

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

Revenue Committee
February 10, 2011

[LB84 LB429 LB504 LB505]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 10, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB84, LB429, LB504, and LB505. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; Greg Adams; Deb Fischer; Galen Hadley; Dave Pankonin; and Pete Pirsch. Senators absent: LeRoy Louden.

SENATOR UTTER: Ladies and gentlemen, good afternoon and welcome to Revenue Committee. I was going to deliver this message from here, but I didn't want you to all get confused. I am not Senator Abbie Cornett. I am Senator Dennis Utter from Hastings. I'm the Vice Chairman of the Revenue Committee. Senator Cornett, the Chairman, is presenting a bill before another committee at the moment. She will arrive later. I will introduce the senators on the Revenue Committee. Starting at the left over here, at my left is Senator Greg Adams from York; Senator Deb Fischer from Valentine. Going to the far right side of the room, Senator Pankonin from Louisville; Senator Pete Pirsch from Omaha; Senator Louden is excused for this hearing; Senator Hadley from Kearney. We do have some rules. I suspect I should go over those with you although I know that most of you have been here before. Ask, number one, that you turn off or turn to vibrate your cell phones. That's kind of important so that we don't interrupt anybody with a ring when they are testifying. There are sign-in sheets for the testifiers on the tables at both doors. They need to be completed by everyone who is wishing to testify. If you're going to testify on more than one bill, you need to complete a sheet, a sign-in sheet for each bill. When you come up to testify, you can hand the testifier...your testifier sheet to the committee clerk. There are also clipboards at each door in the back of the room to sign if you do not wish to testify but you wish to indicate your support or opposition to a bill. These sheets will be included in the official record of this hearing. We will follow the bills as posted, in the order that they're posted on the agenda at the outside of the hearing room. And only the introducer will have the opportunity to make closing remarks on a bill. As you begin your testimony state your name and spell it for the record. If you have handouts, please bring ten copies for the committee and the staff. If you only have the original, we will make the copies. Just indicate to the clerk or to our pages that they will...and they will go make the copies for you. And you can give your handouts to the page who will distribute them to the committee. I should introduce our pages are Marilyn Buresh and Amara Meyer this afternoon. So, ladies, welcome. Also I should introduce the analysts, our research analyst for the committee, Steve Moore. So with that, I think that we will...we're ready to start with the first bill. As Senator Fischer is coming to the table, I will tell you that we are going to use the light system today because we have a large number of folks who are wishing to testify on the bills that we are listening to today. And the light system will indicate that each of you, other than the introducer, will have three minutes to deliver your testimony. The green light will come on as you begin. The yellow light will come on when you have one minute left. And the red light means the same thing as it does in a street light, when you see the red

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

Revenue Committee
February 10, 2011

light it's time to stop. So with that, Senator Fischer, I don't need to welcome you to Revenue Committee but the floor is yours.

SENATOR FISCHER: Thank you very much, Vice Chair Utter. For the record, my name is Deb Fischer, F-i-s-c-h-e-r, and I am the senator representing the 43rd District here in the Nebraska Unicameral. It is a pleasure to come before you today on a bill that I think is one of the major bills of this legislative session. LB84 represents a part of the solution to a growing problem in Nebraska. The problem is inadequate funding for Nebraska's transportation system. If we continue on this course of stagnant highway funding and nothing is done to correct the problem the state will be paying much higher costs in the future in terms of citizens lives, increased expenses and economic development losses across the state. That being said, it doesn't change the fact that the state of Nebraska is in the middle of a financial crisis. This committee is well aware that we are facing a \$986 million revenue shortfall over the next budget biennium. As the budget situation developed over the past couple of years, I realized that an opportunity was being created to shape state government and the priorities of Nebraskans. In every area of life the government touches upon, the question needs to be asked, is this a priority of the state and should we be contributing scarce resources in order to meet that priority? For myself, I believe there are four core functions of government--public education, public infrastructure, public safety, and taking care of those who truly cannot care for themselves. After the current budget crisis has passed, it is my intention to make highways a priority in Nebraska using existing revenue. Highway maintenance and construction are a core duty of government. Only government can provide safe, reliable highways for the traveling public. Only government can build and maintain that needed infrastructure all across our state. Highways expand commerce providing for the movement of goods. Highways promote economic development and growth for communities and business. And highways give our people access to services and a better quality of life. At the Nebraska Department of Roads annual needs assessment presented to the Legislature, November of this past year, we learned our highway needs are facing a revenue shortfall of \$6.8 billion over the next 20 years. Nebraska's highways are beginning to deteriorate. The amount needed to preserve and maintain the current transportation system is estimated at \$350 million. At the same time the state is estimating a \$316 million construction program this year. We are no longer even funding the needed maintenance and repairs to our system investment, an investment of \$7.6 billion. Our highway system has gone from having 81 percent of highways rated in the very good or good condition to only 74 percent in very good or good condition in just two short years. This should be a concern to all Nebraskans. Without enough revenue to even maintain the current system, that number will continue to shrink and we will see more highways fall into the poor category over time. The department estimates the life blood of our state, Interstate 80, has reached its end life west of Kearney and is going to require \$2 billion over the next 20 years for a complete reconstruction. With the heavy reliance our state economy imposes upon the interstate, I believe leaving it in disrepair is not an option if we are to continue economic growth in our state. The

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

Revenue Committee
February 10, 2011

Transportation and Telecommunications Committee has studied the issue of highway funding from every angle over the past four years. We've traveled the state and we asked citizens and organizations how they would like to pay for highways. I've been to countless meetings and seminars on the plight of federal government funding to finance our transportation system and I've listened to how other states are struggling to meet their obligations to provide a safe road system for their citizens. LB84 targets a half cent of existing sales tax dollars to be put in a newly created State Highway Capital Improvement Fund for the next 20 years. The Fiscal Office has estimated a half cent of sales tax generates approximately \$125 million a year. The fund would be used by the Nebraska Department of Roads to construct high dollar, high priority capital improvement and reconstruction projects throughout the state. The projects would be selected through the department's normal prioritization process. The bill would have a two-year implementation delay taking effect in 2013. The delay is for two reasons, it allows state revenues to recover from the recession so that adequate funds are available, and it gives time for the Department of Roads to get projects ready that have been on the shelf for a number of years due to this lack of funding. The bill calls for roughly \$20 million per year to be shared with the cities and counties based on the existing allocation formula. Local governments are facing the same problems that are faced here at the state level. By sharing a portion of the state revenue it will help ease the pressure on local property taxes to meet those local transportation needs. Under the plan, \$15 million per year will be set aside for the expressway system. The expressway system was a promise made to many Nebraska communities more than 20 years ago. I believe it is the duty of our state government to show some progress in fulfilling that promise. Bonding is also an option that would be allowed under LB84. The department would be authorized to bond for high priority projects with a cap of \$500 million in issued bonds and a debt service ceiling of \$25 million per year. Any bonds issued would have to be done within the first five years of the program. I want to make it clear that LB84 does not require the state to bond for its highway projects, rather it merely expands the Department of Road's statutory authority so that the tool is available if it makes good fiscal sense. The bill includes this conservative approach to bonding to ensure that the state will not mortgage for the present at the expense of future highway construction programs. Highways are different than other areas of government. It takes long-term planning and long-term financing for government to supply an adequate transportation system for its citizens. It's time for the Legislature to make the long-term commitment to provide our citizens with a safe and reliable highway system. Good roads are a responsibility of government and a promise to current and future Nebraskans. Good roads are a positive commitment to Nebraska's future. I believe it's time this body makes the long-term commitment needed for a strong transportation system and make highways a priority of state government. We as the Legislature must step forward and make the commitment to provide our citizens with a safe and reliable highway system. Thank you, Madam Chair. [LB84]

SENATOR CORNETT: Thank you, Senator Fischer. Questions from the committee?

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

Revenue Committee
February 10, 2011

Seeing none, thank you. [LB84]

SENATOR FISCHER: Thank you. Senator Cornett, I have a list of testifiers. And I was wondering if you could call them in the order on that list before you open it up to other testifiers that are here in support of the bill. [LB84]

SENATOR CORNETT: I would be happy to. And I would advise everyone that we are going to use the light system today. Everyone has three minutes. After the list of testifiers that Senator Fischer has, if...I'd advise everyone that wishes to testify after that if what you want to say has already been said, with the number of people here, me too works. [LB84]

SENATOR FISCHER: And I would say it's the first few that will be coming up on this list to offer detailed testimony and the rest will be me too. [LB84]

SENATOR CORNETT: Okay. [LB84]

SENATOR FISCHER: Thank you. [LB84]

SENATOR CORNETT: Thank you, Senator Fischer. Mr. Todd, you are recognized to come up first, please. [LB84]

LOY TODD: Thank you, Senator Cornett, members of the committee. My name is Loy Todd, that's L-o-y T-o-d-d. I'm the president and legal counsel for the Nebraska New Car and Truck Dealers Association testifying in support of LB84. Our Highway Trust Fund in Nebraska has, for many, many years, been the envy of many other states. A method of funding roads by utilizing what we call user fees, that is the sales tax on motor vehicles as well as fuel taxes, was adequate and even terrific years ago. But times have changed, they've changed very dramatically in our industry. Just a few years ago our industry looked at selling about 18 million new cars a year. Last year we were down to about 9 million. We're hoping we get up to 11 million. Showing you that kind of dramatic decrease in sales tells you what's been happening to the Highway Trust Fund. It is simply in a death spiral. Fuel consumption, it's down not only because of prices but because of efficiency. And what we're seeing is competition now from hybrids, "electrics," compressed natural gas, all kinds of alternative fuels that we really don't have a very good method of taxing. It's not unique to Nebraska. I work on national committees to try and find some way to adequately fund roads and to come up with user fees from these other types of vehicles. It simply hasn't been done anywhere, no one is doing it right. So we're seeing that kind of pressure on the Highway Trust Fund. And also the federal government has proposed standards to be raised to average corporate fuel economy in excess of 40 miles per gallon. And California is in a race with the federal government to see if they can find a bigger number than 40. And so as you can see, that income is spiraling and spiraling down. Our association has always been

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

Revenue Committee
February 10, 2011

opposed to bonding until this came along. And the reason for that is simple, we just didn't want to mortgage the future for something that we didn't know how it would work out. However, this has what we have always asked for--a definite funding source that we think will increase in the future, and definite end, and definite projects. And so with that, our goal is economic development and we hope that that can happen. Our cities need this, our state needs this. And we will support not only this bill but a constitutional amendment to make it happen. Thank you. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you, Mr. Todd. Next testifier, Dick Reiser. [LB84]

DICK REISER: Thank you, Madam Chairman. My name is Dick Reiser. I am from Omaha, Nebraska. I'm here representing today the Omaha Chamber of Commerce, the Nebraska Chamber of Commerce and Industry, and the Nebraska Trucking Association. So do I get nine minutes? (Laughter) [LB84]

SENATOR CORNETT: Three. [LB84]

SENATOR HADLEY: Good try though. [LB84]

DICK REISER: Thank you. I serve on the board of directors of those three organizations and I'm also a former Nebraska State Highway Commissioner. We have...for the past five years, the Nebraska Department of Roads has been raising the flag, telling us that we are about out of money for new construction and soon to the point where we have nothing left but money for maintenance and eventually not enough money for maintenance. The problem is, of course, the rising cost of maintenance and construction and the declining revenues from fuel tax as people drive fewer miles. The highest priority of the Department of Roads is to maintain and preserve the existing approximately 10,000 miles on our state highway system. Each year they measure the quality of the pavement on the highways with the goal of maintaining at an 84 percent level the highways that are in good or very good condition. From 2001 through 2005 the percentage of the roads in those categories was between 81 and 85 percent. From 2006 through 2010 the number has been between 80 and 75 percent, ending up at 75 percent in 2010. I believe this is an indication of serious problems facing us in the future for several reasons. Number one, once we fall behind on maintaining our highways, there's a long time, a lag time before the problem can be corrected. Secondly, little problems become big problems. For example, resurfacing of a highway which is delayed or deferred can result in an increase in cost when the subsurface is affected and you end up, essentially, replacing the entire highway instead of just resurfacing. Number three, when the public outcry begins, the lead time to fix the problem will be long. And we've been fortunate in Nebraska to have a very good highway system. And part of the reason we haven't dealt with this issue is because people are not complaining about the highways. Well, I think those days are soon to be in the past and

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

Revenue Committee
February 10, 2011

we're going to start hearing from our citizens that our highways are not in good condition. This is a can that can't be kicked down the road. There really isn't any way to cut our way out of this problem. The maintenance requirements are dictated by the conditions of the road and the costs are dictated by competitive bids to repair the roads. Although various efforts have been made in the past sessions to deal with this problem, we have not found a workable solution. Senator Fischer has come up with a workable, realistic proposal for providing funding in LB84. The bill is well-thought-out and carefully drafted. No, it's not everything that we would like if we could have all the money we want for new roads but will go far in allowing us to maintain our existing roads and perhaps build some new miles. Now is the time to deal with the problem while it's still manageable. Thank you for your attention. [LB84]

SENATOR CORNETT: Thank you. Questions from the committee? Senator Hadley. [LB84]

SENATOR HADLEY: Thank you, Senator Cornett. Mr. Reiser, I should probably know this but I don't. The original interstate system, was this funded primarily by the federal government? And what role does the federal government now take in replacing the interstate system? [LB84]

DICK REISER: The original interstate system, when they came out with the idea, it was going to be kind of a match. And as I understand it the states couldn't or wouldn't step up with the money and it became a 90-10, 90 percent federal and 10 percent state. I don't know what it is now. It's no longer anywhere near that. It's the...the cost is...I think it's just in with the rest of the federal money that the state gets. [LB84]

SENATOR HADLEY: Okay, thank you. [LB84]

SENATOR CORNETT: Further questions? Seeing none, thank you. Next testifier, Karl Fredrickson. [LB84]

KARL FREDRICKSON: Chairperson Cornett, members of the committee, I'm Karl Fredrickson, K-a-r-l F-r-e-d-r-i-c-k-s-o-n. I'm here today representing the Lincoln Chamber of Commerce as a member of the chamber. Just to give you a little background. And the Chamber of Commerce is in favor of this bill that Senator Fischer has proposed and sponsored. Just to give you a little background, for myself, I've been in the transportation industry for about 24 years. I worked for the Department of Roads for about 15 years doing construction, design, facilitation of federal aid. I've probably either designed or helped build or facilitated a project in most all of your districts through that time. I spent 5 years with the city of Lincoln as assistant city engineer, 2.5 as Public Works and Utilities director. And for the last three years I've been with a private consulting firm doing design and program management activities. So I've got a background all the way from the design and construction to operation, maintenance and

