives of funding Game and Parks tells me they don't have. [LB289]

SENATOR NANTKES: I'm just curious because I know, for example, that Governor Dave Heineman has under his control an emergency fund to help repair various damages as a result of natural disasters, and if you've had a chance to petition him for funds in this regard? [LB289]

SENATOR CHRISTENSEN: I guess I haven't. I don't know if Game and Parks did, but I didn't. I wasn't aware of the fund I guess. [LB289]

SENATOR NANTKES: Okay. [LB289]

SENATOR HEIDEMANN: Senator Harms, did you have a question? Anybody? Senator Nelson. [LB289]

SENATOR NELSON: When you talk about a berm, is this what I know as a spillway? A spillway in a dam where it's a little lower than the height of the dam and... [LB289]

SENATOR CHRISTENSEN: Correct. But what they've got right now is let's say this is the metal gates that are there right now, and it's dirt this way. They want to go from this point, curve it around and put a dirt berm in a curve like this that's got different levels. It's a different height of the lake. It will run over at different levels instead of using these gates. [LB289]

SENATOR NELSON: I see. [LB289]

SENATOR CHRISTENSEN: The gates operate. There was one that was bent and it could be straightened but it still doesn't meet the engineering requirement to get signed off. [LB289]

SENATOR NELSON: So they leave the gates there locked, and they do the berm. Is that right? [LB289]

SENATOR CHRISTENSEN: Yes. That's what the approach of this. [LB289]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB289]

SENATOR CHRISTENSEN: Thank you. [LB289]

SENATOR HEIDEMANN: Is there anyone else wishing to testify on LB289? [LB289]

ROGER KUHN: Chairman Heidemann and members of the committee, my name is Roger Kuhn. It's R-o-g-e-r K-u-h-n. I'm assistant director with the Nebraska Game and Parks Commission and we're testifying in support of LB289 for the \$55,000 to repair the damage done by the flood at Champion Mill. And I heard several of the questions and I guess I could try to answer some of those if you would like. Senator Nantkes asked a question concerning the Governor's emergency fund. Our understanding is or what we were told on that is that is not eligible or available for state agencies. It's for political subdivisions like counties or communities, that type of thing. So we did pose that question and that's what we were told. And the key thing is here, it's FEMA or federal dollars, 75 percent, so 25 has got to be matched by nonfederal dollars, and that could be state dollars or other dollars, but nonfederal dollars. So in working with Senator Christensen and have been out to the site several times and met with the local citizens out there, and, of course, they're very passionate about trying to get this thing done. It has been dry. The lake has been dry for...since June of '07. You know, we're not allowed to put water back in the lake under order by the DNR, and with today's world when you start repairing these structures you've got to meet today's standards or codes. The current structure does not meet those codes or standards, so an engineer was hired and they took a look at this and came up with this plan. And in their opinion this is the best plan for the situation out there. Senator Nelson, you asked about the structure itself. And the berms are designed as such that basically there's three phases. If the water were to rise during a flood event it would spill over one of those berms first. Another one that's about 6 inches or a foot higher would spill over second, and ultimately spill over the last option which is a current earthen dam which would be restructured or built with the rock and the fabric and so forth to prevent washouts or erosion. And the idea behind that is the current structure is narrower. It's got a gate. Senator Christensen makes a great point in that it is a very serious, dangerous situation for an individual to go out there, hand-crank open the gates when a flood is coming. The floods out there are flash floods. You don't know about them too much in advance so we've got to get somebody out there to open the gates. We were unable to open the gates in this current situation, therefore there is a lot of pressure on the dam that spilled over the dam instead of relieving it through the gate and caused a lot of damage to the structure; hence, we got the...was eligible for FEMA and we got the money. So the new design would not allow...or would take away the issue of putting somebody in danger of losing their life during a flash flood with the gates, which is a good thing also. I think over the long run, far less maintenance year in and year out with the new design versus the current design. The current structure would remain in place. It's historical. Champion

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

Mill is on the National Register of Historic Sites. The structure has been there a long, long time, so it would remain there. The gates would remain open. The water would never back up against that structure; it would back up against these new berms but the structure would remain there. And it has a cat walk over the top of it and it's kind of a neat little feature down there, but it's very narrow. The new design would spread out the flood through a lot more distance, therefore doing a lot less damage because it wouldn't be funneled into one spot. So I think it's a pretty sound design. FEMA, you know, they look these things over very seriously with their engineering firms, and they bought off on it and thought this was a good fix to the problem, so. [LB289]

SENATOR HEIDEMANN: Does the state of Nebraska have a precedent of funding of federal match to state agencies? [LB289]

ROGER KUHN: Well, in our experience we've had a couple other incidents that were declared disasters. One was at Atkinson Lake near...just outside Atkinson, Nebraska, in north-central Nebraska. We have a state recreation area there on the Elkhorn River. It's a structure...it's a different design but similar to Champion Mill, that a flood came through there, washed it out. Wiped out the lake. Declared a disaster area. FEMA put in their money and then the state funded it, the cost-share, with general funds, totally, to match the FEMA money at that time. And then Fort Robinson, we had the White River flood, which was a major event. And again, the Legislature provided General Funds to match what FEMA we received. So there has been a history or a precedent with that, and this particular project, even though the dam sits on a state park area, historical park, it benefits the entire Frenchman Valley on down the river by fixing this problem. So I think there is benefits beyond just the park, which help the state as a whole. [LB289]

SENATOR HEIDEMANN: Senator Wightman. [LB289]

SENATOR WIGHTMAN: I'm wondering, Mr. Kuhn, is this the type thing that sometimes they fund it through an natural resource district that might be located in. I know they develop projects and maybe they develop them longer range than this, but is that the type of thing that a natural resource district could assist in, as well? [LB289]

ROGER KUHN: You know, we haven't gotten any, I guess, feedback from the local NRD in helping finance or fund this project. Primarily, the dam was constructed years ago to operate the flour mill that's there, and it's been, like I say, a long history. It also assists with flood problems downstream, but, no, the NRD as far as I know is not interested at this point in stepping forward with any money to help with it. [LB289]

SENATOR WIGHTMAN: And it is located on the area that is occupied by a state park, is that correct? [LB289]

ROGER KUHN: Correct. It's on Game and Parks Commission property, yeah. [LB289]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR WIGHTMAN: Thank you. [LB289]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you. [LB289]

ROGER KUHN: Okay. Thank you. [LB289]

SENATOR HEIDEMANN: Is anyone else wishing to testify of LB289? Seeing none, would Senator Christensen like to close? Senator Christensen waives closing. With that we will close up the public hearing on LB289. We will now open up the public hearing on LB124. Senator Hansen. [LB289]

SENATOR HANSEN: (Exhibits 10, 11, and 12) Thank you, Chairman Heidemann and fellow members of the Appropriations Committee. LB124 extends the deadline established for the Department of Economic Development to expend or obligate funds in the Job Training Cash Fund. Current law provides the unexpended or unobligated balance existing on July 1, 2010, to be transferred to the Cash Reserve Fund no later than July 10, 2010. LB124 extends the deadline to expend or obligate the fund to July 1, 2014. Additionally, current law provides that any unobligated amount not transferred from that fund that remains unexpended by July 1, 2009, be transferred to the Cash Reserve Fund no later than December 31, 2011. LB124 extends this deadline to provide that any obligated amount not transferred from the fund that remains unexpended on July 1, 2013, to be transferred to the Cash Reserve Fund no later than December 31, 2015. There's a lot of dates there, and I think the next testifier will be able to explain the rationale behind LB124. I do have some letters of--I think they're all proponents--of LB124 from NEDA, the Nebraska Economic Developers Association; the city of Lincoln; and the Omaha Chamber, I believe it is...and the Nebraska...here, the Nebraska State Chamber. These I'd like to have placed in the record if I could. The next testifier will be the director of the Department of Economic Development, Richard Baier, also a former resident of the Buffalo Bill-plex. Do you have any questions for me, Mr. Chairman? [LB124]

SENATOR HEIDEMANN: Are there any questions? We're going to be kind to you today. [LB124]

SENATOR HANSEN: Thank you. Richard. [LB124]

RICHARD BAIER: (Exhibit 13) Thank you, Senator. I do have handouts available for you when he gets a chance. Good afternoon. Chairman Heidemann, members of the committee. For the record, my name is Richard Baier. The last name is spelled B-a-i-e-r. Since 2004, I've had the pleasure of serving as the director of the Nebraska Department of Economic Development. I'm here today to testify in support of LB124, and I'd like to thank Senator Hansen for introducing this bill. I'd also like to outline why