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

Revenue Committee
February 10, 2011

financing of infrastructure systems, particularly transportation. And we've...as a member of the chamber, we've been before the Transportation Committee and the Revenue Committee in the past in favor of increasing the revenue into the transportation system into the city of Lincoln and the state of Nebraska. This is an issue that concerns communities and counties in addition to the state of Nebraska. And so we've been a stalwart proponent of increasing that. Every year we have a community consensus meeting that includes individuals beyond the members of the Chamber of Commerce to decide what is the chamber in favor of and what does the community want. And transportation, road infrastructure has always been there. And that is one of our key things, the other is economic development. And those come a little bit hand in hand. The south and eastern Lincoln beltways is high on the Lincoln Chamber's priority to be built. And I'll tell you that five years ago that I've seen the plans for development at the interchange at 27th and where the south beltway would be. Those have been on a shelf now for six years, since 2005. And we consider that a lost opportunity as far as tax and revenue dollars go. So the other...the roads in disrepair also cost the citizens in driving. And the Troop report came out and said that that ranged from \$1,100 to the drivers on average for maintenance repairs of their vehicles which we consider to be a hidden tax. So they're already paying money for additional repairs due to roads that are deficient. And those will only continue if revenue isn't found to keep them in sound shape. With that, I'd ask for any questions. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. Bob Hallstrom. [LB84]

ROBERT HALLSTROM: Chairman Cornett, members of the committee, my name is Robert J. Hallstrom. I appear before you today as registered lobbyist for the Nebraska Bankers Association in support of LB84. I came fully prepared to provide me too testimony but, given the significance of the issue, I'm compelled to expand on my comments slightly. The NBA believes that a strong road system is essential for the vitality of the communities across the state. And as we emerge from the recession, I think it's a commonly held belief that Nebraska is well-positioned because of decisions that have been made by the Legislature and the administration in reducing state spending and avoiding tax increases, as so many other states have done, to be well-positioned to accommodate businesses and families that want to move to Nebraska because of our climate in terms of taxes and spending. What better time to enhance those opportunities that are available to our state than to make a bold decision like LB84 to provide sufficient funding for our highway system for repair, construction and installation of roads. And we think it will lead to growth in jobs and the economy across the state. As Senator Fischer noted, it's time not to wait until next year, as the Brooklyn Dodger fans and the Chicago fans has been their motto for so many years. We think now if the time to move on this, strike while the iron is hot and add to the attractiveness of our state in the years to come. For those reasons, we support the bill. Be happy to address any questions that the committee may have. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: Questions? Seeing none, thank you, Bob. [LB84]

ROBERT HALLSTROM: Thank you. [LB84]

SENATOR CORNETT: Next testifier, Ernie Mehl. [LB84]

ERNIE MEHL: Thank you, Madam Chair and members of the committee. This afternoon it is my pleasure to give you a few ideas on LB84. And I am Ernie Mehl, E-r-n-i-e M-e-h-l. I am a farmer from North Platte, Nebraska, operating in Lincoln County, a long-term member of Lincoln County Farm Bureau as well as Nebraska Farm Bureau. And I'm here today representing the Nebraska Farm Bureau in support of LB84. First, I want to express the Farm Bureau's deep appreciation to Senator Deb Fischer for her tireless work to assure funding for roads. Nebraska farmers rely heavily on good roads and a strong transportation infrastructure for the transportation of agricultural inputs and commodities. Good roads, highways, and bridges are essential to farmers and ranchers who each year face more and more global competition. A key for our competitiveness will be to keep the cost of shipping commodities low, to help producers market their products in the global marketplace. And I have been, for the last 25 or 30 years, hauling 80,000 pound payloads on our trucks, our semis from the farm to the marketplace. And I have seen these roads deteriorate considerably. Each year and each fall Farm Bureau members are asked to submit policy statements on issues of importance to them. And judging from the number and diversity of statements we received from members across the state, roads funding is very important to them. During our meetings, members considered many funding alternatives and ultimately adopted a policy statement that states, if the Legislature determines additional funding is necessary, Farm Bureau would support increasing motor fuels taxes and/or using sales tax dollars to fund road construction and maintenance. Because LB84 uses sales tax dollars to provide additional roads funding, we can support this legislation. I would just like to say that I did have rather a personal opportunity to be able to get closer to our roads problem as being a member of Governor Johann's Transportation Task Force several years ago. And through that experience I was able to, of course, see the roads in the state of Nebraska from a very close viewpoint. While we support the bill, our policy also continues to oppose the use of bonding as a means of funding road construction and maintenance. Our members have observed the struggles other states have been paying back for bonds, paying back the bonds, and fear Nebraska would face similar struggles. And I think the state of Kansas is one good example where they had to pay the bonds back. And at the same time they had to, of course, pay for maintenance of the roads which was a double obligation. And I'll tell you, it was kind of hard on them. We own a farm in Kansas. My wife grew up in Kansas and so we've seen that very closely and it was a problem for that state. However, we do support LB84. We feel that Senator Fischer has done a very good job in constructing this legislation. And we ask that the committee consider the possibility of a pay-as-you-go funding system for this particular

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

Revenue Committee
February 10, 2011

road structure and the legislation that will go along with it. We want to be sure that we don't run into a funding problem and a tax problem in the future for the state of Nebraska. We thank you for the opportunity of being able to share our thoughts on this very, very serious problem for the state of Nebraska. And I would be happy to answer any questions you might have. [LB84]

SENATOR CORNETT: Senator Pirsch. [LB84]

SENATOR PIRSCH: Thank you for your testimony, Mr. Mehl. I'd like to inquire though, you're supportive of LB84, is that right? [LB84]

ERNIE MEHL: Yes. [LB84]

SENATOR PIRSCH: And the bonding structure that's embedded within this bill you're supportive of, or is that an aspect that you, in the whole you support LB84, but that feature you don't support? [LB84]

ERNIE MEHL: Yes. Thank you for the question, and it's a very good one because this is an issue that we're very strongly opinionated on in Farm Bureau. We had a very, very deep discussion within our policy development system of our convention this last year. All aspects of bonding were very definitely and very deeply gone into by our delegates. And there are some positives to bonding. But the thing that we are concerned about is the fact that we feel the state of Nebraska should adhere to their current policy of paying as you go and not particularly going off on the tangent that Kansas went off on several years ago. And they gave us a lot of good information in regard to that. The Kansas DOT, Department of Transportation, they described to us how they constructed roads several years ago with bonding and a lot of roads at once. And then they did have this problem of being able to maintain the roads and pay for the bonds at the same time. I think that Senator Fischer probably thought about that a good number of times. And I think she has proposed some protections in here in not going completely overboard. But still, it is our contention in Farm Bureau that we would rather not go the bonding route. We feel the pay-as-you-go policy and respecting our basic policy in the state of Nebraska of not overspending our budget as being the prudent way to go. So we would like to make that suggestion. [LB84]

SENATOR CORNETT: Senator Pankonin. [LB84]

SENATOR PANKONIN: Thank you, Chairman Cornett. Mr. Mehl, thanks for being with us today. Two things that I want to ask and one of them is going to get back to the issue you just talked about. But first of all, I think you would agree that one of our big international competitors anymore is Brazil on commodities and maybe even with livestock and whatever. And I think it's a fair statement to say that one of the reason that they're not even a bigger competitor is their lack of infrastructure in their newer

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

Revenue Committee
February 10, 2011

agricultural areas. Do you think that's a fair statement from what you understand?
[LB84]

ERNIE MEHL: Well, Senator, thank you for the question. And two years ago I took an agricultural tour of Brazil. And we spent most of our time in Mato Grasso province. And so we saw these two-lane roads that bring half of their product of soybeans from Mato Grasso province to the shipping area and the loading area which was an extremely difficult thing for them to do. And they were very frustrated about that road situation. But they handled things as well as they could. Half of their product goes to the tributaries off the Amazon River. But the other half do have to come over land. And it was amazing the number of trucks that were hauling that product to some of the centers that accepted the crops. And the town that had the center that accepted the primary number of those crops was so full of trucks when we got there on a Monday morning that they predicted that not all those trucks would be unloaded that day. A tremendous transportation problem. And that's Brazil's biggest problem in developing that very potential area of agricultural production, probably the biggest potential area in the world. It's amazing what they have to work with. And Brazil is a country that, if they can get their infrastructure in shape, they're going to really go places because they have a lot of potential. I thoroughly enjoyed the trip. [LB84]

SENATOR PANKONIN: Well, I feel fortunate that I asked that question because I didn't know you'd been to Brazil. So you had seen this... [LB84]

ERNIE MEHL: Yes, yes, we have. [LB84]

SENATOR PANKONIN: ...firsthand, and why infrastructure is important to agriculture.
[LB84]

ERNIE MEHL: Absolutely. And you know, I saw it from the Transportation Task Force point of view and the fact that we covered the whole state. And Senator Fischer's area, up in the northern part of the state, probably is in as much need as any part of the state of Nebraska for road renovation and reconstruction, particularly in areas around Ainsworth where they constructed new irrigation projects there about 20 years ago and they built their bridges for double axle trucks or single axle trucks rather. And now I think 2 percent of the trucks that come into the North Platte elevator are single axle trucks. The rest of them are 80,000-pound semis and they're coming from all parts of the state.
[LB84]

SENATOR PANKONIN: My follow-up question is getting to your issue with the bonding. And I'm in the agriculture...one of the small businesses our family is involved in is an agriculture equipment dealership. In your estimation, do farmers borrow money to buy equipment once in a while? [LB84]

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

Revenue Committee
February 10, 2011

ERNIE MEHL: Farmers have to buy equipment. [LB84]

SENATOR PANKONIN: And do they borrow money to do it once in a while? [LB84]

ERNIE MEHL: Yes, they do. [LB84]

SENATOR PANKONIN: They do. [LB84]

ERNIE MEHL: (Inaudible). [LB84]

SENATOR PANKONIN: And there's a reason why. Why do they do that? [LB84]

ERNIE MEHL: They do that so they can afford to put the equipment to work. And I understand what you're getting at, I really do. But nevertheless, you know, I don't think we want to overbuild and borrow money for what the overbuilding might be. [LB84]

SENATOR PANKONIN: Yeah. Well, you answered the question because sometimes to get the investment needed you have to borrow money to make that move. And, I guess, the answer I think in Senator Fischer's legislation, which I signed onto, is the fact that she has the protection from the cash flow coming in from the revenue stream that can service that. And it doesn't take all of the cash flow to do it. It's a fairly modest proportion of it. So I think those safeguards are built in and I hope you guys reconsider that. [LB84]

ERNIE MEHL: We certainly do consider every aspect of her bill. And she's done a very good job of writing it. But we still are very much concerned in paying that back because, of course, you know that happens. The rubber has to hit the road sometime. [LB84]

SENATOR PANKONIN: Thank you. [LB84]

ERNIE MEHL: Yes, thank you very much. Any other questions? [LB84]

SENATOR CORNETT: Senator Hadley. [LB84]

SENATOR HADLEY: Thank you, Senator Cornett. Thank you for coming. I would like, I guess, rather than ask a question, make a statement. I see this bill as the entire state of Nebraska bill because it has things in it for the entire state, whether it's expressways, whether it be (inaudible) for Lincoln and Omaha. But we can't forget that agriculture is so important to our state. And the ability to get product from the farm to the distribution point and to the ultimate consumer is so important. And we cannot let that means go down. So thank you so much for your testimony. [LB84]

ERNIE MEHL: Thank you for the comment, Senator Hadley, very appropriate. Anybody

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

Revenue Committee
February 10, 2011

else? [LB84]

SENATOR CORNETT: Further questions or comments? Seeing none, thank you. [LB84]

ERNIE MEHL: Thank you, Madam Chairman. [LB84]

SENATOR CORNETT: Next testifier, Deb Cottier. [LB84]

DEB COTTIER: Good afternoon, Chairman Cornett and Senator Fischer and members of the Revenue Committee. My name is Deb Cottier, that is C-o-t-t-i-e-r. I'm from Chadron, Nebraska. And I'm here today with colleagues from Gering and Alliance. We drove in this morning to testify in support of LB84. We're here representing the Heartland Expressway Association. This association represents businesses in communities in western Nebraska engaged in an effort to create a four-lane expressway from south of Kimball to north of Chadron, Nebraska. The road to economic recovery for all Nebraskans begins with safe, efficient access to goods and materials as well as markets for products. Much like the established correlation between higher education levels and better earning power, communities can earn more if they're well connected to transportation routes. We believe the Build Nebraska Act and the proposed Highway Restoration and Improvement Fund are a way to accomplish that goal. The U.S. Chamber of Commerce, in a 2009 study, outlines the economic impact of not maintaining infrastructure. Senator Fischer brought the Speaker in at her transportation summit last summer and they created what they called the Transportation Performance Index and it combines indicators of supply, quality of service and utilization. The National Index shows, as not a surprise, a downward trend from 2003 to 2008. That's nationwide and, of course, Nebraska is a part of that. This trend reveals that the performance of the U.S. transportation system is not keeping pace with the demands of that system. The unfinished expressway system in Nebraska needs to be finished as intended. The Heartland Expressway seeks to connect western Nebraska to two other expressways--the Ports to Plains, south of Nebraska, and the Teddy Roosevelt, in northern South Dakota, to complete a federally-designated high priority transportation corridor. Through this corridor will move energy production equipment, components, agricultural products, visitors, and other delivery vehicles. It will also deliver a lifeline for western Nebraska. It will help in our efforts to stop the population decline, loss of property value and the businesses and give us an opportunity to become a more economically viable part of the state. It will connect western Nebraska to vast markets and potential customers. As those along I-80 can attest, businesses locate where the good...where there is good access to surface transportation. We believe this north-south corridor can be the same thing for western Nebraska. It's time for the state to step up and invest in what's needed. The system is underfunded to maintain the several billion dollar investment we already have. It's clear there is not sufficient resource to provide for investment in areas where economic returns can be a benefit. The Build Nebraska