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

this legislation is important to our state's overall economic development effort and a little bit about the reasons for the legislation before you. As outlined by Senator Hansen, LB124 seeks to extend the recapture date for the Job Training Cash Fund, also known as the Job Training Advantage program, from December 31, 2011, to December 31, 2015. We believe this is a prudent extension of existing funds that are sufficient to meet our job training purposes rather than request more funds in this tough economic climate. The Job Training Advantage program was created in 2005 as the entire Nebraska Advantage package began to take form on the floor of the Legislature. During that session, it became clear that Governor Heineman, legislative leaders, and numerous economic development supporters felt compelled to include enhanced job training funds as part of our overall economic development package and to improve Nebraska's competitive position. At that time, a \$10 million program was enacted to support the new Advantage Job Training program. As suggested by the Legislature in subsequent sessions, the department has worked diligently to encourage companies utilizing these funds to collaborate with the community colleges and would facilitate that relationship every chance we get. The process we use to award these job training grants allows for a high degree of accountability and is, at the same time, flexible enough to allow companies to hire and train Nebraska's workers in a sufficient manner in a very reasonable time period. Grants are targeted towards the creation of new jobs but we also provide funds to upgrade the skills of existing workers. When considering how much an existing company, for example, will receive as part of their grant-making process, we consider the wage of the employee at the time training will begin, as well as the wage they will receive after they are trained. The higher the wage level increase, the higher potential grant amount to the employer. The lowest percentage an employee will see in their increased compensation to qualify for these grants is a 6 percent wage increase. Likewise, when a company looks to relocate to Nebraska in order to receive these job training funds, they must pay their employees at least 100 percent of the area average wage as defined by the Nebraska Department of Labor. And again, the higher the wage, the more that you'll often see in grant funding. The grants are structured as a reimbursement payment, so the companies have to extend the resources to receive the benefit of the program. This provides our department with a proof of purchase, so to speak, before we commit state taxpayer funds to a project of this nature. If companies can't or don't meet the minimum job creation levels under the contract they sign with us, we terminate or restructure this contract to reflect actual job creation numbers. This is one of the reasons that you will see a balance in the cash fund today. We believe we've been very judicious with the Job Training Cash Fund. We don't do bad projects and we believe we've made a significant impact on the community and the state, and we are very careful about terminating contracts that don't meet our legislative intent. Since its inception in July 2005, the job training program has played a large role in creating more than 7,000 new jobs in Nebraska. This program is extremely beneficial for everyone involved. The companies receiving grants have a financial incentive to relocate or expand in Nebraska without having to worry about whether we have a readily available educated workforce. Nebraska's citizens become better educated and, in some cases,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

learn specialized, cutting-edge job skills. In cases of existing employees, we also assure that wages are increased. I've included a handout of the current Job Training Cash Fund balances and current commitment levels as of today, March 11. On that sheet you will see that we have three funds for Job Training Advantage program. Fund 27230 represents the interest earned from the total \$25 million appropriated over the last four fiscal years. We began separating this interest amount from the fund rather than reinvesting it when LB956 was passed last session. This legislation required that we earmark that interest as a set-aside for small or rural business job training or job training in areas with a high concentration of poverty. And I'll share with you in a few minutes examples of where we've done that in places like north Omaha. Since then, we've funded \$285,500 worth of these trainings for these specific purposes. I think it's worth noting, however, that we were funding projects such as these even before the passage of this legislation. The other two fund balances show the balance of the original \$15 million appropriated in '05-06 and '06-07, and the balance of the \$10 million appropriated for the current biennium. At the bottom of the handout, you'll see the total amount under contract that is outstanding and the commitments to companies awaiting confirmation. Out of the \$25 million total for the last four years appropriated, \$7.6 million has been paid out to companies that have employed Nebraska workers; \$3.65 million is outstanding for companies that we have actual contracts with and we are waiting to process payment; and \$16.8 million is committed to recruitment and expansion projects in our state that have not made final decisions about their locations. Clearly, some of the funds that are committed to pending projects won't come to fruition, and we recognize that because of our current economic situation, but it's also important that we believe there's an existing balance within the fund in order to provide job training for new projects as they flow through the system. As you will recognize, one of the challenges is that these projects often take an extended period and they don't properly reflect the budget cycle as allowed by the state. In today's economy, when so many states are facing financial crisis and raising taxes on citizens and employers, Nebraska must stay aggressive in educating our workforce and recruiting new jobs. Because of programs like the Job Training Advantage program, we also stand ready when our existing companies request assistance with these valuable expansions. Because this recession has been difficult for many Nebraskans, I think we can make a strong case for job creation and training opportunities now more than ever. Thank you for the opportunity to testify here today, and I'd be happy to answer any questions that you might have. [LB124]

SENATOR HEIDEMANN: Thank you. Are there any questions? We're in a good mood today. Seeing none. [LB124]

RICHARD BAIER: Thank you. [LB124]

SENATOR HEIDEMANN: (See also Exhibits 36, 37, and 38) Does anyone else wish to testify on LB124? Seeing none, would Senator Hansen like to close? Senator Hansen

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

waives closing. We will close up the public hearing on LB124. We will open up the public hearing on LB182. Senator Dave Pankonin. [LB124]

SENATOR PANKONIN: Good afternoon. [LB182]

SENATOR HEIDEMANN: Welcome. [LB182]

SENATOR PANKONIN: Chairman Heidemann and members of the Appropriations Committee, I am Dave Pankonin, D-a-v-e P-a-n-k-o-n-i-n, and I represent the 2nd Legislative District. I'm here to introduce LB182 on behalf of Heritage Nebraska Main Street. We are pleased to see that you have included funding for this program in your budget recommendations. As you know, we have decided not to pursue the larger amount requested in LB182, but we do support and are very thankful for your recommendation of \$100,000 a year for each of the next two years of the biennium. Today, during the hearing for the Department of Economic Development's budget, you will hear from supporters of Heritage Nebraska Main Street about the tremendous impact of the program over the past 15 years and the exciting new things that are planned as the program reaches out to even more Nebraska communities to revitalize downtowns and celebrate the historic neighborhoods, rural barns, schools, and churches. A recent Rutgers University study revealed that historic preservation pumps \$170 million a year into Nebraska's economy. Main Street is responsible for \$4 million of that amount. In addition, for every dollar spent to operate a local Main Street program, nearly \$18 is reinvested in the community. In the nearly 15 years that state matching funds have gone to the program, Main Street has leverage more than \$2 million in matching funds from the private sector. That tradition continues and the program has more than the required amount to match the appropriations from the state. Thank you. [LB182]

SENATOR HEIDEMANN: Thank you, Senator. Are there any questions? Seeing none. [LB182]

SENATOR PANKONIN: Well, that's good. I'm just going to say in closing that I'm very interested in this because I have two communities, very historic: Plattsmouth and Nebraska City in my district. And as I mentioned last year, I live...my home address is a main street address: 721 Main Street in Louisville. We also have a very nice main street in Louisville, and much like whether it's the Haymarket in Lincoln or the Old Market in Omaha, having revitalized downtown areas are just as important in small communities, and it's so fun to see it when they do come alive and we're able to preserve them. So thank you for your consideration. [LB182]

SENATOR HEIDEMANN: Senator Hansen might have a question. [LB182]

SENATOR HANSEN: Thank you. I have a question on your closing. Is your downtown

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Transcriber's Office

Appropriations Committee
March 11, 2009

main street in Louisville wired for Internet? [LB182]

SENATOR PANKONIN: Yes. [LB182]

SENATOR HANSEN: Did you take those signs down? (Laugh) [LB182]

SENATOR PANKONIN: No comment. (Laugh) [LB182]

SENATOR HANSEN: I thought that was great. I was there last summer and it was a great downtown, great main street. [LB182]

SENATOR PANKONIN: Thank you, Senator Hansen. Thank you. [LB182]

SENATOR HEIDEMANN: You bet. Is there anyone else wishing to testify on LB182? Seeing none, we will close up the public hearing on LB182 and open up the public hearing on LB298. Senator Harms. [LB182]

SENATOR HARMS: Senator Heidemann, colleagues, my name is John, J-o-h-n, middle initial M, Harms, H-a-r-m-s. As I look at this program, GROW Nebraska--I became aware of GROW Nebraska about two years ago, and began to watch what was happening with GROW Nebraska; talked with a lot of people. I became really a fan of GROW Nebraska. When I look at the stimulus package that we're seeing coming from the federal government, I think about GROW Nebraska. It just fits the bill really well because that's what it's doing: it's stimulating our economy. They're going in and helping entrepreneurs find their way; teaching them how to market; the strategies that it takes to be successful in a business; actually go through training with these people. I think it's a great opportunity for us to be able to put some money into a program that's already established, already doing the thing we're talking about, and that's creating jobs. This program was established in 1998. It simply helps entrepreneurs market their products. It's found in 67 of the 93 counties, which I think is just really pretty good. It has products that are so diverse, from coffee to popcorn to soap to jewelry. It's amazing, I think, that people who might follow me will give you, if you already don't have a catalogue, just to look through what they have that's available. I know my wife and I use that often. We purchase gifts and send them to our friends that are not in Nebraska, letting them know the kind of products we have and what's happening there. They help, these entrepreneurs...most entrepreneurs do not know how to market themselves. They just don't. They don't have the tools. They don't understand it. And they help market not only, in Nebraska, but throughout the United States and also internationally, which I think is just a really wonderful way. They are funded by dues. They're funded by business contributions, by state agencies, including DED monies, I think, over a certain period of time that we've given from this side of the house. Their goal is to be self-sustaining. They want to be self-sustaining and this is what this money is about. It's not for administrative expenses. It's not for employment. It's to be used for marketing,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

used for training, used to help people who really need the assistance in growing their marketplace. They're interested in developing a much greater distribution. They're also interested in creating Amazon.com.Nebraska businesses, and I think that would really help tremendously. If you look at their last annual report, they've increased their membership 19 percent. Businesses, about 25 percent of the businesses are now participating in the training programs. And I think you are going to find more and more of that because of the economy people are beginning to realize that what dollars they have as an entrepreneur, they cannot afford to waste in any form or manner. So any help they can get to market their product, the better off they'll be. Their on-line sales, about 46 percent, and I think that will continue to grow. Their products have been sold in 27 states in our country, as well as Canada. Twenty-three percent of the business GROW works...works in starting businesses. They make a real effort in starting businesses. And 77 percent are in existing businesses. So I would just tell you that I've been here last year and had this discussion, but I really believe it's worth the investment. I also understand where we are fiscally and I understand all of those issues and I understand the kinds of problems we have. We all do, who sit in this room day after day, but this is one that I think it's worth taking a look at and I think it's one that I know will benefit Nebraskans, will benefit the products that we're selling. It will help entrepreneurs develop. And so I'd be happy to answer any questions. I know there will be people that will follow me that probably have a better answer than what I can probably give you, so. Yes. [LB298]