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

Revenue Committee
February 10, 2011

Act and corresponding Highway Restoration and Improvement Bond Fund is a big step in the right direction. And we urge you to support Senator Fischer's bill, LB84. [LB84]

SENATOR CORNETT: Senator Pirsch. [LB84]

SENATOR PIRSCH: I'm just trying to clarify. So this would be, and I'm looking at page 3 of the green copy of it, there's a section...(2) of Section 4, it says, "At least \$15 million of the total aggregate money credited to the fund pursuant to" 77-27,132 "shall be used to pay for construction of the expressway system." Is that...this is the part we're talking about, right? [LB84]

DEB COTTIER: Yes. The intent to connect towns of a certain size to the interstate with an expressway system. [LB84]

SENATOR PIRSCH: So that's where 15 percent of the fund could be dedicated then to this expressway? [LB84]

DEB COTTIER: Statewide is my understanding, yes. [LB84]

SENATOR PIRSCH: Okay, thank you. [LB84]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB84]

DEB COTTIER: Thank you. [LB84]

SENATOR CORNETT: Bob Stubbe. [LB84]

BOB STUBBE: (Exhibit 1) Senator Cornett, members of the committee, my name is Bob Stubbe, S-t-u-b-b-e, public works director for the city of Omaha. On behalf of the city of Omaha, I would like to submit the following testimony in support of LB84 which provides increased revenues to the Highway Allocation Fund. The city of Omaha Public Works Department maintains about 4,500 lane miles of streets and 140 bridge structures. The streets and bridges are a significant and valuable asset for Omaha, the surrounding communities and the state. They are the routes for commuters, commerce, and public safety providers and they truly contribute to the economic prosperity and quality of life we enjoy and deserve. Omaha has a six-year capital improvement program which identifies projects to address growth of the community and to rebuild roads and bridges that have deteriorated over the years due to weather and use. Omaha citizens recognize the importance of roads and have strongly supported the capital improvement program. Over the decades, transportation bond ballot issues to finance these projects have been overwhelmingly supported by the voters. Road deterioration and aging pavements provides Nebraska drivers with a poor quality ride. This contributes to increased vehicle ownership costs. Your vehicle wears out more quickly, requires more

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

Revenue Committee
February 10, 2011

maintenance, and consumes more fuel. A September 2010 report prepared by a nonprofit organization indicated the average urban motorist in the United States is paying \$402 annually in additional vehicle operating costs as a result of driving on roads in need of repair. These conditions negatively impact the well-being, financial resources and mobility of the businesses, citizens and visitors that use the street network. In order to maintain a safe, dependable and efficient network of streets, increasing resources are required. The cost per ton of asphalt for patching streets has almost doubled in the last five years. The cost for road salt, diesel fuel, and gasoline has increased over 50 percent. Our street maintenance budget for 2011 is over \$22 million; the Traffic Engineering and Maintenance budget is over \$6.2 million; and our resurfacing budget is over \$3.9 million. Funding has traditionally come from user fees such as gas tax and vehicle registration fees, but increased costs, aging infrastructure, and reduced road user revenues will not provide us the reasonable resources we need in order to properly maintain our roads and bridges. The American Society of Civil Engineers in 2009 released their report card for America's infrastructure. Roads received a D minus and bridges received a C. One of their five key solutions to raising the grade was to increase and improve infrastructure investment from all stakeholders. I think we all agree that roads are important to Nebraska and that highways and infrastructure are a priority. I believe LB84 is an important step to raise the grade and I support Senator Fischer's plan that calls for using existing state sales tax revenue to provide \$20 million per year into the Highway Allocation Fund to be shared with cities and counties. Thank you. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you, Bob. Mark Lippincott. [LB84]

MARK LIPPINCOTT: Madam Chairperson, members of the committee, my name is Mark Lippincott, L-i-p-p-i-n-c-o-t-t. I am the president of Nebraska/Iowa Supply Company in Blair, Nebraska, and president of the Nebraska Petroleum Marketers and Convenience Store Association. We are in support of LB84 and I agree with all the other testimony before me. You have any questions? Thank you. [LB84]

SENATOR CORNETT: That was painless. Pete McClymont. [LB84]

PETE McCLYMONT: Madam Chair, members of the Revenue Committee, for the record, my name Pete McClymont, M-c-C-l-y-m-o-n-t. I'm vice president of legislative affairs for the membership of the Nebraska Cattlemen. I don't want to be redundant, just a few more points to share is that obviously farm to market infrastructure is critical to the timeliness of the beef industry in the state, our largest industry and also agriculture in general. While we are the 15th largest land mass state in the country and we have roads going to all corners of the state, it's critical...we realize this committee has a tough decision ahead with this and your colleagues as well on obvious spending and funding needs. But I think Senator Fischer's bill is a great opportunity to invest in our state.

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

Revenue Committee
February 10, 2011

Maybe with the possibility of North Dakota, every state is probably envious of Nebraska and our economic outlook and our fiscal responsibility. So it's our belief as Nebraska Cattlemen that LB84 is a great investment to try to seize on the opportunity for our state. So we thank Senator Fischer for working with all parties concerned. And we'll be happy to work with the committee in any possible way to advance LB84. Thank you. [LB84]

SENATOR CORNETT: Senator Hadley. [LB84]

SENATOR HADLEY: Yes, Senator Cornett, thank you. Mr. McClymont, would you refresh my memory. Nebraska is first in beef production and second in number of cows? Am I correct or what is it? [LB84]

PETE McCLYMONT: That is correct. [LB84]

SENATOR HADLEY: And so this is a huge nationwide industry. And are the roads, you're basically saying the roads are important to your industry then. [LB84]

PETE McCLYMONT: Absolutely. And obviously, coming from sparsely populated remote parts of the state, it is critical to get the cattle from the ranches to the feedyards. You know, with corn delivered to the feedyards, then onto the packers, and then for packers to distribute the beef products around the country, so you're exactly correct in that outlook. [LB84]

SENATOR HADLEY: Thank you, Mr. McClymont. Thank you. [LB84]

SENATOR CORNETT: Further questions? Seeing none, thank you, Mr. McClymont. Mayor Marlene Johnson, please. [LB84]

MARLENE JOHNSON: Good afternoon, Senator Cornett, thank you for giving us the opportunity and thank you to the Revenue Committee for listening to us repeat things over and over that we continue to say. I want to thank Senator Fischer for introducing this bill. I think this is probably a real good answer to the things that need to be done. LB84 is a good bill that I think we all need to support. And I represent the Nebraska Expressways for Economic Development and also am mayor of the city of West Point. And the NEED group has always been in favor of funding the expressways that have not been completed since...for the last 20 years and West Point is part of that. As far as the bonding part of the bill is concerned, cities have been bonding things for years. I mean, this has just been a part of what we do and how we finance things that we need to do. And so I don't think that bonding is the worst thing in the world, as long as you do it very well and are cautious about it and do not overbond and spend more than you think you can take in. One thing about the expressway system that is important to a city like the city of West Point is the fact that we are at the lid and levy limit. We cannot

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

Revenue Committee
February 10, 2011

increase our tax base in any way unless we can have new business and new home construction to increase the valuation of our county or of our city. And so that's the only way that we have a way of getting new tax dollars into our budget. And so by having good roads where we can invite new industries to move into our community and get people to move into our community that is going to help us fund the things that we need to do as a city to keep us moving forward and growing. And so that's kind of one of the most important things about the whole situation as far as the roads are concerned. And the other thing is that we would like to have this actually be in force and know that it's going to happen. I mean, that's one of the things that has kind of frustrated us all of these years, as we've been talking about this for a lot of years. And we still do not know exactly where this expressway is supposed to go. And it's very difficult to plan for the growth of your city if you have an industry that comes to you and says, we'd like to build in West Point, can you tell us where there's some ground available? You direct them in an area, but yet you don't know whether this is in the corridor of the coming expressway, whether they're going to be buying expressway property and have to give it up and then possibly move. So those are just some of the things that enter into this aspect. And so I want to thank you for listening to us today and for all of the work that you do on all the other entities as far as government is concerned. We're all conscientious about saving money and not spending more than we have and we're definitely all trying to do that. So thank you very much for listening to us and appreciate the support that you've given us and hopefully LB84 will be moved forward and done. So thank you. [LB84]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none, thank you, Mayor. Or did you...no, no, I...okay, okay. [LB84]

MARLENE JOHNSON: Thank you. [LB84]

SENATOR CORNETT: Shane Weidner. [LB84]

SHANE WEIDNER: (Exhibit 2) Madam Chair, members of the Revenue Committee, I'm Shane Weidner, W-e-i-d-n-e-r, representing the city of Norfolk. Norfolk is particularly interested in LB84 and in reuniting the investment capital and expressway system across the state. There is no interstate access to Norfolk. Our communities in the northeast are serviced by three major highways--81, 275 and 35. Each of these roadways has either begun expansion to an expressway or is in the planning phases. However, the work has been severely stymied by the lack of funding on the federal, state and local level. LB84 may very well may be the match we need to light the fire of completion of the roadways that will keep us moving forward. The Governor has laid out his goals for a balanced budget without increasing taxes and investing in innovative programs to create jobs, entice businesses to either expand or locate new here in Nebraska. He rightly advised us it will take each and every political subdivision to pitch in, tighten belts and look at the big picture. In response, funding from the state to the

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

Revenue Committee
February 10, 2011

local governments appears to be waning. It is our hope that as the economy turns around we can use the funds generated under LB84 as a major economic development tool which lifts us all, business and government, out of the doldrums of this economy. I would strongly encourage you to support LB84, get it out of committee and let's get to work. I'd be happy to answer any questions that you might have. [LB84]

SENATOR CORNETT: Questions? Seeing none, thank you. [LB84]

SHANE WEIDNER: Thank you. [LB84]

SENATOR CORNETT: Next proponent, Curt Smith. [LB84]

CURT SMITH: (Exhibit 3) Good afternoon, Madam Chairman, members of the Revenue Committee. My name is Curt Smith, C-u-r-t S-m-i-t-h, and I am the executive director of the Nebraska Chapter of Associated General Contractors. "Unsurprisingly" to you, probably, we are fully in support of LB84. Most of the statistics that I would quote to you, some of which have been already stated, Senator Fischer mentioned that there were approximately 10,000 miles of state highways. And I don't think she mentioned that there are 87,000 miles of local streets and roads within the state which this bill also addresses some of the money to care for those roads. She mentioned people travel and the benefits that our highways provide to us. Eighty-eight percent of all travel...persons travel in Nebraska is by private automobile, or about 18.8 billion vehicle miles traveled in a year. Something else, we talked about the economy. Another fact somehow I picked up over the last year, \$62 billion worth of goods are shipped out of Nebraska every year, \$52 billion worth of goods enter the state, big economic factor in our state. Virtually everything we receive travel across our roads, you all know that, to our grocery stores, to and from the farms, everything. I passed out a...and you might have seen this before. It's actually from the roads assessment. It shows the level of funding at the state appropriated...highway construction program. You can almost draw a flat line, horizontal line across the level of funding. The next sheet shows what happens with the federal funding. We did have an influx of stimulus monies last year. And the following, the last sheet of the pass out is an inflation adjusted funding of where we would be if any inflation factor had been put in for increased funding over the years. Last year, late last year, myself and another member traveled across the state of Nebraska sharing the assessment...Nebraska roads assessment program with daily newspapers. We used the theme of that travel time to say roads--Nebraska's future rides on them. I believe that's an accurate statement. I think the preceding people who have testified today would voice the same opinion. Nebraska's economic future is connected to our surface transportation system. We cannot afford to delay dealing with this critical issue. LB84 takes a large step towards addressing the funding issue. I urge you to support this bill. [LB84]

SENATOR CORNETT: Thank you. Senator Hadley. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR HADLEY: Thank you. Mr. Smith, while it would not be a guarantee, would it be a fair statement to say that if we were to pass this and construction was done, a reasonable amount of the construction would be done by Nebraska companies and Nebraska...employees in Nebraska companies? [LB84]

CURT SMITH: There would be no guarantee that that would happen because we have an open bidding process in the state of Nebraska so that...but there certainly is plenty of capacity at the current time to do all the work what would be available by this. [LB84]

SENATOR HADLEY: That was my question. [LB84]

CURT SMITH: Yes, yes. [LB84]

SENATOR HADLEY: There would be a capacity to do this. [LB84]

CURT SMITH: Oh, yes, unless they go out of business in the meantime. [LB84]

SENATOR HADLEY: Okay. Well, I think that's an important point that at times we don't factor in the fact that there can be a multiplier effect. As the money is spent in Nebraska in the terms of wages, materials and such as that, the money has a tendency to be "respent." And I look at the \$162 million in federal stimulus funds that were spent on highways, there is a multiplier effect in that. And it does upset me when we have the federal government at times giving people \$200 if they go out and buy an iPad or an iPod that's made in China and the money goes there. This is money that conceivably could be spent in Nebraska for Nebraska jobs, for Nebraska companies. So that's why I think it's important. [LB84]

CURT SMITH: I appreciate that comment. And I just...I wasn't going to say anything, but I was looking at the Bureau of Labor Statistics here a week or so ago. And there's approximately 44,000 jobs in the state of Nebraska that are affiliated not only in direct construction but an affiliated with would-be gravel producers, cement factories, so on and so on. And the payroll is like \$283 million a year for those jobs. And so you multiply...and they...I think FHWA uses a factor of 3.2 turnaround, something like that, that you would use. So it is a significant factor in the economy, yes, it is. [LB84]

SENATOR HADLEY: Well, and I want to reiterate, I was not asking that this be given just to Nebraska companies. But I would assume Nebraska... [LB84]

CURT SMITH: Oh, absolutely. [LB84]

SENATOR HADLEY: ...companies will be competitive in the bidding process. [LB84]

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

Revenue Committee
February 10, 2011

CURT SMITH: Absolutely, yeah. [LB84]

SENATOR HADLEY: Thank you. [LB84]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB84]

CURT SMITH: Thank you, thank you. [LB84]

SENATOR CORNETT: Mayor Jerry Johnson, please. [LB84]