SENATOR HEIDEMANN: Are there any questions? Do any of the small businesses have T-shirts? (Laughter) [LB298]

SENATOR HARMS: They might hire out. I don't know. (Laugh) [LB298]

SENATOR HEIDEMANN: It would be a good business to get into, just looking. [LB298]

SENATOR HARMS: Yes, I agree. [LB298]

SENATOR HEIDEMANN: Any other questions? Thank you. [LB298]

SENATOR HARMS: Thank you very much, Senator. [LB298]

SENATOR HEIDEMANN: Welcome [LB298]

JANELL ANDERSON EHRKE: (Exhibits 14, 15, and 16) Good afternoon. I'm Janell Anderson Ehrke. I'm the executive director of GROW Nebraska. It's J-a-n-e-l-l A-n-d-e-r-s-o-n E-h-r-k-e. I'm passing out today a couple handouts. Again, I want to thank you for giving me the opportunity to testify today. One I want to bring to your attention is our statewide entrepreneur map marking where we currently have businesses, artisans, and entrepreneurs that we work with. GROW Nebraska is the only

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Transcriber's Office

Appropriations Committee
March 11, 2009

statewide marketing and training program in the state. All of our services are unique to marketing. We do not duplicate any services that are currently being offered by other organizations or programs. Also I want to bring to your attention, as you're looking through the 2008 GROW Book, it's the premier listing of Nebraska's small businesses, entrepreneurs, and artists. I'm proud to tell you that the 2009-2010 GROW Book will be out by mid-April that we can provide all your offices, and we will be increasing that by another 100 businesses. So obviously there is a tremendous need for GROW Nebraska. I also know in these difficult times we're looking for return on investment, GROW Nebraska is very committed to statewide job creation and retention. And also as I work with the Department of Economic Development, building a bigger economic pie which we're working with our e-commerce initiatives. We work with UNL Extension on creating an eBay opportunity. We know if we can create global or out-of-state sales, that's new money and it increases our economic situation. I know forward thinking in these tough times is really important, and one of the things that GROW Nebraska can do is the return on investment. In 2008, for every dollar we received, either in state funding or from corporations or personal donations, we returned \$1.41 in sales to our members. I think probably hearing from some of the members or businesses that actually work with GROW Nebraska is much more beneficial than hearing me talk. So again I want to thank you for giving me the opportunity to speak with you this afternoon, and if you have any questions I would be happy to answer those. [LB298]

SENATOR HEIDEMANN: Thanks, Janell. Are there any questions? Senator Hansen. [LB298]

SENATOR HANSEN: Yes, Janell, thank you for coming today. [LB298]

JANELL ANDERSON EHRKE: Sure. [LB298]

SENATOR HANSEN: I see one of your sponsors is the University of Nebraska, and you already mentioned Extension. Do you take advantage of the EDGE program? [LB298]

JANELL ANDERSON EHRKE: Yes. [LB298]

SENATOR HANSEN: Okay. To what extent? Like Senator Harms said, 67 out of 93 counties. So...and...now I lost all the statistics he said, but so many...you have a lot of small companies, a lot of small microenterprises. How many of those took advantage of the EDGE program? [LB298]

JANELL ANDERSON EHRKE: I'll have to get that information for you. I mean, I can give you an estimate of the ones that we know. But what we try to do is we work EDGE when they're having an EDGE training course, Senator. We will promote it within our members. One of the first questions we ask them when they join: Do they have a business plan? If they don't then what we do is we send them a list of, okay, you need

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

to work with EDGE, REAP, the Nebraska Business Development Centers. We try to make sure and connect them--the new business community development center--connect them with those resources that do business plan development, because we don't do that. And we also know, as well as you know, the businesses that have a plan are that much more likely to succeed. So we really try to work with them and make sure they get a sound plan in order. [LB298]

SENATOR HANSEN: Thank you. Ranchers have a plan, too. If you're in a hole, quit digging. (Laughter) [LB298]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB298]

JANELL ANDERSON EHRKE: Thank you. [LB298]

JOHN ROOD: Hello. My name is John Rood, J-o-h-n R-o-o-d, and I own Nebraska Digital. It's a small Web design and programming firm that's about five minutes away from the Capitol, so I'm from Lincoln. Unlike a lot of the other Web shops in Lincoln, my company does business all over the state. We've got customers from North Platte to Omaha, to Falls City to Columbus, and it's not just big cities. We do work in a lot of really small towns that I confess I never ever heard of, growing up north Omaha, including, as we went around the room earlier, I think businesses in every one of the districts that are represented within your group. The first thing I want you to know is that like most small business owners, I'll pay dearly for coming to speak to you today, including a bunch of the people back here. That's because most of us are struggling right now to do more with less. In real terms that means once we get done here, I'll go home for dinner and then come back and work until midnight or 1:00 a.m. on things that I really should be doing right now. But I came here because I think GROW Nebraska can do some important things for the state, and I want you to know why this money is so important. Before the hearing is over, you're going to hear about all the great things GROW does to help Nebraska small business. These are great dynamic people armed with lots of energy, enthusiasm, newsletters, the Web site, the e-commerce site, an eBay store, seminars, e-mails, Nebraska products in the malls: all really good stuff. This is great and wonderful and desperately needed across our state. But I took time to speak to you today because I'm not sure even the folks at GROW appreciate how good they are. Here's our story. A few years back we got a call from a manufacturing company in central Nebraska. They wanted a quote on a new Web site; just a simple redesign; kind of ho-hum job for us. They were good enough to come to Lincoln, and during our meetings we suggested creating some pretty sophisticated sales quotes for their Web site. It was a fun program for us to write. It took about a week. The feedback that we got was great. We continued to hear from them from time to time and we exchanged cards at Christmas, but the bulk of our work was over and we grew apart. Two years later they called and asked if I would come to a celebration at the plant.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

Honestly, I was looking for a polite way to say no. We were busy; gas prices were going up and the drive was more than three hours away from our offices. But these were good people and they were really insistent, and so I got in the car and headed back out. It was a shock to me to pull up in the parking lot and find it filled with hundreds of people, basically the whole town: kids, families, pets, bounce houses, brats, and burgers. It was a real shindig and the kind of thing that you only find in small-town Nebraska. I was even more surprised when the general manager came over to shake my hand and led me to a head table that included company bigwigs, the state senator, a certain Lieutenant Governor who went on to bigger things, and someone from the Department of Economic Development. I was the only one at the table in jeans and tennis shoes, but I was about to be handed a mic and asked to say a few words. At this point I was totally mystified. What the heck had we done to deserve such an honor? It was then that the GM clued me in. Our simply little program had helped them generate more than \$7 million in sales over two years. It had helped take a plant that we in danger of closing, or at least being put up for sale, and it took them and helped them have a record year. We had no idea what we did. And I don't think the people at GROW understand that all the time either. I'd love to tell you that this company found our company because of the member directory that was sitting at the rest stop somewhere. It's a little more complex than that. We did some work for a customer of theirs who recommended us to somebody else who ended up recommending us to another company. But that's kind of the way that business gets done in Nebraska. It was a great deal for everybody. We spent \$150 to join GROW Nebraska. For that we gained lots of new contacts, several new customers, and eventually that led to us being able to help another Nebraska company grow millions of dollars in new revenue. I submit to you that the investment you're being asked to make now in GROW will pay similar dividends. Small businesses in our state need every bit of help you can send their way right now. The experts tell us that small business will lead the economy out of the recession, and yet I don't see, like the senator, any meaningful dollars flowing out of Washington for that purpose. There's lots of money for bailouts on both sides of the aisle but nothing to actually help grow new business. That's why we've come to you. Nebraska needs a strong small business climate. As big corporations fall on hard times and some familiar names even disappear, we need to start growing our next companies, Nebraska companies like Cabela's, PayPal, and even Google that's in the area now. GROW takes small businesses and makes them stronger. They coordinate well with economic development, the NDBC, universities, and other organizations with similar missions across the state. They are great stewards of every dollar that comes their way and you couldn't ask for a better partner in growing Nebraska's future. [LB298]

SENATOR HEIDEMANN: Thank you, John. Are there any questions? Senator Hansen. [LB298]