JERRY JOHNSON: Thank you, Senator Cornett. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n. I'm here representing the expressway committee but also the project, but also the city of Wahoo. I'll try and personalize it just a little bit from the standpoint of Wahoo. We've heard for 40 years that the...77 from Wahoo north was going to be a reality 15 years ago, got to Ceresco; in the last 10 years it's gotten to Wahoo. The Department of Roads has built a new intersection, about two miles down the road in order to connect this because in between there the NRD, the city of Wahoo and the county have developed Lake Wanahoo, which will be an economic driver for our community. The expressway goes right through that. We're not able to complete some of that because the expressway is not there yet. I see more than economic development as part of this. I see safety from the standpoint of Wahoo, because of its location, we find a lot of drivers sometimes find the need or the desire to be between Omaha and Lincoln and have another alternate route. Some of that is because of accidents on the interstate, traffic blockage, whatever. As soon as that occurs, we start seeing the rush of traffic that comes to...through there. So connecting those links or connecting those dots will be very valuable. What's happening now is because of the congestion where the expressway stops, traffic is finding other state roads in order to bypass and to get to Lincoln, and those roads are not geared for this type of heavy traffic. From the city's standpoint, we are developing a new gateway to go out to the lake to connect that. And it's hindered right now because the developers do not know for sure when the expressway will be there. We know where it's going to be. It's all...the property is all purchased, the right-of-ways are all there, the permits are in place, it's just to put the missing piece and that's the funding part of it. I can also speak a little bit from my business career, for 42 years I served six different cooperatives throughout the state of Nebraska in a management position. I know the value from the whole state of transportation, farm and market transportation. I also, in my, I call service career now, work with the Economic Development Department, the community improvement program, going out and evaluating communities and what makes them churn and what makes them go. And several of them that I have evaluated or judged transportation and the expressway is one of their main concerns and one of the things that will really help them move forward. I think this is a bill that will start that going. I appreciate Senator Fischer's efforts on that. And we totally support the bill. So if there's any questions, I would try and answer. Thank you. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: Seeing no questions, thank you. Next proponent, Dan Park. [LB84]

DAN PARK: Madam Chairman, members of the committee, good afternoon. My name is Dan Park. I'll try not to repeat much of what's been said. I'm cochair of the legislative committee for the American Council of Engineering Companies in Nebraska. I'm here to speak in favor of LB84 on behalf of our organization. I'd like to begin by thanking Senator Fischer for introducing this important bill and recognizing the importance of a problem critical to all Nebraskans. There are several important highway funding proposals before the Legislature that you're looking at this year aimed at reversing a decade long trend of underfunding and deferring transportation improvements. LB84 is certainly one of those key proposals. The Legislature has an opportunity to show that safe and efficient transportation is a priority in Nebraska. You've heard it several times today but it's certainly worth repeating. Over the last few years the gap between transportation system needs and funds, available funds, has been growing at an alarming rate. Experts for years have been saying and warning of the consequences that we're going to face, tearing roads, increasing congestion, unsafe improvements, closed bridges, those things are in the process of happening. You've also heard that we're approaching a maintenance mode, we believe we're in a maintenance mode here in Nebraska. And in two years it's going to be difficult to even take care of the maintenance. There's very little money for congestion relief, and certainly not money available for major improvements that you've heard about this afternoon for economic development purposes. The gas tax, which has been the cornerstone of our highway funding system for decades, has become fundamentally flawed not only in Nebraska but nationally. The bottom line is cars are more efficient. We have gas, electric automobiles, costs are going up and income is going down. To make matters worse, the federal funding makes up 40 percent of our program. And they're experiencing funding shortages we expect. At any rate, it's been said by some that the issue that can be deferred, we don't believe the situation can go away. Investing in transportation is an investment in tomorrow that we must make today. As state senators you certainly know that funds are short. Agencies are competing for them, but we think the investment in transportation is important to the future of Nebraska. And we would appreciate your support of this bill. Thank you. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you, Mr. Park. [LB84]

DAN PARK: Thank you. [LB84]

SENATOR CORNETT: Next proponent, Jon Edwards. [LB84]

JON EDWARDS: Good afternoon, Chairman Cornett, members of the committee. My

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

Revenue Committee
February 10, 2011

name is Jon Edwards, J-o-n E-d-w-a-r-d-s. I'm here representing the Nebraska Association of County Officials. And we are here today in support of LB84 and we would also like to express our thanks to Senator Fischer for her work on this proposal and merely register our support for this bill. And with that, I'll conclude my testimony. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you, Mr. Edwards. [LB84]

JON EDWARDS: Thank you. [LB84]

SENATOR CORNETT: Dan Thiele. [LB84]

DAN THIELE: (Exhibit 4) Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Dan Thiele, T-h-i-e-l-e. I'm a licensed engineer and legislative chair of the Nebraska Society of Professional Engineers. I'm here today to testify on behalf of the Professional Engineers Coalition, a group comprised of the Nebraska Society of Professional Engineers, the American Society of Civil Engineers, and the Professional Surveyors Association of Nebraska. The American Society of Mechanical Engineers and the Structural Engineers Association of Nebraska are associate members of the coalition. PEC is in support of LB84. The bill would create a devoted funding program to ensure that priority road projects are built throughout the state. The bill would allow for responsible but limited bonding of projects. And the bill would importantly commit a percentage of its funding toward the state's expressway system, which obviously is long overdue. I won't repeat the many excellent points that have been made here by the testifiers before me. I will just conclude by saying that for these many reasons, the Professional Engineers Coalition is in support of LB84. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you, Mr. Thiele. [LB84]

DAN THIELE: Thank you. [LB84]

SENATOR CORNETT: Greg MacLean. [LB84]

GREG MacLEAN: Madam Chair and members of the committee, my name is Greg MacLean. I am the director of Public Works for the city of Lincoln. Name is M-a-c-L-e-a-n, here to testify today on behalf of the city of Lincoln in favor of LB84. As you know, building and maintaining public infrastructure is the primary responsibility and mission of public works departments and municipal government. We take great care to make sure our transportation systems are maintained in a safe and sustainable way. So therefore, we've been hard-pressed over the years to keep pace with declining revenue streams and funding sources to maintain the infrastructure that we do own and operate. We do support finding a significant new revenue source for roads, which LB84 does.

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

Revenue Committee
February 10, 2011

The newly created State Highway Capital Improvement Fund, which should generate in excess of \$140 million after the second year, is what I would call a good start. I think we're on the right track. It's also the culmination of years of discussions and hard work. We're particularly encouraged that 85 percent of the 83 percent total aggregate will be reserved for high priority state road projects. And the reason we're particularly interested in that, the city of Lincoln, is that south beltway has previously been identified by the Department of Roads as one of those high priority projects. So we look forward to working with NDOR and others to look for additional road dollars that LB84 would generate. Our initial calculations on the other 17 percent for the city of Lincoln would indicate that Lincoln is in line for about \$1.5 million to maybe \$2 million a year in additional revenues, which is something that we're very anxious to receive if we can bring this through. But I would like to put that into perspective. That represents about a...construction of about one-third of mile of a four-lane roadway in Lincoln. And I have a pie chart that some of you have seen. And my pie chart represents the annual spending for the city of Lincoln on roads. The pie represents a total spending package, including the Highway Allocation Fund, of about \$54 million. It turns out I need an extra pie. We are annually about \$40 million to \$60 million short in the spending for the system that we do have. So we are very much in support of this activity and we want to encourage more, as a matter of fact. We would like to respectfully request the committee consider retaining the traditional split of dollars as opposed to those from LB846, which was 60:40. But that being said, I would like to thank Senator Fischer for her many years of work on this. Thank the committee for your consideration. And with that, I'd like to answer any questions you may have. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB84]

GREG MacLEAN: Thanks. [LB84]

SENATOR CORNETT: Lynn Rex. May I see a show of hands for anyone else wishing to testify as a proponent. Okay. [LB84]

LYNN REX: (Exhibit 5) Senator Cornett, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities and this afternoon also representing the United Cities of Sarpy County. The page is handing out to you a letter from the five municipalities in Sarpy County expressing their strong support for LB84. The League of Nebraska Municipalities also strongly supports LB84. We want to thank Senator Fischer for her leadership and hard work on this matter over a period of years, because she's done a great job on this particular issue. And we really appreciate the leadership. I also want to underscore the fact that as others have said, yes, this is about economic development because the viability of our municipalities and counties relies on a great road structure as does the state of Nebraska itself. But in addition to that, it's already been noted too, the safety issue, and I think that really is primary--this is about safety. Because by the time the roads really start falling apart,

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

Revenue Committee
February 10, 2011

even more than they are now, it's too late to start an effort like this. That's why we really commend the committee for looking at this important measure today. And this will generate significant dollars for municipalities. The 17 percent is roughly \$21 million two years from now, and it would rise to about \$24 million is projected in the next year. In addition, on the state side it also would raise significant dollars. So we do appreciate your consideration of this important matter and we'd hope that you would advance it to the floor. And thanks again, Senator Fischer. I'd be happy to respond to any questions that you might have. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none,... [LB84]

LYNN REX: Thank you. [LB84]

SENATOR CORNETT: ...thank you, Ms. Rex. Next proponent. [LB84]

NEAL SUESS: (Exhibit 6) Thank you, Chairwoman Cornett and members of the committee. My name is Neal, N-e-a-l Suess, S-u-e-s-s, and I am the president and CEO of the Loup River Public Power District and the current chairman of the Columbus Area Chamber of Commerce board of directors, as well as the cochair of the Columbus Economic Council. On behalf of the Columbus Area Chamber of Commerce, transportation committee, I would like to make you aware of our support for LB84, introduced by Senator Fischer. In addition to everything that has been said before you today, and of particular interest to our committee is the designation within LB84 to provide funding for the completion of the Nebraska Expressway System. While the entire system needs to be finished, our experience in the Columbus region relative to the Highway 30 expressway between Schuyler and Fremont, and Highway 81 south of Columbus, completion of the Highway 30 expressway provides four-lane access to an area the side of New Hampshire and Vermont combined. This improvement is critical for the safety of drivers on this stretch of road. The existing roadway is narrow with a number of curves that do not allow for optimal vision. We applaud Senator Fischer for delaying the implementation of the funding mechanism for two years. This allows the state's economy time to turn the corner and allows for the Unicameral at that time to reevaluate the economic realities at that time. The Transportation Committee appreciates Senator Fischer introducing LB84 to keep alive the discussion of funding sources for the state's transportation infrastructure. The reality is that more revenue will be needed for roads than is currently being generated. The source of those funds can be debated but not that reality. If this is not the right tool, then we look forward to another solution being proposed. We have talked about this issue for many years and we believe now is the time to move forward. Thank you. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. Next proponent. [LB84]

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

Revenue Committee
February 10, 2011

KRISTEN GOTTSCHALK: Chairman Cornett and members of the Revenue Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural Electric Association and I'm here today to testify in support of LB84. There's no need for me to cover any of the benefits to the roads, we've heard all of that today. The thing that I would like to add is that this proposal is not a radical move towards road funding, but rather it's a necessary progressive move towards funding what most of us consider to be a necessary long-term commitment to the infrastructure of the state. And on a personal note, as somebody who's traveled Highway 77, as Mayor Johnson indicated, I've been making that commute for 15 years. And I'm really looking forward to that last little bit getting finished. So with that, I'll take any questions you may have. [LB84]

SENATOR CORNETT: Senator Hadley. [LB84]

SENATOR HADLEY: Kristen, will we have to take any soil samples to do any of this highway work? (Laughter) No, I'm just kidding. [LB84]

KRISTEN GOTTSCHALK: I think the state already calls one-call. (Laughter) [LB84]

SENATOR HADLEY: That's another bill in another committee. (Laughter) [LB84]

SENATOR CORNETT: Further questions? Seeing none, thank you. Next proponent. [LB84]

COBY MACH: (Exhibit 7) Good afternoon, Madam Chair and members of the committee. My name is Coby Mach, C-o-b-y M-a-c-h. I'm here today on behalf of the Lincoln Independent Business Association. My board of directors has written a very lengthy position. But I will pass out and I will summarize for you. First of all, we are here to support LB84. We believe that this is at the issue of commerce and at the issue of safety for our state. We think LB84 is a conservative approach to addressing the citizens need for safe as well as reliable transportation across our state. We also think that this is a very forward-thinking bill, a bill for the entire state. I would be happy to address any questions. [LB84]

SENATOR CORNETT: Questions? Seeing none, thank you. [LB84]

COBY MACH: Thank you. [LB84]

SENATOR CORNETT: Next proponent. [LB84]

TOM SCHOMMER: (Exhibit 8) Madam Chair, members of the Revenue Committee, my name is Tom Schommer, S-c-h-o-m-m-e-r. I serve on the board of directors of the Norfolk Area Chamber of Commerce as well as a member of our legislative council.