SENATOR HANSEN: John, are you on this list? I didn't get the name of your company. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

JOHN ROOD: Nebraska Digital. We're a Lincoln company. [LB298]

SENATOR HANSEN: Nebraska Digital. Okay, very good. Thank you. [LB298]

SENATOR HEIDEMANN: Senator Nantkes. [LB298]

SENATOR NANTKES: Thank you for taking time out of your busy schedule to be here today and to talk about the importance of this program. Senator Harms brought this forward a few years ago and we had an equally fantastic hearing at that time, but it's always good to get an update about what's going on out in the world. I just wanted to draw back to some of the comments at the tail end of your testimony in regards to the federal stimulus. I can appreciate that there is a frustration amongst people out there as they see taxpayer dollars being put out for a variety of different reasons to try and jump-start the economy. But I think it's probably inaccurate to say that there's nothing in there for a small business. As we well know, there's a variety of different tax breaks directed to small businesses in terms of how they value depreciation and a variety of other things. So while there might not be a program specifically like this within the context of the federal stimulus, I just want to clear, for the record, that there are, in fact, components of the federal stimulus that are directed towards small business. Would you agree with that? [LB298]

JOHN ROOD: Sure; yeah. And I think actually that's one of the neat things that GROW does is, as those things become available, that they do a great job of communicating them to the members. [LB298]

SENATOR NANTKES: Great. Thank you. [LB298]

SENATOR HEIDEMANN: Any other questions? Senator Nelson. [LB298]

SENATOR NELSON: This is a very extensive list here. Are services ongoing to all of the people listed on here or does this go back a ways, a few years back? Do you happen to know or...? [LB298]

JOHN ROOD: Janell, these are all current members. [LB298]

JANELL ANDERSON EHRKE: That's a current...those are the... [LB298]

SENATOR NELSON: Current? [LB298]

JANELL ANDERSON EHRKE: Current for the year. [LB298]

JOHN ROOD Now I had lunch and I told her we wanted to see her in the rest of the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

counties next year but it's a pretty neat deal. And, you know, for an Omaha and Lincoln guy, this is really a chance to interact with the rest of the state and for us to help them and then with them to help us. [LB298]

SENATOR HEIDEMANN: Thank you. [LB298]

JOHN ROOD: Thank you. [LB298]

JOHN R. HANSON: Good afternoon, Senators. Nice to be here. My name is John R. Hanson, J-o-h-n, middle initial R, last name Hanson, H-a-n-s-o-n. I'm very proud to represent GROW Nebraska and speak on their behalf today. I don't have a T-shirt on but that's just because I would have to get a billboard permit, as big as I am, to wear one. (Laughter) As many of you know, I spent six years as a district director for Congressman Tom Osborne, and during that time I had the privilege and honor to travel, as part of my job as directed by Tom, to go to every town in the 3rd District of Nebraska, and I'm one of the few people that's probably ever done that. A great thing to have on your resume. But I have been to every town in the 3rd District and obviously all over the state, and one of the things when we looked at what was going on with rural Nebraska, obviously it's entrepreneurship that can make a difference. There is so many cases where I've seen building business startups that are the difference in a town living or dying. And what that means to the state is who is going to pay that tax burden. Who's going to keep the essential services alive if there's not a taxpayer base there to do so? I was honored a few years ago to be asked to sit on the board of directors for the Central Plains Foundation, which oversees GROW Nebraska, and we're very proud of the folks that are involved with GROW from the leadership of the foundation. And one of the things I'm most proud of is their administration costs are only 12 percent. And when you look at the return that has happened, it's amazing that they do what they do and only 12 percent overhead for that to happen. I guess the last thing I want to leave with your committee is just how important this kind of an investment is for the future, not just of rural Nebraska but of all of Nebraska. Because if we don't do something of this dramatic effect to stem the tide of outmigration, how will we provide the public services that are necessary for the bulk of our state? I'm very honored that I married a gal that was very bright. She was a corporate attorney in Omaha for several years, and we had the opportunity to move back to our home area a few years ago because she's the general counsel for a New York Stock Exchange company that's headquartered in Kearney, and that's the Buckle. And if you don't know the Buckle story, it started out as a mom-and-dad business on main street in Kearney. There was another one, another great story that started out selling some fishing lures in the corner of a furniture store in Chappell. But I think if you think about those two companies and the impact they have on our revenue base in Nebraska, and someone somewhere mentored those folks to start those companies, and that's what GROW Nebraska is doing all across the state and I hope you'll consider this to continue that support. Thank you. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR HEIDEMANN: Thanks, John. Are there any questions? Seeing none, thank you. [LB298]

JOHN R. HANSON: Thanks. [LB298]

SUSAN HAWLEY: Good afternoon. My name is Susan Hawley and that's S-u-s-a-n H-a-w-l-e-y, and I'm the owner of Ink Images. I'm on the list there for Omaha, and we are a custom apparel company. We have done 12 shirts for the local plumber all the way to 10,000 for Woodmen of the World and their summer camps. We're a small company like I said. I have two full-time employees, two part-time, and we hope to grow. I have the equipment to double what I am doing so I could just bring in more people and really go to town. But anyway, as well as our custom work we also have a line of Husker apparel and we can outfit the tiniest new fan all the way to great-grandma and great-grandpa. And we also have a proprietary line of nationality stuff. Say if you're in O'Neill getting ready to celebrate St. Patrick's Day, or Czech festival in Wilber, we've got shirts for you. But the thing is, with GROW Nebraska, which I joined a little over two years ago, we have been able to facilitate some retail sales which normally we wouldn't have. And so that's my first foray into that end of the market and it's been interesting and it's been fun and very educational, and people like Janell have really worked hard to help us with that. Because I'm used to just somebody coming in and saying I need 200 shirts, left chest, full back, two-color, let's go, but this way I get to design it and sell it and see if my ideas are any good or not. And it's also broadened my horizons as to what the other entrepreneurs in Nebraska have to offer. There's a lot of talent, a lot of expertise out there, and so with my stuff alongside theirs, it's really impressive. It gives us that statewide exposure. It gets me out of Omaha a little bit, even though I grew in central Nebraska; we farmed there for a long time. But it's still good to get back out there and see things and it gives me an outlet for my product that I'm not going to have in Omaha. So in these economic times, a small business like mine needs all the help it can get. And when you find a networking group that not only is out there promoting you but is actually taking the time to say how's it going, what can we do, you stay with them. Thank you. [LB298]

SENATOR HEIDEMANN: Thank you. Are there any questions? Seeing none, thank you. [LB298]

GARY PETERSON: I remember some faces from last year. My name is Gary Peterson, G-a-r-y P-e-t-e-r-s-o-n. I think I got called the passionate one last year. Did you hear those stories? Darn it, we need some funding. I've tried to stay away from being the passionate one this year because a 45-year-old doesn't need to cry. I looked at my information. It was 2001, the first time I contacted GROW, and that was because I wanted to learn what I could do to help rural Nebraska survive, and when I get it together here I'm going to read a little bit of stuff here and hopefully I can just focus on that and maybe you can then understand a little bit of what I'm about. Other than one year of my

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

life in Gillette, Wyoming, while I was student teaching, I've spent the rest of my 45 years living in rural Nebraska. I taught school in Thedford for ten years and then I went back to law school and received my juris doctorate in two and a half years from UNL, and I've now been practicing law in Broken Bow for the past nine years. During the past nine years, when I got back from law school I recognized something that, you know, when you're out there all the time maybe you miss: it's attrition. The shrinking. I recognized it after being gone for two and a half years, and I really wasn't gone because I went home every weekend. But when you're not in the loop what hit me was I went home and we had a schoolboard meeting in Thedford. I still lived in Thedford at the time. And we had a schoolboard meeting and we were talking about closing a school. We have a Peaceful Plains which is down south 35 miles from anywhere, all gravel roads, and they had seven students and they wanted to close them because we were running out of kids. Well, the last year I taught in Thedford the elementary school had 66 students. I went back and this was four years later and the enrollment was 33. Half. Well, that's when it hit me like a ton of bricks: we're dying and we're not dying slow. We're dying fast. That was 2001. And so during the past nine years I've taken a very active role in rural economic development for survival reasons. I'm not a paid employee of some private or public organization. I'm a private business owner whose family's future in rural Nebraska depends on economic development. I received significant training in rural economic development because over the last nine years I've tried to do everything I could to help stimulate rural economic development individually. What do I mean by that? I worked with the Center for Rural Affairs and went to some of their economic development trainings, their rural entrepreneur trainings. I've dealt with people like Sandy Scofield, Don Mackey, Craig Schroeder, Odee Ingersoll, Jana Jensen, and others that are all names that are out there that work in rural communities. I received the necessary training and certification to teach the EDGE business class. I've taught several of those classes. I also taught classes for REAP, which is a scaled-down version of the EDGE. This involvement led me to take action on a variety of projects. I've spoken at a number of local events on encouraging our youth to return to rural Nebraska and become entrepreneurs and start ventures. I worked with Tom Osborne on that while he was still in Congress. I've taught those business classes. I was a founding member of the Thedford Area Community Foundation. I actually got enough scholarships, locally, to take a group of five of us to one of the e-trainings down in Nebraska City. We went down there. I'm very proud to announce that that group, after I abandoned them and moved from Thedford to Broken Bow, has stuck it out, and in the last five years they have grown their endowment to over \$120,000. Now that's not bad for a town of 220. It's in one of those counties, you know, that came out a few years ago: ten poorest counties in the nation. Yeah, that's one of those, and they've done that because they get it. I've served as the interim executive director for the Broken Bow Chamber of Commerce. They were kind of floundering along there, not doing much, and so I did that a few years ago for six months to help them out while I was still practicing law. That was my real job. And shortly after--I ended in January--they were able to hire somebody. They didn't have enough money to hire somebody full-time. Well, they were