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

Revenue Committee
February 10, 2011

Norfolk is also, as you know, the proud home of our native son, Mike Flood, who also is the Speaker of the Legislature, as none of you really need to know that, need to be told that. On behalf of the Norfolk Area Chamber of Commerce and its more than 600 member firms, the 15,000 area residents our members employ, and the 125,000 people in the Norfolk area, we urge your support of LB84, the Build Nebraska Act. The Norfolk Area Chamber of Commerce was actively involved, along with then Senator Connie Day and others, when the Nebraska Expressway System was designated by the Legislature as a state priority, back in 1988. In Norfolk that remains a top priority today. We'd like to take this opportunity to acknowledge and thank Senator Deb Fischer for her steadfast leadership in this important issue as roads and infrastructure are for the state of Nebraska. For the citizens of Norfolk and all of Madison County, the Build Nebraska Act is not just about maintaining and building new roads. It's about building a rural economic development success story in northeast Nebraska. It's about new job creation in our part of the state and throughout all of Nebraska. We consider LB84 to be an economic development bill as much as it is a transportation bill. Why? Because its passage will most certainly lead to economic prosperity for Nebraska. One of the first questions prospective new industries in northeast Nebraska ask the Norfolk Area Chamber of Commerce as well as the Elkhorn Valley Economic Development Council is whether the region is linked by a four-lane expressway to the interstate. The answer is always, no. If the state wants its communities to grow, to recruit new employers that create jobs then the expressways are needed as the foundation to do that. The economic impact that incomplete segments of the 1988 expressway plan are having on the state's local communities is significant. We ask that the Nebraska Legislature make economic development the most urgent and determining factor in your decision to pass the Build Nebraska Act. If we attract new business we create jobs, if we create new jobs we increase our population and bring Nebraskans back home. And we also know that ripples down to tax revenue for the state. Nebraska is positioned very well in the coming years to come out of the America's slow economy as the country's leader in economic development. As long as we can maintain our current plan not to raise taxes and combine that policy with tremendous new economic development initiatives and infrastructure investment we'll be the shining state in the prairie that all others look to for leadership. More importantly, the American businesses community will look to Nebraska as the best place to call home for their own entrepreneurial and business investment success. The Nebraska Legislature does not create jobs. The business community creates jobs by making financial investments in our great state. Having said that, legislative initiatives need to provide the Nebraska business community with the tools and environment we need to create jobs for Nebraska's future. A modern infrastructure is one of the most important tools that we have available to do that. It's our public-private partnership that will lead to our future success. I will cut to the chase and call that good. I have some additional comments that I will not read. They're on the bottom of the sheet that I did hand out. But I do appreciate your time and consideration. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB84]

TOM SCHOMMER: Yes. [LB84]

SENATOR CORNETT: Next proponent. Are there any further proponents? Are there any opponents? Is... [LB84]

RICHARD HALVORSON: I feel like the Lone Ranger. (Laughter) [LB84]

SENATOR CORNETT: You're more than welcome to come on up. [LB84]

RICHARD HALVORSEN: My name is Richard Halvorsen, H-a-l-v-o-r-s-e-n. And I'd like to address some of the testimony. One thing Senator Fischer says that only government can provide highways. Well, that's not quite right. There are private tollways in the United States, although I admit the Heartland Expressway would probably not fly as a tollway. And she...but the main part...objection I have to the bill is she pointed out there are four core functions to the state. And I don't think it's a good idea for public policy to carve out a percentage of the budget to lock in to give to one of those functions, especially locking in by bonds. What happens if we have another downturn? They said there are protections built in, but how can you predict the amount of a downturn? Like we would be in real trouble right now if federal stimulus money hadn't come in. And if that money hadn't...like I say, you'd really be looking at cuts. So I would not like to see social services or education be cut in future years due to the fact we set a certain percentage towards roads. They mentioned, too, like...somebody mentioned \$400 worth of repairs to each car each year due to faulty roads. Well, my car is 12 years old. I spent \$400 for repairs last year, but it was for a water pump which really had nothing to do with the road condition. They mentioned economic development, well, that's true, roads are (inaudible), but they're only one factor in economic development. Again, if we look at education and electric rates, they've got Nucor Steel out there, it's not connected to a four-lane highway. So again, I'm not saying roads are important. Again, I'm just saying that I don't believe roads...again, it goes...I don't think one sector should have this carved out in advance. And maintenance, I don't know if they're not building them like they used to. They just redid the highway that runs past the farm I grew up, Highway 50, fairly busy highway. It was just rebuilt for the first time. And that roadway was built like over 50 years ago. So I guess, I don't know. I mean, I'm sure the roads are in bad shape but again maybe they're not building them like they used to. That's basically all I have. Thank you. [LB84]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. Are there any further opponents? Is there anyone to testify in a neutral capacity? [LB84]

BOB KUZELKA: Thank you, Senator Cornett, Senator Fischer and other members of the committee. My name is Bob Kuzelka K-u-z-e-l-k-a, from Lincoln, Nebraska. And my

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

Revenue Committee
February 10, 2011

testimony is neutral because it's a question and it's something that I haven't heard brought up except tangentially by two of the proponents. And that is the relationship between this bill, LB84, and LR3CA, which is in a different committee, but they seem to be tied because that brings about the constitutionality for this bill, as I understand it. And I may be totally wrong, but I'm a citizen and I'd like to understand that before I take a stand on the bill. Thank you. [LB84]

SENATOR CORNETT: Sir, generally, we do not allow people coming up to ask questions. But that is tied to the bonding part of the bill, if I'm correct. And Senator Fischer can address that in her closing. [LB84]

BOB KUZELKA: And maybe she's going to...maybe it's going to be addressed at the conclusion. [LB84]

SENATOR CORNETT: Yes, yes, it will be. Thank you. Before we... [LB84]

BOB KUZELKA: Can I ask one question? Hearings are not for information but only for testimony? [LB84]

SENATOR CORNETT: (Exhibits 9 and 10) Yes. Before I close the hearing, I'd like to read into the record, NACO has submitted a letter in support of LB84, as has the Nebraska Cooperative Council. Thank you. Senator Fischer, you are recognized to close. [LB84]

SENATOR FISCHER: Thank you, Chairman Cornett, and thank you, members of the committee. I appreciate all the folks that came out today to speak on this bill. I always appreciate their support in working on this over the past five years. I know I've been working on this way too long when on the floor this morning one of our colleagues brought up a number figure, \$1.2 million for another bill, and I said, you know, in your area of the state that doesn't even build a mile of road. And they laughed at me and said, your perspective is just, you know, focused here. And I said, yes, it is. So it's...hopefully, we can get this bill to move forward. I will address the constitutional amendment question. In Transportation Committee the constitutional amendment, which is a companion piece to this bill, it is in that committee that we're dealing with it because it is bonding. And bonding on roads goes to Transportation. That will...if it is passed and if this bill is passed, that will go before the people in a vote in 2012. That constitutional amendment will have to be passed by the people in order for the bonding portion of this bill to take effect. If it is not passed by the people, that \$25 million a year that is set aside for bonding in this bill will just go into the fund as a whole and it will not be used for bonding. We did have a constitutional question on that and thought we just better make it entirely clear. I view it as another step to go through to have that vote of the people when we're looking at expanding the bonding powers of the state of Nebraska. Thank you. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: Questions? Senator Utter. [LB84]

SENATOR UTTER: I just want to add my thanks, Senator Fischer. I must admit, "General" Fischer, that you've assembled quite an army here today. (Laughter) And, I guess, my question is, is in two years will your soldiers all be here when...if we haven't recovered and this...it's kind of a quasi earmark as I view the thing, and the economy hasn't recovered, and in order to do the appropriate funding that you're suggesting for the roads bill that we're going to need help to carve money out of the budget for other programs to implement this bill? [LB84]

SENATOR FISCHER: I would say to you, Senator Utter, that that's one the reasons we have delayed implementation. We're going through a process now where we, the Legislature, we are deciding on what the priorities are for government. And as I said many times, I view that as an opportunity. Senator Adams, as Chair of Education Committee, can speak to having money carved out for certain priorities that we have. We all know that education is a priority in this state. And we have, I believe, it's close to about \$1 billion now set aside per year for education. That is a priority. We need to meet that responsibility of government. With this bill, I'm looking at \$125 million set aside for the priority of infrastructure. You will have...you will be here, I will not. You will have the opportunity in the 2013 session to address if the economy has not turned around. Twenty-five votes, that's what we deal with, that's the reality we have here in the Nebraska Legislature is 25 votes can pass a bill, it can change a current law. So it will be up to your judgment, which I will pass on to you as my lieutenant (laugh) in order to make those decisions on if the economy has turned around sufficiently in your opinion and your colleagues who are still here, if that half cent can still be set aside or if it needs to be adjusted or if it needs to be postponed, 25 votes. [LB84]

SENATOR UTTER: Senator Fischer, let me just take this a step further. And don't get me wrong, I think funding for roads is a critically important issue too. But let's assume when 2012 comes and maybe we've had a slow recovery, where would you put the priority of carving out the half a percent of our state sales tax for the road fund as opposed to rebuilding the state's reserve? [LB84]

SENATOR FISCHER: I am hopeful that we will see a larger cash reserve presented to the body than was in perhaps the Governor's preliminary proposal and from what I understand is in the Appropriations preliminary budget. You and I are both very conservative and I believe you would like to see a higher cash reserve also than we are currently discussing at this point. As to priorities and what would I cut, that's what...again, I say, that's what we're looking at now. And every cut is stressful. Every cut affects someone. None of these are easy. But it's our job to do it. And what I use for my guide on it are what I consider those four core responsibilities of government. And if it goes beyond that, then I take a step back and I say, is this government's job? So I

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

Revenue Committee
February 10, 2011

think we are making those decisions now. [LB84]

SENATOR UTTER: Thank you, Senator Fischer. No further questions. [LB84]

SENATOR FISCHER: Thank you. [LB84]

SENATOR CORNETT: Senator Fischer, in a couple of years, if the cash reserve is what it's projected to be now, which I, like you and Senator Utter, would like to see more there in a couple of years, and it comes down to the difficult choice between cutting more out of education or more out of Medicaid or funding your road program, how do you feel about that? [LB84]

SENATOR FISCHER: I won't be here to make that decision. (Laugh) [LB84]

SENATOR CORNETT: Oh... [LB84]

SENATOR FISCHER: How would I feel about it? Any time you make a cut to Medicaid that is especially difficult. And I don't pretend to be an expert when it comes to health and human services. But I do believe there can be savings there. And I think we've learned about some of that in the last two years. I expect we'll learn more on what those savings can be this year and next year. When it comes to education, that's always been a priority of mine. But, however, how much is enough? How much is enough for education in this state? I think maybe \$1 billion is enough right now. I think we need to look at what essential education is. I think we need to look at...I feel like I'm in Senator Adams' Committee on Education here. But I think we need to look at what is required of the state. The state Department of Education has come out with their essential education requirements for each school district. In my opinion, as we're funding education now, that is not sustainable. So I charge, as I have in the past, Senator Adams and all of us that we need to have that discussion on the sustainability of funding education in this state and what truly the state is responsible for funding in that regard. [LB84]

SENATOR CORNETT: Thank you. Senator Hadley. [LB84]

SENATOR HADLEY: Senator Cornett. Senator Fischer, would you agree with the idea that funding of roads is a longer term commitment that must be made versus sometimes other things that can be deferred a year or two before we start them? [LB84]

SENATOR FISCHER: Oh, most definitely. On the floor, we ended today just before noon, which was a nice tie-in, I think, to this committee. We ended with my bill, LB98, which is the buyback program for our local governments to work with, with the Department of Roads with regards to federal dollars. And as I said in my opening, it can take 9 to 19 years to get a project done. So it's long-term planning for roads. The longer

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

Revenue Committee
February 10, 2011

we put it off the more it's going to cost because of inflation. To get through all the federal...I'm getting on a rant here because I just love this stuff so much. But it...we have to deal with all these federal requirements, we have to deal with the EPA in meeting the environmental impact statements, which can take years and years and years. And that just adds more and more and more money. I think the department has been responsible in not preparing projects to let for contract because we are not providing funding for those projects. And they...if they take the time and the manpower to get all these projects ready to go and then they have to be delayed because we haven't provided the funding, they've wasted more time and they've especially wasted money because they have to go back to the federal government and have those environmental impact statements updated and start the process over and over again. You know with the Kearney interchange... [LB84]

SENATOR HADLEY: I would just only say that Kearney is the poster child for that. We have people starting college now that when we first started our interchange planning. [LB84]

SENATOR FISCHER: Yes. Yes, and it's grown from \$35 million, just recently \$35 million to over \$52 million. [LB84]

SENATOR HADLEY: That's right. [LB84]

SENATOR CORNETT: Senator Pirsch. [LB84]

SENATOR PIRSCH: Yes. I thought I... [LB84]

SENATOR FISCHER: You didn't ask any questions of the testifiers but... [LB84]

SENATOR PIRSCH: Oh, I know. I'm sorry about that. (Laughter) [LB84]

SENATOR FISCHER: That's okay. [LB84]

SENATOR HADLEY: We're afraid of them. (Laughter) [LB84]

SENATOR PIRSCH: Yeah. (Laughter) [LB84]

SENATOR FISCHER: I'm sorry, go ahead. [LB84]

SENATOR PIRSCH: This is just to the narrow issue of bonding and both the need for bonding and the structure that's envisioned here. I had thought I heard you say that there was a maximum amount in terms of, is it \$25 million I heard you say? [LB84]

SENATOR FISCHER: Twenty-five million dollars a year, yes. [LB84]

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

Revenue Committee
February 10, 2011

SENATOR PIRSCH: Per year. [LB84]

SENATOR FISCHER: That's to service the debt... [LB84]

SENATOR PIRSCH: Okay. And I appreciate that. To service... [LB84]

SENATOR FISCHER: ...which limits how much can be bonded then. You have a cap on it of \$500 million. [LB84]

SENATOR PIRSCH: Okay. And there was...the issue that was brought out with respect to bonding, I assume, if they're general obligation bonds those would be a lot more scarier type of animals. This is not, however, in your estimation. [LB84]

SENATOR FISCHER: This would be revenue bonds. [LB84]

SENATOR PIRSCH: Right, tied to a specific compartmentalized source of funds, right? [LB84]

SENATOR FISCHER: Correct. [LB84]

SENATOR PIRSCH: In that...in this case, this is a different animal, in your opinion, and the risk is mitigated entirely or somewhat? [LB84]

SENATOR FISCHER: I'm not a huge fan of bonding, I'm not. But I think it needs to be an option. I think it has to come into play with this overall scheme that we're looking at. The rates are very good now. I think the approach that this bill takes is very, very conservative. It's going to have to go before a vote of the people in order for that component to take effect. The bonding has to take place in the first five years of the program. I think we have enough safeguards because we are so conservative as a state. I think we have enough safeguards in there on this component that it should be an option. I think that's our responsibility and our fiscal duty to at least offer this as an option because economic times change. And I don't pretend to be an expert on bonding. But just working with the bonding counsel in trying to get this bill ready, he seemed to think it was a very conservative approach also. [LB84]

SENATOR PIRSCH: Thank you. [LB84]

SENATOR CORNETT: Further questions? Seeing none,... [LB84]

SENATOR FISCHER: Thank you very much for your patience. [LB84]

SENATOR CORNETT: ...thank you, Senator Fischer. I am going to recess us for five

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

Revenue Committee
February 10, 2011

minutes so the committee can take a break. And then we will convene again at a quarter after. [LB84]

RECESS

SENATOR UTTER: Ladies and gentlemen, the five minutes has turned into ten. Senator Hadley. Next bill up this afternoon is LB429 and that will be introduced by Senator Cornett.