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

able to hire somebody in January, and that next May, because of a lot of the things that have gone on, we were able to have a grand opening for 12 businesses in one day. Drew a little statewide attention. So why have I told you all this? Well, the reason I'm telling you this is because I've been out there and I've been doing it for nine years. Okay? I've been trying hard to bring back kids, open businesses, stimulate the economy, do everything I can. I've looked at every program that I know of, okay, that's willing to walk in the door and say we'll help you. Okay? I've gone to all those. There is no program--I better say this the way I wrote it-- because in my opinion, to date, GROW Nebraska is the most far-reaching success story with a huge potential for future economic impact in rural Nebraska that we have in place. It would take the university and all of their expertise ten years to catch up with us--with them. Because I'm not really the us. That's my feeling, okay? They've been at it for a long time. The main thrust of me writing the three pages and me going on about what I need to go on about can be summed it--and I know I need to sum it up--with some of the other words. Glennis--I just saw her a little bit ago, I think she was here for another bill--McClure sent out an e-mail a little while ago. It was the entrepreneurship week in Nebraska. Governor Heineman had put out a little e-mail. Entrepreneurship is vital to the growth and prosperity of Nebraska, and most of the next jobs created in the United States are from the creative efforts of entrepreneurs engaged in endeavors ranging from microbusiness to large-scale ventures. At least 86 percent of all businesses in Nebraska are microenterprises. Entrepreneurs and microbusiness owners are the foundation of the American economy. During the nation's last recession in 2002, when unemployment rate at that time hit a high of 5.8, microenterprises created close to 1 million new jobs. That's where it comes from. This program of GROW helps those people market like no other program can. There's nothing in existence that can match it. I tend to think, you know, from the outside looking in, it's because the people involved in this program, when it pulls you in, are so passionate. They cannot fail. When that business owner comes to them and says we need help, they have to succeed because they know what it means. They're out there. You know, if one business in Stapleton, Nebraska--Heavenly Creations--can employ three or four more part-time women, all of a sudden those part-time women now have enough money to pay the bills and keep ahead of the credit cards and keep their families there, in town, where they can survive and the town can continue to go. When something like Heavenly Creations has to close its doors, the ripple effect is so much broader because it has that dramatic effect that it has on me. You step back and you say, wow, we lost three businesses this year. Oh wow, we lost 13 percent of our school population when they moved to the big city because we couldn't employ them. Entrepreneurship is it. Okay? It's our future out there and grows up and going. I am very passionate about this because I have two kids that I just adore. I've got a son that's a freshman in college. I had a conversation with him last night and he said the magic words to me one more time: Well, Dad, if it works out and I get to come back home and we get to be lawyers together, then we can do this. I do this because I want them to have a chance. With what we've lost in rural Nebraska over the last 90 years, we can't afford another 20. This is a program that you are investing in;

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

you know, you're not giving money to, in my opinion. You're investing in the feeder system for the future of the entire state. I'd be happy to answer any questions. The one thing I will say in closing, if anyone needs more convincing and they think that by me meeting with them personally and telling them more about economic development and what I've done will help, I will drive back down here any day of the week. It matters. Really matters. Any questions? [LB298]

SENATOR HEIDEMANN: Senator Wightman. [LB298]

SENATOR WIGHTMAN: Thank you, Gary, for being here. Thank you for your passion. [LB298]

GARY PETERSON: You're welcome. [LB298]

SENATOR WIGHTMAN: I don't see Broken Bow...I assume some have had GROW Nebraska assistance but there's none in the current year, is that right? [LB298]

GARY PETERSON: In the current year, we do not have a member of GROW Nebraska in Broken Bow. Shepherd's Dairy in Anselmo is an EDGE participant. It's now changed hands. I actually taught the couple that originally started that, Shepherd's Dairy. I'd be happy to answer any questions if you've got any. [LB298]

SENATOR WIGHTMAN: Well, thank you, Gary. You're a great salesman for GROW Nebraska. [LB298]

GARY PETERSON: Well, it's really an important program. I mean, it's an investment and it matters. Thank you. [LB298]

SENATOR HEIDEMANN: Thank you. Is there anyone else wishing to testify on LB298? Seeing none, would Senator Harms like to close? Senator Harms waives closing. Did you want to testify? Okay, we will reopen the hearing back on LB298 momentarily and we'll let you testify. [LB298]

MATT PETERSON: I'd like to follow. [LB298]

SENATOR HEIDEMANN: Okay. Welcome. [LB298]

CONNIE MAHANEY: (Exhibits 17 and 18) Thank you for reopening. My name is Connie Mahaney. I'm with the From Nebraska Gift Shop down in the Haymarket here in Lincoln, and greetings to all of you and thank you for listening to me. I started the From Nebraska Gift Shop in 1988 and am currently located in the Haymarket in Lincoln. I've built my business from basically nothing to a 3,000-square-foot retail outlet, a 1,300-square-foot warehouse for Nebraska Food Basket production, and an on-line

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

catalogue. In the true spirit of entrepreneurship, I did this myself, thanks to my husband's income which supported the family. I did not rely on taxpayer money to build my business but many hours of hard work. This is how I was brought up with the values I learned growing in a family of ten kids on the family farm near Seward. When I first became aware of GROW, they were to be an organization established to educate people on how to get a product to the marketplace. GROW was to help them with their labeling, and I know I even attended GROW wholesale shows to look for items to put in my store. Somewhere along the way they turned from being a good source for new products to being my biggest competitor. Because they are nonprofit and know how to ask for government financing with my tax dollars, they have grown to include three year-round retail outlets, three additional seasonal outlets, and a strong on-line presence. This has not come without a price. There was a Nebraska product store in Hastings that closed and the owner told it was because of GROW coming into their town and setting up at the mall at Christmas, a make-or-break time for many stores. GROW also sets up a store in the Lincoln Westfield Gateway store at Christmas. I know this directly influences my business. I've been told by the Nebraska Department of Economic Development that I should put products in the GROW stores to take advantage of their marketing. The problem is that the other participants are selling their wholesale products. I have to purchase their wholesale products, do the accounting for all the items that go in the basket, then pay an employee to do the basket assembly, pay the shipping to get the product to their store. And then if the product does not sell in a timely manner, I would have to suffer the price of losing the inventory. GROW would take 40 percent of the retail price of what sells and I would end up losing money. I did try to put some baskets with them a few years ago. One of the vendors whose products I had put in the basket decided not to rejoin GROW. I was told that they would no longer sell my basket because that person no longer belonged to GROW. The vendor was still doing a Nebraska product. I am a Nebraska manufacturer of Nebraska food baskets and therefore, as long as I put Nebraska-made products in my baskets, I feel that I should have been able to sell them in their stores. I feel that GROW has been given an unfair competitive advantage with all the thousands of dollars that they have already received from the taxpayers of Nebraska. The members pay \$150 annually, plus \$25 for each outlet where they have their products sold. I look at it this way: The members are basically a co-op, however they are selling their product under the name of a nonprofit organization. To me this is very misleading to the public, as these private individuals are definitely selling their items to make a profit. For \$150, GROW does the accounting for the store sales and major marketing for these private businesses, which is a very large expense for a normal business. These people will never learn or even want to learn to do their own business if GROW does it for them. I believe one of the functions of a nonprofit is to educate. Maybe there needs to be a limit on how long they can receive a taxpayer handout in this manner. If they learn to be on their own and have some incentive to find their own wholesale markets, maybe the state could recoup some of the money it has spent. With the 40 percent from GROW's outlet stores going back to GROW, they should have enough money to continue without giving them more. Also

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

since one of the purposes of a nonprofit organization is to educate, and in this case it is to show a small business how to operate, I think that it is strange that some of the items being sold in the GROW stores are from companies that had matured to the point that they sell at the national gift shows before they ever joined GROW. Below or on the next page is an excerpt I copied when looking through the 501(c)(3) information on the Web. There is also a list of donations that GROW has received. I feel that the intentions of GROW Nebraska are good but are certainly not fair to all. I opened my business ten years before GROW, with the primary purpose of helping Nebraska businesses. I have struggled hard to keep my business going and showcase Nebraska to the many tourists that come through the doors. In the end it just seems wrong that, even though I pay my taxes, I could lose my store due to unfair competition from state-run stores. [LB298]

SENATOR HEIDEMANN: Thank you very much. Are there any questions? Senator Nantkes. [LB298]

SENATOR NANTKES: Thank you for being here. I'm very familiar with your shop and over the years have found a lot of wonderful gifts... [LB298]

CONNIE MAHANEY: Thank you. [LB298]