SENATOR CORNETT: Thank you, Vice Chair Utter and members of the Revenue Committee. My name is Abbie Cornett, C-o-r-n-e-t-t, and I represent the 45th Legislative District. I'm here today to introduce LB429 with the intent of reducing the motor fuel tax collection fee which wholesalers for motor fuel receive. It will result in more funding for the highways and streets. This motor fuel tax collection is higher than any other tax collection fees which are provided for by the state law. In 2002, we went in and looked at the fees that we were giving back to people that collected sales tax. And all other industries were reduced other than the motor fuels. In recent years that sales tax fee retained by retainers have been reduced, as I mentioned. I believe we should employ the same strategy here in order to increase public funding for highways and streets. Thank you. [LB429]

SENATOR UTTER: Thank you, Senator Cornett. Are there any questions of Senator Cornett? If not, we will begin testimony on this bill. I'll take proponents first. Are there proponents? Lynn, welcome back. [LB429]

LYNN REX: Thank you. Senator Utter, members of the committee, my name is Lynn Rex representing the League of Nebraska Municipalities. That's L-y-n-n R-e-x. We do support this measure for the main reason that it would raise money for streets and roads across the state of Nebraska. We think that's vitally important. As we talked in the earlier hearing on LB84, this deals with issues of safety and economic development. And we think those issues also benefit all Nebraskans, including the businesses with this bill. So I'd be happy to respond to any questions that you might have. [LB429]

SENATOR UTTER: Are there questions for Lynn? Seeing none, think you can...next proponent. Are there any further proponents of this bill? If not, we're going to move on to opponents. Is there anybody here in opposition to this bill? Good afternoon and welcome. [LB429]

JENNIFER WEISS: Good afternoon, senators. I'm Jennifer Weiss from Fremont, Nebraska. I'm with Rawhide Chemoil and I also represent the Nebraska Petroleum Marketer and Convenience Store Association. [LB429]

SENATOR UTTER: Jennifer, would you spell your name for us, please. [LB429]

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

Revenue Committee
February 10, 2011

JENNIFER WEISS: Yes, I will. W-e-i-s-s. And I sit on a different side of the table. Twenty-seven years ago, I used to sit over there in this same committee. So just a little bit of history. I am a family-owned small business oil jobber. We sell approximately 8 million gallons of gasoline and diesel. Besides the propane oil, ag chem, fertilizer and seed that we also sell. We employ 13 people. I am opposing LB429. As a small oil jobber, the intent to reduce the commission on collection of fuel taxes impacts my business greatly. Over the years we have taken on the state's work. We used to manually send stacks and reams of paper to the state where they had to reenter all that data. We now have to purchase and pay an annual software maintenance fee to an outside software company for which my company...for my company is approximately \$2,000 a year plus the need for Internet capability which is another \$1,000. We spend approximately 8 to 10 hours just massaging the information that we take out of our current count in the system to get it ready to send to the state. This is time beyond our daily entry of transactions into our own system. Not just anyone in our office is capable of doing this massaging of data and it requires several checks and balances before it can be sent, because if you send it wrong, even with one error they reject it and send it back and make you do it again. As we are a small family-owned company, it isn't feasible for us to hire another person to come in and do this work. So either myself or my sister, who manages a couple C-stores for us, takes our time away from our regular jobs where we could be making money to do this work. How do you put a price on my time of lost opportunity? When the state does have a problem with a bill of lading tracking, we are usually the ones that they call first as they can get a quicker answer from us rather than going to our suppliers. We also do not get reimbursed from the state when we go through fuel tax audits. It's amazing that we even have to do these after the tracking information that we have to remit. These audits can take days, weeks and even months to go through and...prepare for and go through. We also receive this commission as some of our allowance for shrinkage because taxes are based on our purchases and not our sales. Figuring up what we had in shrinkage this last year on some type of motor fuels we are looking at, in my case, about \$1,800 a year last year for taxes that we paid in but never got to sell. Not too bad on over 8 million gallons but yet it cost our company. There are times when we could even be remitting the tax before we even have collection time. I would like also to add that a majority of our business is with off-road users. This product does not have motor fuel tax on it, but we still have to remit the information of our purchases and sales to the state so that we can remit less tax or the petroleum release remedial action fee to them. This is a tax that we collect and receive no commission on. We even remit motor fuels and most taxes on products that we don't even get paid for. Unfortunately, we sell a consumable product that is expensive and we usually have to wait to get paid from our customers as they are sometimes waiting to get paid from someone else. And sometimes before you know it they are done with a project and you haven't even been paid. For the most part we do, but there are times that we don't. So I don't feel part of this commission helps offset those times when we don't. I understand that the Legislature is looking for ways to

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

Revenue Committee
February 10, 2011

garner more money, but reducing my commission is detrimental not only to my industry but exceedingly so for the small jobber. Reducing the rate of collection is unfair for a smaller oil jobber because we have some of the same fixed expenses as a larger jobber would. Economies and efficiency come with larger numbers. So in this case I would ask that the collection commission would stay as is. Thank you for your time. Any questions? [LB429]

SENATOR UTTER: Are there questions? Jennifer, how long have you and your family been involved in this business? [LB429]

JENNIFER WEISS: For 40 years. [LB429]

SENATOR UTTER: For 40 years. [LB429]

JENNIFER WEISS: Um-hum. [LB429]

SENATOR UTTER: Down...looking back now at 2002, I understand that that was before my time in the Legislature, naturally. But I understand there was a...that everybody, particularly the sales tax collectors, took a substantial cut from the state at that time. And the folks that were collecting the fuel tax did not take a cut? Are you aware of that? [LB429]

JENNIFER WEISS: We did take a cut in our shrinkage allowance. We used to have a larger one than what we are...there is no shrinkage technically stated in the line-items anymore. It's supposedly in the fee or in the collection commission that we collect. [LB429]

SENATOR UTTER: Talk to me a little bit about the shrinkage in terms of what it is, how it occurs. [LB429]

JENNIFER WEISS: The shrinkage that I alluded to in my testimony is just strictly not our convenience stores, those are totally separate. This happens to be tank wagon deliveries. There's always...comes and goes type thing. Who knows where it actually goes, if it evaporates or what happens to it. It just disappears, you know, it's... [LB429]

SENATOR UTTER: And how much is that for your business? [LB429]

JENNIFER WEISS: It was \$1,800 last year in taxes. [LB429]

SENATOR UTTER: And how was...in taxes, that right? [LB429]

JENNIFER WEISS: Yeah, it was about 7,000 gallons. And for my company, just for your information, we collected about \$24,000 last year in commission. And this would reduce

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

Revenue Committee
February 10, 2011

it down to like \$14,000. And honestly for us as a small business person that's a lot, that's a lot of reduction. [LB429]

SENATOR UTTER: Questions? Seeing none, thank you very much for your testimony. Welcome. [LB429]

MARK WHITEHEAD: Thank you. Senator Utter, members of the committee, for the record, my name is Mark Whitehead, that's W-h-i-t-e-h-e-a-d. First name is spelled M-a-r-k. I'm president and co-owner of Whitehead Oil Company based here in Lincoln. I'm also the chair-elect or president-elect for the Nebraska Petroleum Marketers Convenience Store Association. I'm here to testify in opposition to LB429. Our industry, we deal in extremely low margin, high cost, extremely high revenue, but extremely low profit, if a profit at all. (Laugh) To give you an example, specifically Whitehead Oil Company, while we may have \$150 million in revenue over the course of a year, you would be amazed that our net profit at the end is close to zero and hopefully if we got one at all. We deal in terms of hundreds of a cent a gallon and we guard and watch both our costs and our revenue extremely carefully. And that's one of the reasons that we...the fee...and that works to our advantage and disadvantage as a collection agent for the state of Nebraska for the excise tax. And that's in essence what we are. Last year, Whitehead Oil Company specifically did...paid \$9.3 million into the excise tax fund. A significant amount of that goes to...well, all of it goes to our customers, obviously. We are the collection agent for each one of those customers. It works to the efficiency of both the state and for us in this relationship because of auditing requirements and a variety of other things. We've got, as an example, credit card fees at 2 percent on everything we sell, goes onto the excise tax as well. Anything that we sell to another customer you can factor in the cost of carrying that account is at least 2 percent as well. That goes on the excise tax as well. Those kinds of items we have to guarantee to the state; if we have a bad debt, we still owe that same amount back to the state. We do have reporting requirements as well in other areas where we don't get any fees. Those, you know, off-road diesel as an example, one as well is the LUST fee that we collect from our customers which goes into a fund that's designed specifically to take care of our own industries issues and problems as it relates to environmental issues. And while we don't get a collection fee on that, it is also disturbing to see that from time to time being raided for other things that it wasn't intended to be used for. And so we've watched that as well. We...when there's a question as to fuel issues and that sort of thing as to revenue, the state doesn't go to our suppliers, they typically go to the marketers. So in essence, what we've talked about, we are the collection agent for tens of thousands of people paying the excise tax where the Department of Revenue as a go-to of only several hundred people that audits and manages those fees judiciously for the same reasons that I have pointed out to at the beginning. We deal in terms of hundredths of a cent per gallon and we guard that very, very carefully. We are not allowed, on a customer basis, to itemize out the excise tax. So it's folded in. And as such we, on our profit and loss statements, include the excise tax in that and as well as

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

Revenue Committee
February 10, 2011

the collection fee. And an important thing to note on that is that that is built into our...the collection fee, while it seems small on paper and an opportunity on paper, that is built into our operating revenues as you might imagine and into our contracts as well that we've got with other wholesalers and dealers as such. Recouping that back would be problematic because it would require going back and doing some sort of adjustment to long-term contracts that we've already got. So with that, I guess, I would close with thank you very much. And I'm sure each one of you drove here today so I would remind you to please drive safety but drive often. (Laughter) Do you have any questions? [LB429]

SENATOR UTTER: Thank you, Mr. Whitehead. Senator Hadley. [LB429]

SENATOR HADLEY: Senator Utter, thank you. Mr. Whitehead, you know, quite often we get people in to testify and they say if we don't do this, this is going to happen. So I'm going to ask you one of those, what if. Do you truly believe that there would be an increase in the price at the pump for the average person buying gas if we did away with this commission? [LB429]

MARK WHITEHEAD: Our industry isn't any different than any other industry out there. When an excise tax goes up or down or wholesale cost even goes up or down, customer doesn't see an immediate impact on that. In fact, Senator Fischer and I have had this conversation as well. We have got...in our industry as well as any other industry, we've got to be the best alternative available for our customers. We've got to...our customers don't care whether we lose a nickel a gallon or make 15 cents a gallon. We've got to be the best alternative. And as such with a commodity product there isn't anything more visible on the street than the price of a gallon of gasoline. So...and it's something that everybody uses each and every week. It's going to seek its lowest point. It's going to seek its most competitive point out there. So, I don't mean to dance around your question. Anytime that you've got increased overhead it is going to indirectly affect the pump price. So the answer is, yes, it will. But it will not...any kind of overhead that gets increased, yes, it will affect it in the long-term but not instantaneously or not so that you would really notice. That make any sense to you? [LB429]

SENATOR HADLEY: Yes. And I guess I was just thinking in terms of since this is statewide where every person that sells gasoline does this, you know, it could have impact because your competitor down the street is going to lose the commission as well as you, as well as everybody in the state. So my concern would be, would increase the gas price to the consumer because every distributor in the state is going to feel this if we enact it. [LB429]

MARK WHITEHEAD: Correct. Whitehead Oil Company, I might want to testify in a neutral capacity because we have locations in Council Bluffs (laugh) that they do not

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

Revenue Committee
February 10, 2011

compete. And if you want to talk about border bleed, I think Sapp Brothers is going to be testifying on another issue here later on, they can tell you that. And to that extent certainly the locations on the border, whether it's Iowa or any other state, that would not be the case. I couldn't make that argument here in Lincoln, of course. [LB429]

SENATOR HADLEY: Thank you, Mr. Whitehead. [LB429]

SENATOR UTTER: Are there other questions? Mr. Whitehead, I have a couple of questions. It's my understanding there's a maximum tax, there's a maximum fee that they pay that the Department of Revenue allows you to keep on the sales tax each month. Is a concept of that kind something that can be applied to the fuel tax or do you think that per gallon tax or the percentage tax is the appropriate way to do that? Why shouldn't we do the same thing on fuel tax collection fees that we do on sales tax collection fees, I guess, is my question? [LB429]

MARK WHITEHEAD: Well, as Ms. Weiss testified earlier, and she was talking in terms of a minimal amount to actually comply with this type of legislation for a small marketer. And I could break it down into overhead in a variety of different fashions. Certainly, you've got the setup fees, the software, those sorts of things associated with this. But the cost of collection doesn't get capped. As we do close to 50 million gallons of fuel, that 40 to 50 I've still got collection fees, I still have to pay the 2 percent on the excise tax, I've still got a vast amount of variable overhead associated with collecting those dollars along with the bad debt as well. So to that end, yes, there is some fixed overhead in complying, but there's also a variable component associated with the cost of collection as it relates to bad debt, as it relates to shrinkage, as it relates to a variety of other costs that are variable in nature. So the cap I don't think is appropriate. [LB429]

SENATOR UTTER: Let me ask...the next question I would ask then, do you think there is some point of middle ground between what you are collecting today and what you are receiving today to collect and remit this tax and what is proposed in this bill? [LB429]

MARK WHITEHEAD: You know, I don't know that there would be or not. I guess my contention is that this has worked well for us, for both the state of Nebraska, with us being the guardians of it and making sure that it all gets collected, the go-to person on this thing. As I had indicated earlier, as we do close to 50 million gallons, you got to...one of the things that's inherent with our industry is that all of that is unsecured debt if you think about it. Most people that would have a...call that accounts receivable, have a point of recourse, we do not unless we do some other security other than gasoline. Obviously by the time an account goes past due that product is already gone, long gone, in fact it's several different loads beyond that. So I guess to answer your question back again, I think it's working fine for both the state of Nebraska and for the marketers. And I would like to see it remain as it is. [LB429]

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

Revenue Committee
February 10, 2011

SENATOR UTTER: Thank you. [LB429]

MARK WHITEHEAD: Thank you very much. [LB429]

SENATOR UTTER: Any further questions? Thank you, Mr. Whitehead. Next testifier. Next opponent. Seeing no further opponents, are there people here that want to testify in a neutral capacity? Senator Cornett, you're free to close. [LB429]