SENATOR NANTKES: ...to send to people to share good things about Nebraska with. Your perspective, I think, is surprising and I guess was something that was not previously on my radar screen when looking at this business model and this specific appropriation project that has been brought before us. I think that is probably requires some more analysis, and especially that you've brought forth very provocative and important points that we need to digest as we make this decision. I was wondering if you've had a chance to visit with legal counsel in any way about the appropriateness of state tax dollars being utilized in this form or otherwise? [LB298]

CONNIE MAHANEY: I did actually call my lawyer a week ago when I found out about this. [LB298]

SENATOR NANTKES: Okay. And you don't have to share the contents of your conversation. I appreciate that and I respect your client privilege. But I think that we need to probably get some clear answers maybe from legal counsel that we have available or otherwise about some of these issues because I think they're good questions. So thank you. [LB298]

CONNIE MAHANEY: Um-hum. Thank you. [LB298]

SENATOR NANTKES: If you want to share those responses, you're welcome. [LB298]

CONNIE MAHANEY: Actually we never got together. He was busy. We just couldn't

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Transcriber's Office

Appropriations Committee
March 11, 2009

ever connect, so. [LB298]

SENATOR NANTKES: Okay. [LB298]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [LB298]

CONNIE MAHANEY: Thank you. [LB298]

MATT PETERSON: (Exhibit 19) My name is Matt Peterson, M-a-t-t P-e-t-e-r-s-o-n. I am the co-owner, sales and marketing director for a Web site called Fresh From Nebraska. Fresh From Nebraska is an e-commerce portal that connects displaced Nebraskans all across the United States with the products that they've grown to love or were shared with friends...or friends have shared with them. It enables them to order them directly from the manufacturer to the location. We've been in operation for approximately five years under the name Dorothy Direct. We started this business with Dorothy Lynch salad dressing. And I apologize, I just found out about this bill from Connie a few days ago so please work with me here. Recently my business partner and I decided that after a request from many of our customers, one of which is a Supreme Court Justice, we need to add all three products from Nebraska on this Web site because we were getting requests from customers to build our repertoire of products. Why our customers like us and like ordering from us is because they're ordering the product direct from the manufacturer. When you order a case of Dorothy Lynch and you live in New York City and you're getting 12 bottles of Dorothy Lynch, you want that expiration date to be as far into the future as possible, because not many go through a case of--a few--but not many people go through a case of Dorothy Lynch in a month. So just a little bit about us. My business partner and I decided that we were going to expand and invite all Nebraska food producers to join Fresh From Nebraska and share not only on the Web traffic created by Dorothy Lynch, but to generate Web traffic from all different areas on the Internet. I sent out my first invitation to Nebraska food producers in January. January 1, I believe, was a Friday. They went out that Monday. Since then I've sent out approximately 150 letters and I've received 40 confirmations from Nebraska food producers all over the United States who want to host their product on Fresh From Nebraska. Fresh From Nebraska, to my understanding, I don't know GROW Nebraska all that well. I'm focused on what I'm doing and I'm not focused on what the competition is doing. We're different entities but yet we do...there is a little bit of competition I guess you could say. So I guess I'm not here in opposition against GROW Nebraska, the entity; I'm here in opposition of the money that the taxpayers that I, my parents, you guys, the food producers all over Nebraska are going to pay to subsidize an entity that's already out there. Okay, Connie with From Nebraska has been in operation for 19 years. GROW Nebraska, according to my math, has been in operation for 10-11 years or so, and they're still receiving \$200,000...\$250,000 we're talking today, \$150,000 in this bill next year. So last night, quickly when I decided I was going to come here today,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

I don't have any formal publication for you. All I do is ask that you invite...or invite you to come to my Web site. I'm going to pass around some business cards where you guys can see the other alternatives to GROW Nebraska. Last night I spent a little bit of time doing some research. I've been out of town so this isn't as formal as my colleagues have been and I apologize, but here we go. I went on GROW Nebraska's Web site last night and looked at their annual report from 2008. They had two graphs on there that I was most concerned about: total expenses and total income. Keep in mind they're in year 11. There was a differential in their favor of roughly \$65,000 that was unaccounted for on these charts: \$64,992, roughly...or exactly, I guess. The total income that GROW Nebraska generated was \$635,109.79. The total expenses of GROW Nebraska, as displayed on their report for all the taxpayers to see was \$570,117.28. That's where the \$65,000 differential comes in. So I guess me, as a taxpayer, I would like to see where that money is accounted for before we even discuss giving them...possibly giving them more money. I'm not a nonprofit. I'm for profit. I don't know how nonprofits work. Theoretically, I think that the expenses and the income should balance. There's no place...it's a nonprofit. Okay? And GROW Nebraska probably does help a lot of people but again they're in year 11. You know, last year GROW Nebraska received \$220,000 in grants and the members, the participating members in GROW Nebraska received, from all the sales, \$194,000. So we're giving them more money than what's going back to the producers ultimately. And they have roughly 300 clients. I have 40 and I just started. I haven't exhausted my entire contact list. There's more to come. And the average, it also said on the Web site, and I wish I had brought this for you--I'm sorry--that the average member of GROW Nebraska roughly makes \$1,000. I'm sure a few make more than \$1,000, a few make less. It averages at \$1,000. I don't think \$1,000 going into these food producers' pocketbook at the end of each year is the difference between them being able to maintain their business and them from having to go bankrupt. Last year I had one product on my Web site on Dorothy Direct. That was Dorothy Lynch salad dressing. I sold \$40,000 worth of Dorothy Lynch salad dressing across the United States of America. Eighty-five percent of that \$40,000 went directly to Dorothy Lynch. Fresh From Nebraska takes a 15 percent commission. GROW Nebraska splits the profits with the individual food producers and manufacturers 60/40. The food producer gets 60 percent; GROW Nebraska retains 40 percent. Many of the initial 40 food producers that we've added to Fresh From Nebraska are not a part of GROW Nebraska. I've got a list and if you go to my Web site and you compare, side by side, you'll see that there's a lot of producers who have their products offered nationwide on my site and not their site, possibly because of the commission difference. You know, it's a lot tougher to make an entity profitable if the other entity sponsoring you is retaining a lot of the commission. You know, again, this is all fairly new to me, this process and everything. We just got started not too long ago. I think GROW Nebraska probably does do some good stuff but I seriously urge you to go look at the reports and how much good is this really doing. If we subsidize them \$220,000 and they're only giving back so much less than that money to the actual individual food producers, to me it doesn't add up. And I don't know if it's fair, if people on...you know, my clients on my Web site who

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

are offering their products should subsidize that entity. They're paying to join the site; GROW Nebraska is retaining a much larger commission than I am. And yet it's still taxpayer subsidized. I urge you to go out and look at the alternatives to GROW Nebraska. On your drive home tonight, stop in Connie's From Nebraska Gift Shop. It's beautiful. It took 19 years for her to get there and now she is in serious jeopardy of losing a larger share of the market to GROW Nebraska. She is so scarred that she's teamed up with me. We're now offering her gift baskets on my Web site to people all over the United States. She has quite the business and I'm really happy to partner up with her, and this partnership was established a week ago. And she's fearful; she's fearful. GROW Nebraska is getting these steroid shots from taxpayers' money to grow their business at an inflated rate. It took 19 years for Connie to get to where she is. GROW Nebraska, in 11 years, now I believe Connie said has three full-time stores opening, three seasonal stores opening. They have the most beautiful Web site on the Internet. I think it's time that they start balancing their books and stop asking for taxpayer support. With that I would love to entertain any questions that you guys may have and I just would like to thank this gentleman for helping me walk through the process. This is my first time testifying in front of a committee like yourself. I have participated in a city council meeting prior to this, but that's nothing like we're doing here today, so thank you. [LB298]

SENATOR HEIDEMANN: I will say we are glad of the public getting involved so I'm glad you came in today. There's always a difference of opinion when you do something. I am a firm believer in capitalism. There's not a doubt, you can ask anybody that knows me and they will tell you that. But I do believe that GROW serves a purpose and you talked about subsidies. I don't know if you want to call it subsidies or incentive money... [LB298]

MATT PETERSON: Okay. I'm sorry if I fumbled my terminology. [LB298]

SENATOR HEIDEMANN: No, no, actually it's how you look at it. Some people...there are two people here today who will call it a subsidy. Other people will call it an incentive. I think what you do is great and I applaud you for that. There's no doubt about that. But I also think there's a place for GROW. I think you wouldn't totally disagree with me but I've got a feeling you just don't like the state's help in that. [LB298]

MATT PETERSON: Um-hum. Just for the fact that it can be done...it can be done without state intervention. Connie has done it for 19 years without state intervention. [LB298]

SENATOR HEIDEMANN: And I understand that. I think GROW might go a little bit further than what you do and what she does though. I mean they help very small businesses get started, business plan, and help them market. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

MATT PETERSON: Um-hum. But if they are only selling...but if they're only selling, on average, \$1,000...if only \$1,000 is going back in the end, back to the producer, how long is that business going to be around? [LB298]

SENATOR HEIDEMANN: A lot of them are part-time businesses that don't rely 100 percent on what they're doing. Senator Nantkes. [LB298]

SENATOR NANTKES: Matt, thanks for coming in. So you've been to the city council and now you are at the state Legislature. I guess Congress is the next stop? [LB298]