SENATOR CORNETT: Thank you. I'll be brief. I'm just going to go over with the committee a couple of things. When Mr. Whitehead testified that it has worked well for them, and I don't mean him specifically, it has worked very well for a few people in this industry. Five people in the industry collect over 33 percent of this money or over \$10 million. The maximum monthly commission for sales tax is \$75 a month. And the average paid to businesses is approximately \$220 a year compared to the petroleum industry which is approximately \$18,780 per business a year. Now I'm not saying that they do not have some different needs. But accounts receivable goes for any business. Everyone in business has uncollectible accounts. We don't take that into consideration for anyone else. It's simply a matter of equity. I'm not saying that we're not willing to be flexible on what the rate is. But when you have one industry this far out of whack with what we're paying everyone else, it's time to take a look at why. Thank you. [LB429]

SENATOR UTTER: Do you have questions for Senator Cornett? Senator Hadley. [LB429]

SENATOR HADLEY: Thank you, Senator Cornett. Everybody...we have a lot of businesses collecting sales tax. [LB429]

SENATOR CORNETT: Yes. [LB429]

SENATOR HADLEY: Are there any other industries that are similar to the petroleum industry where they're collecting another type of tax and getting a fee, because we're not talking about the sales tax now that the petroleum dealers are collecting, we're talking about an excise tax. Are there any other industries that are collecting funds for the Department of Revenue and we're paying them a fee? [LB429]

SENATOR CORNETT: I believe there's excise tax on a couple other items that I'd be happy to get those to you. [LB429]

SENATOR HADLEY: You know, maybe that's just a question for our research analyst to help us with, you know, if there are other... [LB429]

SENATOR CORNETT: I could get you a list of the exact ones. I can think of a couple off the top of my head, but I can get you a complete list and how their fee schedule is

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

Revenue Committee
February 10, 2011

structured also. [LB429]

SENATOR HADLEY: That would be good. Okay, thank you. [LB429]

SENATOR UTTER: Senator Cornett, do you have any information about the negotiations that happened back in 2002 when they dropped the commission that was paid on sales tax and the fuel tax thing was left whole? [LB429]

SENATOR CORNETT: That I do not. As a matter of fact, I have one of my staff members looking into the legislative history on why that was done. But they were held harmless back at that time. And someone made a joke earlier that it was good lobbying. [LB429]

SENATOR UTTER: (Exhibits 11 and 12) Thank you. Oh, sorry. I should just point out that the Nebraska Cooperative Council has submitted a letter in opposition to LB429. And the Nebraska Grocery Association has also submitted a letter in opposition to LB429. Senator Campbell, welcome. [LB429]

SENATOR CAMPBELL: Good afternoon.

SENATOR CORNETT: Go ahead, Senator Campbell, you're recognized to open.

SENATOR CAMPBELL: Thank you. Thank you, Chairman Cornett and members of the Revenue Committee. I want to start out with the official intent as to why LB504 was introduced. And it was intended to raise revenue designated for the Highway Trust Fund for roads, maintenance, improvement, and construction by increasing the excise tax on a gallon of motor vehicle fuel by 5 cents effective October 1, 2011, and 5 cents effective October 1, 2012, for a total of 10 cents. Now I'd like to talk a little bit about perhaps more the informal reason why the bill was introduced. The intent is still there. In discussion with several of my colleagues following discussion by Senator Fischer's proposal, both of them said to me, what would be a financial mirror of Senator Fischer's bill if it was solely from the gas tax? And based on that conversation, I introduced this bill because I think it's important for us as we look in the future that we begin to discuss all possibilities here. And this isn't a paid commercial, but I certainly support, absolutely, Senator Fischer's bill and have spent a lot of discussion with her. But if we are to really be serious about what we are going to do for roads in the future and Senator Fischer and I keep using the same quote because we like the quote so much, roads are long-term planning and long-term financing. And we need to be willing to put many options on the table. I was willing to put this option on the table because I wanted to be able to have some discussion and hopefully the people that follow me will be able to do that. I have used the bill as kind of a conversation point in asking folks how should we begin to address our roads infrastructure problem and construct a long-term solution. As the Revenue Committee for the Legislature, you folks spend more time, I'm sure,

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

Revenue Committee
February 10, 2011

looking at the future and how the state's revenue should be projected, as we do in Transportation, we look at those long-term needs. It is a conversation we need to have. And while I'm sure LB504 was not at the top of the list for solutions among some folks, it does illustrate the need that exists and what breadth it will take to address the need. I do want to say that as a number of us traveled around several years ago on a Transportation task force, and certainly as we traveled around last year on the Transportation Committee that we certainly heard the importance in every location, from all testifiers, the importance of protecting the Highway Trust Fund and looking at options to build it and protect it because it is such a unique way of addressing long-term needs. With that, I'm going to let the people follow me. And I do want the senators to know we've not solicited any testimony or set up anything. So what you're going to hear this afternoon is coming from, I'm sure, the heartfelt, but we felt that the conversation needed to be placed on the table. [LB504]

SENATOR CORNETT: Questions? Senator Utter. [LB504]

SENATOR UTTER: Senator Campbell, I hate to disappoint you but your army is not near as big as Senator Fischer's army was. (Laughter) [LB504]

SENATOR CAMPBELL: Oh, I know that. [LB504]

SENATOR CORNETT: Further questions or comments from the committee? Senator Fischer. [LB504]

SENATOR FISCHER: Thank you, Senator Cornett. Let me assure you that Senator Campbell can raise a huge army if she really wanted to. Senator Campbell, on the fiscal note on your bill, even raising the gas tax by 10 cents for the state's share, since we do divide it between cities, counties, and the state, the state's share is almost \$77 million. That's a lot of money. But you and I both know that's not enough money, is it? That's kind of sad to have to say but it's not enough money. How much, if any, do you think the people in the state would support for a gas tax increase? [LB504]

SENATOR CAMPBELL: Whenever we talk to people, when we went to our hearings across the state as we did a number of years ago, and certainly at the symposium that you helped coordinate and lead, among the list of options is always listed, increase the gas tax. Although I think it's difficult for our citizens across the state to look at an increase in the gas tax, unless you look at the big picture and unless you begin to say, well, there can be a deviation in a community between stations that you go to, 5 cents or 10 cents, I think you're going to hear some historical facts from at least one person who came over to visit with me. But it's still difficult for our citizens. I think they want good roads and they want to support this, they want long-term. But then it becomes more difficult when it's an illustration. I have to tell you, I expected a wealth of letters and e-mails and calls and I've actually had more phone calls concerned about my old

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

Revenue Committee
February 10, 2011

car bill than I did the increase in the gas tax. Perhaps it's because I've talked to a lot of people and I've been on the radio explaining that I put this forward as a conversation and as a mirror so that people could begin to understand what Senator Fischer is trying to convey to everyone. [LB504]

SENATOR FISCHER: Thank you very much. [LB504]

SENATOR CORNETT: Senator Adams. [LB504]

SENATOR ADAMS: Well, let me pin you down for a minute. [LB504]

SENATOR CAMPBELL: Sure. [LB504]

SENATOR ADAMS: And I know you're an advocate of roads. But given...if you had to choose between a half cent of General Fund sales tax or gas tax, let's take the politics out of it, and let's take the price of gasoline out of it right now, what's the best way do you think to fund roads? [LB504]

SENATOR CAMPBELL: Well, I think that the best fund is a bill that has multiple options for you. And I have to say, I think Senator Fischer's bill does represent those multiple options. It brings forth to the table a long-term approach, Senator Adams. And that's what we need, we're looking at. I suppose I would choose that sales tax right now. And I know, because I can't take away what's happening to us economically. And obviously Egypt comes to play there and what's in the news. But I'd still say it was Senator Fischer's long-term plan. [LB504]

SENATOR ADAMS: Okay. [LB504]

SENATOR CORNETT: Senator Hadley. [LB504]

SENATOR HADLEY: Senator Cornett. Thank you, Senator Campbell. I guess, I would like to echo your comments. I think long-term we have to find options to gas tax because we know electric vehicles, cars getting 50 miles to the gallon down the line, the gas taxes, we're going to have to keep...we would have to keep raising it just to stay even with the gallons going down. Is that a fair statement? [LB504]

SENATOR CAMPBELL: Absolutely, absolutely. And I think that's part of the concern that we have in going back to Senator Adams' point here is that which would you choose. At some point, Senator Adams, you may be choosing both because you're going to have to not only build the construction, we are doing no new construction. But we are also in a position in which we're not keeping pace with the maintenance. And there is talk that out of the next bill that comes from Washington we will receive less money than we are now receiving from the federal government because so much

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

Revenue Committee
February 10, 2011

money will be shifted to deal with multimodal. And so Nebraska may be losing some of that federal tax. But from Senator Hadley's comments, you may be using both. [LB504]

SENATOR CORNETT: Senator Campbell, let me ask a question that I asked Senator Fischer earlier when you weren't here. Two years from now Senator Fischer is gone, I'm gone, you're going to have a bill come up in front of you to approve or disapprove for her gas tax. We have a cash reserve, what's projected, which is a very minimal cash reserve, very minimal. Our receipts haven't increased that much, we haven't recovered. You're Chair of Health and Human Services. You have to choose, increase in Medicaid, again cuts or gas tax? It's the question you and Senator Adams very likely are going to be facing in two years as he is Chair of Education and you as Chair of Health and Human Services, the two areas that have already taken the largest hit. Do you reasonably think that you can cut more in two years from Medicaid and from Health and Human Services? [LB504]

SENATOR CAMPBELL: Well, I think we've been pretty clear out of Transportation that if the money isn't there then we may have to look at other options. And frankly, that may be where the other option of an increase, maybe not at 10 cents, but that we'd have to look at other options. But, Senator Cornett, if the money is not there and we would be looking at large cuts in lots of other areas, we would have to look at an alternative. [LB504]

SENATOR CORNETT: Maybe not even large cuts, but not be able to go back and refund or fund. [LB504]

SENATOR CAMPBELL: Well, but I'm not sure that...okay, we take large cuts out of it. But even if we're looking at the programs...if the Legislature does not at that point feel that we can address the needs and all of our responsibilities in Medicaid and education as well as roads, then we'd have to look at an option. But that doesn't mean that her total plan, it seems to me, would need to be dismissed because you could look at some other... [LB504]

SENATOR CORNETT: Combination. [LB504]

SENATOR CAMPBELL: ...combination. And in actuality, two years ago Senator Gay and I did a bill and we were looking at bonding. And we cobbled together like 12 different ways that you could fund roads and you would be looking... [LB504]

SENATOR CORNETT: I remember your bill. [LB504]

SENATOR CAMPBELL: ...at fee increases. But to some extent there are other ways to do it. [LB504]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: What concerns me is, you saw the debate on LB383. [LB504]

SENATOR CAMPBELL: Oh, absolutely. [LB504]

SENATOR CORNETT: You're going to have a very powerful group that are going to want this funded in two years. And it's going to be very similar or they're going to view it as you're defunding what we thought we were going to get. And it's going to be...it could be a very long and brutal process. And I would hate to see money going to something that maybe isn't the number one priority at that time. [LB504]

SENATOR CAMPBELL: But at some point, Senator Cornett, I understand that. You know, it's why people have said to me, why would you of all people, who's spent all these years in human services, be such a roads advocate? And I get asked that... [LB504]

SENATOR CORNETT: And I'm a roads advocate. I'm just...I'm playing the devil's advocate here because... [LB504]

SENATOR CAMPBELL: Oh, I...no, no, no. [LB504]

SENATOR CORNETT: ...I think these are definite questions that are going to be...have to come into play in a couple years. [LB504]

SENATOR CAMPBELL: And, Senator Cornett, I appreciate those questions because I also think about those questions. But roads is, in my mind, a part of our economic development. Economic development is education, it is the priorities that we're setting into place, but so are roads a good transportation system, a way for us to market our products and interact with other states. We're in a central location. We have lots of economic opportunity. It's a way for people to get good jobs. It's an element that has to be there. I know we have either/or choices and we're going to make a lot of them this year. And perhaps you are right, Senator Cornett, we're going to have to make them in two years. But I don't think that you throw out an entire plan just because one component of it may need to be changed. And that's what's important about Senator Fischer's bill. [LB504]

SENATOR CORNETT: Thank you. Further questions from the committee? Seeing none, thank you. [LB504]

SENATOR CAMPBELL: I will waive closing because I'm going back to Health and Human Services. [LB504]

SENATOR CORNETT: (Laugh) Have fun with that. [LB504]

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

Revenue Committee
February 10, 2011

SENATOR ADAMS: Cut provider rates? [LB504]

SENATOR CAMPBELL: We are discussing soda pop and how that comes into the food program. So, you know, it's sort of should I stay here or should I go back. Thank you, Senator Cornett. [LB504]

SENATOR CORNETT: I think I might choose here for a change anyway. [LB504]

SENATOR CAMPBELL: Thank you very much. [LB504]

SENATOR CORNETT: You're welcome. May I see a show of hands for the proponents. Okay. Opponents. Okay. First proponent. Could the proponents please move forward. [LB504]

ERNIE MEHL: Senator Cornett, madam Chair and the other senators here, honorable senators, I am Ernie Mehl again, E-r-n-i-e M-e-h-l. And it is my pleasure again to address you on this particular issue on behalf of the Nebraska Farm Bureau. As I stated in my earlier testimony on LB84, securing adequate funding for roads construction and maintenance is important to our members as evidenced by our policy statement supporting increased motor fuel taxes. Tax increases and Farm Bureau members generally do not mix and fuel taxes are no exception. Rural Nebraskans typically travel more miles to obtain essential services like groceries, medical services or school in comparison to their urban cousins. So fuel taxes tend to fall more heavily on them as individuals as you can understand. However, our members recognize the roads funding need and would live with higher fuel taxes because it is a user tax and maintains the link between road use and taxes paid. However, we feel this level of support to our badly needed highways and infrastructure is a reasonable level that she has grown here considering the need which we feel is severe, we would prefer this source of funding on a steady basis to perhaps use of the bonding possibility that we had discussed earlier. So we think that it is a good approach and something that we could live with, although we would rather not. But you know, these things cost money, they must be funded or we simply won't have them. So that is our position from the Nebraska Farm Bureau. If you have any questions, I would certainly be happy to answer them for you. [LB504]

SENATOR CORNETT: Senator Utter. [LB504]

SENATOR UTTER: Mr. Mehl, are you saying to us that you would prefer an increase in the fuel tax over the proposed identification of a part of the sales tax? [LB504]

ERNIE MEHL: I think, Senator Utter, that these things could be used in combination. I think that the fuel tax is something that is very, very instrumental in being able to allow people the opportunity to pay for the privilege of running over the roads now. We need that. We can't eliminate that. But by the same token, it is our feeling that roads are a