MATT PETERSON: I'll be at the Capitol building. Yeah. [LB298]

SENATOR NANTKES: Okay. Well, you did a good job for your first time here, and I think again you bring up a lot of provocative points for dialogue. I guess what I'm concerned about, and we see it in so many areas as public policymakers and in a tight economy the competition becomes more fierce, with limited resources from the state perspective. Utilization of those resources can become a real turf battle amongst so many good and deserving projects that exist within our state. I'm hopeful that this hearing and this legislation can provide an opportunity to bring folks like yourself and Connie together maybe with the folks from GROW Nebraska. And Senator Harms is an amazing facilitator. Maybe I'll volunteer him for that position. But to talk about appropriate missions and distinct spheres and where there is maybe opportunities to collaborate and where maybe there's not. And I'm hopeful that there is probably more common ground that exists so that we can help all small businesses succeed rather than having to put up barriers or erect unfair competition that may exist and that I think your questions have really helped to bring a point to those so that we can do some more investigation in that regard. But would you be willing to work with folks as we move forward and see if there's opportunities to work together as well? [LB298]

MATT PETERSON: Possibly. I'd have to take them on an opportunity-by-opportunity basis. [LB298]

SENATOR NANTKES: Sure. [LB298]

MATT PETERSON: You know, I guess I feel if the state feels we need to spend \$250,000 this year, with another \$150,000 next year as I read in the bill, to help the food producers, come to my site. Buy \$250,000 worth of my product. Eighty-five percent of it is going straight to the food producers that produce it. [LB298]

SENATOR NANTKES: And, you know, that provides the next question. I mean, from a business perspective according to your statistics you charge a much, much lower commission for utilization of your services, so business would naturally probably flow your way. But I can understand your concerns in terms of is the playing field level and

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

how entities are classified, and I think that we can take a look at those things. Thank you. [LB298]

SENATOR HEIDEMANN: Senator Wightman. [LB298]

SENATOR WIGHTMAN: Thank you, Matt, for being here. That is part of the purpose of the public hearing is to hear both sides and we've certainly heard both sides on this issue today. I'm not that familiar with the profit sharing arrangement between GROW Nebraska and its members. You talked about a 60/40. Is that the split? [LB298]

MATT PETERSON: 60/40 is what I was...like I said, when I started this business I wasn't focused on the competition. I was focused on what I want to do and the direction that I think this needs to be taken, so I didn't necessarily dive into it too much. The 60/40 I guess came from Connie who just testified that was contacted, and I've heard it from some of the food producers that I've had too. It was probably my twentieth food producer that finally told me what GROW Nebraska takes and the membership fees that they charge. [LB298]

SENATOR WIGHTMAN: Is that on any kind of a sliding scale or is it a strict 60/40. Again you probably don't know so you may not quite be the one to ask. [LB298]

MATT PETERSON: I do not know. I do not know. [LB298]

SENATOR WIGHTMAN: But I appreciate your at least bringing the issue to our attention. Thank you. [LB298]

MATT PETERSON: Um-hum. [LB298]

SENATOR HEIDEMANN: Senator Nelson. [LB298]

SENATOR NELSON: Thanks for coming in, Matt. We've got a 25-year-old son in New York who loves Nebraska products... [LB298]

MATT PETERSON: Perfect. Take a spare. [LB298]

SENATOR NELSON: ...and I think I'll send your card out to him and you may have another customer there. And I have your card, thank you. I guess probably your main concern is unfair competition, would that be correct? [LB298]

MATT PETERSON: Nope, not necessarily. [LB298]

SENATOR NELSON: Not necessarily. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

MATT PETERSON: Like I said, I'm not focused on the competition. I'm focused on...
[LB298]

SENATOR NELSON: Well, but you would not be against helping people get started, at least, as long as that's what it's confined to and doesn't turn into undue, unfair competition for entrepreneurs such as yourself who I really congratulate. It sounds like you've got a good venture going here. But just like Senator Wightman, I wasn't that fully aware of the other things that GROW Nebraska seems to do, you know, to raise money there. So I'm glad that you came and brought that forward so we've got both sides of it.
[LB298]

MATT PETERSON: I guess the main point I want to get across is there are alternatives to GROW Nebraska. You know, it's my understanding that there already is a product development platform in place as part of the University of Nebraska-Lincoln East Campus. It's my understanding that they do what GROW Nebraska does: they help take products from a recipe to a jar. [LB298]

SENATOR NELSON: I think it's an entrepreneur program or something like that.
[LB298]

MATT PETERSON: Correct. And there's alternatives to selling the product. Once the product gets developed there's alternatives to selling the product, so. [LB298]

SENATOR HEIDEMANN: Senator Mello. [LB298]

SENATOR MELLO: Matt, does your business do any kind of marketing training at all or business development training? [LB298]

MATT PETERSON: Not currently. Just...you know, as far as like taking a recipe to full production, we do not. We've helped a lot of food products get on the Internet for the first time. Hickory Hunk out of Syracuse, Nebraska, I don't believe has ever been on the Internet. Davis Gourmet Seasoning out of Oshkosh, Nebraska, I set them up an e-mail address. They got an Internet connection for the first time. So I guess in that regard I do help...you know, we do help get them on-line, essentially. [LB298]

SENATOR MELLO: More of like a direct market or essentially on behalf of the businesses. [LB298]

MATT PETERSON: Correct, correct. Because it's my philosophy that once a product is made, a product needs to sell. And for a lot of small businesses what's preventing them from being on-line is the e-commerce capabilities of the Internet. The Internet is growing and expanding at a staggering rate, and for these small businesses to keep up with the Internet...they need to focus on their product so essentially that's how Fresh From

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

Nebraska was born. To get these products on-line and help them out to run the e-commerce side of things and also to make a profit. [LB298]

SENATOR MELLO: Just so I get it correct, though, you don't provide any training, so to speak, or any skill development... [LB298]

MATT PETERSON: We do not. [LB298]

SENATOR MELLO: ...with any of the producers that you work with. You solely provide a direct marketing service essentially... [LB298]

MATT PETERSON: Portal. Sure. [LB298]

SENATOR MELLO: ...portal service for businesses to participate. [LB298]

MATT PETERSON: Absolutely. We're working with people who already have their product produced in an FDA-inspected kitchen, so. [LB298]

SENATOR MELLO: Well, I guess it's...you know, I don't want to repeat what other senators have said, but I guess maybe my understanding of the situation is that GROW Nebraska is a nonprofit entity, is less as a direct marketer which is only a small part of their mission compared to the job skills and the marketing skills development that they're trying to give entrepreneurs, which I know there are other programs out there. EDGE has been mentioned. REAP has been mentioned. I know community colleges have entrepreneurship programs as well. I think just so you maybe know a little bit more about their program is that they provide not so much what you do but trying to help if there was a Dorothy Lynch, so to speak, kind of company to help work them through a marketing plan or give them the skills they need to maybe get eventually to a point to do business with your entity. [LB298]

MATT PETERSON: Sure, sure. I understand. And I guess my rebuttal to that statement is that the taxpayers are already supporting that service. We've been supporting that service through the University of Nebraska entrepreneurship program established over there, and now we're sub... [LB298]

SENATOR HEIDEMANN: You can say that. [LB298]

SENATOR MELLO: You can say whatever word you want. That's fine. [LB298]

MATT PETERSON: Well, I don't know which word is most appropriate for that but the state is also funding or getting grants to another entity that roughly does the exact same thing. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR MELLO: I guess the question that I would have, a follow-up question would be do you think we should...the state should be investing more in entrepreneurship education or less? [LB298]

MATT PETERSON: Um, I guess I don't know. I don't know. You know, like I said, I haven't been too involved with what's been going on. I've been focused on what I'm focused on, you know, so. You know, that's something that I could research and I could probably give you a better answer later on. I think it's important for the state to invest money in entrepreneurs. The state's not...I'm an entrepreneur. The state is not investing any money in me. [LB298]

SENATOR MELLO: But they're investing in educational programs that you could take advantage of if you choose to. [LB298]

MATT PETERSON: If I pay a membership fee, yes. [LB298]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you for coming in and participating in your government. [LB298]

MATT PETERSON: Thank you. [LB298]

SENATOR HEIDEMANN: Is anyone else wishing to testify on LB298? Senator Harms will close. Are there any more people to testify so we know what we're up against here? Is there just one? That will be fine. [LB298]

SUSAN ZINK: Okay, I'm sorry. I didn't fill out a form. I can do that. My name is Susan Zink. I own Raising Dough Products and Wanda's Nature Farm Foods here in Lincoln, Nebraska. We employ anywhere from 12 to 100 people depending on our busyness and our seasonality. I've been part of GROW Nebraska for I don't know how many years--a long time--and I guess after hearing a couple other testimonies I just want to make sure everyone understands that there's a bigger picture to this. It's not just marketing on the Web. It's not just the retail stores. We have our own Amazon site. We have our own Web site. I take advantage of anybody else that's wanting to sell my product on their Web site. I give them a distributor pricing so they can sell it at wholesale or retail. I mean, that's all part of what we do. What I take advantage of GROW Nebraska from a maybe a little bit larger business point of view is the opportunity to market, because I do not have a retail store front. I do not want to have a retail store front. I'm strictly a manufacturer. I private label for people. I do recipe development for people and that is how we grow our business. But I can take advantage of those store fronts and I don't have to man them. The State Fair is a perfect example. I do not have ten hours a day to go and the manpower to go market my products through the State Fair. So for 40 percent of everything they sell, they go do that for me. And if you add that up, I could not pay someone to stay down there for those eight or ten hours a day to do that. Also

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

on the larger view, some of the things that they're working on is also outreach. You know, we talk about some of these national trade shows. These trade shows have gotten very expensive. The booth to a national trade show is anywhere from \$3,000 to \$4,400 just for a 10' x 10' booth. So for someone like me that needs to reach people like Whole Foods, Wild Oats, Tree of Life, all these other places to go do these trade shows, it's cost prohibitive. So some of the things we've been talking about, GROW Nebraska which is doing some cooperative trade shows so that we can all pitch in a fair amount and split it and work towards that, and that type of opportunity is invaluable to entrepreneurs in the state, whether they make a sauce, whether they make a sign, whatever. Being able to take advantage of these shows and market their product on a larger scale and get some of these bigger accounts, because that is how you grow your business and increase your market base. I've picked up customers. We do private labeling. I've picked up customers from other members of GROW that have grown out of being able to make it themselves. I think...what that's gentleman's name? Gary referred to Heavenly Creations. She outgrew...she grew enough that she couldn't make it herself anymore so we custom blend her recipe for her, and we've worked together on it. It's a partnership. I don't succeed if she doesn't succeed in that, so, and that's all I wanted to say is that I think there's room for everybody to be able to market a lot of different ways. We've sold products to Connie. You know, I think there's room for that, but what GROW does on the marketing side, they do a lot faster than the university does. They do a lot cheaper on the university does. And they put you in contact with people that can help you, other entrepreneurs that can help you. They can help you get your Web site up and going. They can help you do just a lot of those different things that isn't available out there for the money that's it's available. That's all I had. [LB298]

SENATOR HEIDEMANN: Do you...are there any instances where a business has gotten started with GROW and they helped them nurture them, and they actually outgrew GROW? [LB298]

SUSAN ZINK: You know, I don't know. I do about almost \$2 million in sales a year, and I haven't outgrown GROW. You know, I'm not large by any means, but I'm not a microenterprise either, because the connections I get from people in the state and the opportunities I have are invaluable. So you look at the dues of \$150 a year. You know, you can pay more than that going to a gym membership, for crying out loud. So, you know, for that amount of money and for the opportunities that you have to network and meet someone in another part of Nebraska that needs a product made or having someone that can come in and...I'm on there, I'm on GROW's eBay site now. And, you know, just anywhere you can sell a product in this economy, you have to take advantage of that. So I don't know of anybody that's outgrown it and moved on. I mean, Bert Anderson, I know he has Janco Studios. He's still a part of it. He does nationwide shows because you never know where that next opportunity is going to come from, and as an entrepreneur you can't afford to close your eyes to those. [LB298]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

SENATOR HEIDEMANN: Any other questions? Senator Wightman. [LB298]

SENATOR WIGHTMAN: Thank you for your testimony. I'm interested still in pursuing this 60/40 split. So you sell \$2 million worth of products. Is that annually or somewhere close to that? [LB298]

SUSAN ZINK: Yes. [LB298]

SENATOR WIGHTMAN: Now the 40 percent, is that of profits or is that of gross sales? [LB298]

SUSAN ZINK: Well, not all of my sales go through GROW Nebraska. I mean, I have several avenues that I sell through. But the 40 percent that GROW keeps, that...like I said, that pays for someone to man the store. I wouldn't be in Grand Island, Nebraska, if it wasn't for GROW Nebraska because I don't have the money, the manpower, or the time to keep a store front open out there, or the variety of products. I mean, how many baking mixes can you sell on a store shelf? I mean, I couldn't fill up a whole store. So that...they pay for that. They pay for the manning of the stores, the manning of the state fairs. They pay for all of that stuff out of that 40 percent. And so those stores, the holiday stores isn't a large amount of my annual profit but what it is to me is it brings new customers to me--ongoing customers. They may buy something at that store and then continually throughout the year they buy my products because they bought it and they liked it. [LB298]

SENATOR WIGHTMAN: A lot of exposure for your products. [LB298]

SUSAN ZINK: A lot of exposure. [LB298]

SENATOR WIGHTMAN: I guess, again percentagewise could you tell us about what percentage of your sales maybe go through GROW? [LB298]

SUSAN ZINK: I would say probably about, annually, I think I sell about \$5,000 or \$6,000 through GROW. [LB298]

SENATOR WIGHTMAN: So a very small part of your total sales. [LB298]

SUSAN ZINK: Right, because I'm a nationwide company. [LB298]

SENATOR WIGHTMAN: Okay. Thank you. [LB298]

SENATOR HEIDEMANN: Senator Mello. [LB298]

SENATOR MELLO: I'd like to thank you, as well, for testifying. And the previous

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

speaker made some pretty provocative and thoughtful points about direct marketing, as well as kind of the difference possibly between a nonprofit and a business. What kind of...have you participated in any trainings at all or any workshops or anything along those lines that are more education or job training-related and not just directly in marketing service through GROW? [LB298]

SUSAN ZINK: GROW Nebraska has a First Friday call. It's a Web-based call that I take advantage of. I'm not always able to take advantage of it every Friday. They've done some other seminars that I've been able to take advantage of. And I was part of the home-based business group when Maxine Moul and everybody started it years ago, and I was actually a trainer for those. So, you know, those are the things I take advantage of. It's not like they have an annual trade show that they bring in speakers and those types of things, but I read my GROW Nebraska newsletters, I put out what they get out. They're very good at contacting me when opportunities arise, when other market opportunities. But I was just going to say, the Friday calls and the on-line training they do is probably the biggest thing I take advantage of. [LB298]

SENATOR MELLO: Okay. Thank you. [LB298]

SENATOR HEIDEMANN: Senator Wightman for another question. (Laugh) [LB298]

SUSAN ZINK: He's going to hammer me, isn't he? [LB298]

SENATOR WIGHTMAN: You have these sales. You can sell as much as you want to or as little as you want to through GROW Nebraska, is that right? [LB298]

SUSAN ZINK: Right. You're not limited. [LB298]

SENATOR WIGHTMAN: Just whatever it sells through their stores. [LB298]

SUSAN ZINK: Right. And it's however many skews you want to put in. It's however things. And it's also how hard you work it, the time you spend getting samples up there and things like that. But you're not limited to how much you sell, no. [LB298]

SENATOR WIGHTMAN: So it might be possible that the \$5,000 or \$6,000 or whatever it is, \$10,000, that you would sell through GROW Nebraska might contribute to sales that are not through GROW Nebraska. You may expand your sales because of the exposure that you received through the GROW stores, is that correct? [LB298]

SUSAN ZINK: Right. Absolutely. Like I said, private labeling for a couple other customers is I picked up as a result of my contact with GROW Nebraska. [LB298]

SENATOR WIGHTMAN: And I think that information is really helpful to us in evaluating

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 11, 2009

what GROW Nebraska might do. [LB298]

SUSAN ZINK: Right. [LB298]

SENATOR WIGHTMAN: Again I thank you. [LB298]

SENATOR HEIDEMANN: Seeing no other questions, thank you. [LB298]

SUSAN ZINK: You're welcome. Thank you for the time. [LB298]

SENATOR HEIDEMANN: Senator Harms to close. [LB298]

SENATOR HARMS: Well, I think in closing I think there were some good points that were brought forward and I will pursue those. I think to get a legal opinion will be...we can do that I think fairly quickly to see just if there are any legal issues to what's been posed here, and if there isn't then what I'd like to do is probably later, would be later in the spring, get people together and start working through to see what we can...if there's any solutions we can find in this. I think it's really a very fine line when you get into the entrepreneurial development. And I know that some of the community colleges have incubator programs which are tax supported. People come in. They plug in. They give them the assistance to do this. I think to start a business today in a whole new world of global economy, it's really tough. And just having the knowledge is not going to probably make you be successful. You're going to have to have marketing skills, you're going to have to know where your market is. You have to have strategy and research. So I think it's...I think there was some good dialogue and I apologize for it being so long, but I think there were good points and we'll take those under advisement and definitely look at it and find out where we need to be. Any questions? [LB298]

SENATOR HEIDEMANN: Senator Mello does. [LB298]

SENATOR MELLO: I just want to thank you, Senator Harms, for bringing such a thoughtful bill, an issue to the forefront. We had some fairly good conversations in committee but I think this bill I think will help further some of those conversations with the Department of Economic Development's budget hearing later this afternoon. So thank you. [LB298]

SENATOR HARMS: Okay, thank you. [LB298]

SENATOR HEIDEMANN: (See also Exhibits 39 and 40) With that we will close the public hearing on LB298, and open up the public hearing on Agency 31, the Military Department. [LB298]

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Transcriber's Office

Appropriations Committee
March 11, 2009

Disposition of Bills:

LB124 - Held in committee.
LB182 - Held in committee.
LB256 - Held in committee.
LB289 - Held in committee.
LB298 - Held in committee.
LB636 - Held in committee.

Chairperson

Committee Clerk