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

Revenue Committee
February 10, 2011

responsibility of the total population because even those of us who don't drive are getting the benefits of our infrastructure, of roads and so forth, to be able to deliver the products to them that they need for the lifestyle that we are enjoying in this country. So I think it very appropriate that we use a half a percent of the sales tax to allow these people opportunity to take care of their obligations to the cost of the infrastructure so that they can live the lifestyle that they care to live. [LB504]

SENATOR UTTER: Mr. Mehl, are you...if the half a percent is not there in two years, are you in favor of increasing the sales tax by a half a percent to provide money for roads funding? [LB504]

ERNIE MEHL: We have talked about that and I've talked with several people about that here today. And it is a concern. There is absolutely no guarantee that this economy is going to give us what we would like to have in two years. That's a question that's very difficult to answer. But it's something that if we're going to bite the bullet and we're going to have roads, we're going to have to answer it. [LB504]

SENATOR UTTER: Thank you. [LB504]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB504]

ERNIE MEHL: Thank you. [LB504]

SENATOR CORNETT: Next proponent. [LB504]

LARRY JOHNSON: Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Larry Johnson, L-a-r-r-y J-o-h-n-s-o-n, and I'm the president of the Nebraska Trucking Association. I represent approximately 700 commercial trucking companies and affiliated businesses in our state. And my testimony is in support of LB504. I'll be real brief. We all know why we need the additional revenue. Our roads are just one of the competitive advantages that will help economic development and job growth in Nebraska. As an industry that is a substantial contributor to the federal and state Highway Trust Fund, we know the importance of maintaining and improving this valuable asset not only in our state but across the nation. The trucking industry has and continues to be willing to pay our fair share of what is necessary to keep our industries workplace, the nation's roads efficient and safe. We are an industry that can't afford accidents or congestion. We must deliver the nation's goods on time and damage-free every day of the year. However, how and where we build roads in our opinion must be carefully decided and well planned. It is very important that our highway funds be directed by statistical analysis and established engineering practices. The decision to build or improve a road must be driven by efficiency and safety. Our business model doesn't allow us to charge any more or for that matter any less if we travel on two or four lanes. We do feel that collecting additional funds for our roads is best done as a

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

Revenue Committee
February 10, 2011

highway user fee where we can capture not only the people who reside in Nebraska but also the motorists and commercial vehicles that are traveling through the state as well. Although this does add to our industries already high fuel costs, studies indicate that not only it is the fairest way, but also the most economical way to get the most revenue in the state Highway Trust Fund. We feel that this bill's level of increase might be a little aggressive. And we understand Senator Campbell's point of getting it out there for discussion. Maybe a suggestion might be that a 2 cent to 3 cent increase or more spread over a longer period of time might be more appropriate considering both the recovering economy and what we determine our actual needs to be based on engineering and safety priorities. Nevertheless, we do support the concept of a fuel tax increase and hope that it can be part of the discussion of Senator Fischer's LB84 possibly. So thank you. And any questions? [LB504]

SENATOR CORNETT: Senator Utter. [LB504]

SENATOR UTTER: Let me ask you the same questions I asked the previous testifier. Are you saying to this committee that you would prefer an increase in the sales tax as opposed to the half a percent carve-out of the sales tax? An increase in the fuel tax as opposed to the... [LB504]

LARRY JOHNSON: And I'll answer just like the previous testifier, that we think it needs to be probably a combination of both and both need to be up for discussion and that we'd give you as many tools as we can to make that decision. [LB504]

SENATOR UTTER: Is there any border bleed problem? [LB504]

LARRY JOHNSON: Certainly I have members that would... [LB504]

SENATOR UTTER: That would...let's assume, we go to a 10 cent increase in the sales tax, which admittedly may be a little extreme. How big is the border bleed problem, in your opinion? [LB504]

LARRY JOHNSON: Again, I have members that think it's substantial and we respect that. There are certain sectors of the industry that may buy fuel based on the pump price or the advertised price on the road. However, we all still pay the same fuel tax whether we buy it in the bordering state or not. There is a concern that that sale is lost forever in terms of the ability of a Nebraska fuel seller to be able to get that customer back. I would say that because of the importance of what we're dealing with today that we would just ask for them to be willing to listen to both sides of it and that we'd try to find something that works for everybody. [LB504]

SENATOR UTTER: I have no further questions. [LB504]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: Seeing no further questions, thank you. [LB504]

LARRY JOHNSON: Thank you. [LB504]

SENATOR CORNETT: Next proponent. How many further proponents? [LB504]

CURT SMITH: Good afternoon, Senator Cornett, members of the Revenue Committee. My name is Curt Smith, C-u-r-t S-m-i-t-h. I'm the executive director of the Associated General Contractors, Nebraska Chapter and I'm here to testify in support of LB504. We all know and heard this afternoon, and you all know anyway, the funding needs of the state. And to be honest, we would be here in support of any bill probably that would address some of those needs. We certainly are not altruistic in all the wishes, but by the same token we believe the economic benefits of a good highway system of the state of Nebraska override the issue and we need to support those concerns. Most of the people...you've already heard it. We think that we have long been a proponent of user fees to support the highways. And we strongly...we still support those. Senator Fischer has given us a great opportunity to talk about. We appreciate Senator Campbell's alternative bill here to talk about those. And we think that the average driver, and you can do the calculations too as well as I can, you might have heard it a "jillion" times, 10 cents a gallon, 12,000 miles a year, 600 gallons, \$60 a year, \$5 a month to the average driver. Now that's the number you're talking about here for average driver. Some would be more than that, others...it depends on...and the rural Farm Bureau, Mr. Mehl mentioned that. But that's what you're talking about. We think it's a reasonable approach to long-term needs. And so we would urge your support. [LB504]

SENATOR CORNETT: Thank you. Questions from the committee? Senator Fischer. [LB504]

SENATOR FISCHER: Thank you, Chairman Cornett. Thank you, Mr. Smith. With the decline in fuel consumption, with the more fuel-efficient vehicles, in the future we're going to be looking at different types of transportation besides the gas that we have now. Do you think the gas tax is even sustainable? [LB504]

CURT SMITH: In reality, only on a short-term basis. I mean, that's what you're facing, yeah. Of course, this fuel tax is immediate, you know, if it went into effect. And you can see, you know, how much you're going to get. I mean, it's a fixed fee. We don't know what would happen on sales tax, might go down, you know. I mean, it depends on the economy a lot. So there would be arguments for this as opposed to the other one. But the other one certainly, I think, addresses a longer term sustainable...I don't know what we're going to do, you know. We've had...if everybody drives electric cars, we're going to have to do something there too. [LB504]

SENATOR CORNETT: Further questions? Seeing none, thank you. Next proponent.

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

Revenue Committee
February 10, 2011

[LB504]

JACK CHELOHA: Good afternoon, Madam Chairman, members of the Revenue Committee. My name is Jack Cheloha. The last name is spelled C-h-e-l-o-h-a. I'm the lobbyist for the city of Omaha. I want to testify in support of LB504 this afternoon. Earlier today, you heard from our public works director. Much of his testimony that he submitted on LB84 would apply as well to this bill, LB504. The city of Omaha maintains about 4,500 lane miles of streets and 140 bridge structures. As he testified, in the last five years, the cost of road salt, diesel fuel, gasoline have increased over 50 percent. In Omaha our street maintenance budget for 2011 is \$22 million. Our traffic engineering and maintenance budget is over \$6.2 million. And our resurfacing budget is over \$3.9 million. Traditionally, these fees have come from the gasoline tax that is administered, that we've heard about and shared with counties and cities as well as vehicle registration fees. But the increased costs, aging infrastructure, etcetera, leaves us no choice but to seek additional revenues. And so for those reasons, we would be supportive of LB504. It's consistent with what the state has done for the last 40 years in terms of user pay type system. So we'd support this bill. Thank you. [LB504]

SENATOR CORNETT: Thank you. Senator Hadley. [LB504]

SENATOR HADLEY: Senator Cornett. Jack, thanks. I realize that the city of Omaha probably doesn't have much experience with taxes but from a policy standpoint, why do you think the gas taxes have become such a lightning rod across the state? [LB504]

JACK CHELOHA: Well, I'm not sure if fuel tax has become a lightning rod. I think it's more of the actual cost of the product, Senator. I mean, it seems like right now fuels, for a gallon of gasoline is roughly \$3.10. And when you fill up your vehicle, if it holds 20 gallons, that's pretty significant for the average person and consumer. [LB504]

SENATOR HADLEY: I just threw that out because I know when I was campaigning, it was just after, what was it, a cent and a half or 2 cents that we increased it a couple of years ago. And I was really surprised at the number of people that talked about that amount of increase in negative terms. [LB504]

JACK CHELOHA: Right, okay. Anything else? Great, thank you. [LB504]

SENATOR CORNETT: Other questions? Seeing none... [LB504]

JOE KOHOUT: (Exhibit 13) Chairwoman Cornett and members of the Revenue Committee, Joe Kohout, K-o-h-o-u-t, registered lobbyist appearing on behalf of and in support of LB504 on behalf of the Professional Engineers Coalition of Nebraska. Mr. Thiele had testified earlier on LB84 but was unable to stay. You have a copy of his letter and I would submit that for the record and note that our position on LB504 is based on

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

Revenue Committee
February 10, 2011

our standing position to support any legislation that would increase funding for the construction and maintenance of Nebraska's roads. [LB504]

SENATOR CORNETT: Questions for Mr. Kohout? Seeing none, thank you. [LB504]

JOE KOHOUT: Thank you. [LB504]

SENATOR CORNETT: Next proponent. [LB504]

LYNN REX: Senator Cornett, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We are here today in support of LB504. It's not news to any of you that the cities and counties as well as the state is facing a real crisis in terms of road funding. And in addition to that, I would just like to touch for just a moment on a couple of things that this committee has looked at and talked about over the years. A few years ago, you had a bill from Senator Carol Hudkins. And the night before that bill came up, she went around Lincoln and took pictures of how much gas was per gallon in Lincoln, Nebraska. And there was a 10-cent differential between northeast Lincoln and southeast Lincoln. And I'm just here to tell you that I know every cent does matter. But at the end of the day, these folks that own these operations have a great deal of control. They can decide how much they're going to charge, where are they going to charge it and we pay it. I live in southeast Lincoln and, quite frankly, I don't drive to northeast Lincoln to get 10 cents lower per gallon. I suppose I could, but...and I know that that does vary. I know the Attorney General has, from time to time, had to call out certain organizations that are costing more and charging more than what they're supposed to be charging because of the ethanol differential. So at the end of the day, what I've learned over the last 30 years is that when the Legislature increases gas tax by even a small amount you'll get letters from some folks that are opposing it. But when the variable tax, which cities and counties are not the recipients of that, but the variable tax, as you know, funds the state Department of Roads system. And when that goes down, and Senator Fischer can remember it was just a couple of years ago when it went down several cents, I bet you didn't get thank you letters. So and it also was not a headline in the Omaha World-Herald or the Lincoln Journal Star. But when it goes up a cent, wow, it is a headline. It goes down by four or five cents, everybody acts like it's just another cost of doing business. And I will also tell you that the next day my gasoline per gallon did not go down at the various operations in the state. And I do think the border bleeding issue, that's always something for your consideration. But these funds are needed. I do think that Senator Fischer has the long-term solution. And this may be very well part of a short-term solution. With that, I'd be happy to respond to any questions you have and really appreciate your patience today. [LB504]

SENATOR CORNETT: Seeing none, thank you, Lynn. [LB504]

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

Revenue Committee
February 10, 2011

LYNN REX: Thank you. [LB504]

SENATOR CORNETT: Are there any further proponents? [LB504]

DAN PARK: Madam Chairman and members, my name is Dan Park. Again, I'm with the...cochairman of the ACEC of Nebraska. We're here to support LB504. I guess the advantage of going last is everything has been said. So I don't have a whole lot to add other than the gas tax has, I think the word I used earlier, has been the cornerstone of funding our roads for many, many years. And it will continue to be the cornerstone. There are a number of future funding mechanisms, pilot projects if you will, that are being tried around the country. However, the technology is not there and there's uncertainty on whether those things will ever be accepted to fund our roads. So until then, we rely on our tried and true funding mechanism which is the gas tax. So we feel it's a fair tax, it's a user fee, and we're here to support this proposed legislation. [LB504]

SENATOR CORNETT: (Exhibit 14) Thank you, Mr. Park. Are there any questions? Seeing none, thank you. Any other proponent? We move to opposition testimony. While the gentleman is making his way to the front, the Nebraska Grocery Industry Association has submitted a letter in opposition to LB504. [LB504]

MARK WHITEHEAD: Good afternoon, Senator Cornett and the rest of the committee. Again, my name is Mark Whitehead, W-h-i-t-e-h-e-a-d. I am here to testify in opposition. I represent both Whitehead Oil Company and the Nebraska Petroleum Marketers Association. We will have two people testifying here today. I'm going to try to limit my comments, as much as I can, to our support of LB84, which we think is a better alternative principally because of the sustainability of the funding source associated with that. Long-term we think it's much more viable. I think there is the...the industry is changing and we have changed right along with it. Whitehead Oil Company has certainly looked at different technologies, even ranging from LP gas, compressed natural gas, even plug-in vehicles. The reality is that the industry will change and it has changed. Fuel-efficient cars are going to become much more prevalent within our society. And it is, in fact, going to substantially impact the way we live and drive and do business in the state of Nebraska. So it is for that reason that we do this. I'm going to try to limit my conversation as much as possible because the reason we...on border bleed and the competitive nature because you're going to be hearing a little bit more from Keith Crandall on that. But this is a competitive issue with us and an alternative issue with us. And there is, in fact, border bleed. It does...contrary to Ms. Rex's testimony on having our retailing figured out, I wish it was half as easy as what she indicated it was. (Laugh) Trust me, it is not. It's a highly, highly competitive market out there. And we've got to be the best alternative for our customer base. So with that, I will open it up...I'll conclude and open it up for questions. [LB504]

SENATOR CORNETT: Questions? Seeing none, thank you, Mr. Whitehead. Next

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

Revenue Committee
February 10, 2011

opponent. Are there any further opponents after this gentleman? [LB504]

KEITH CRANDALL: Madam Chairman and fellow committee, I'm Keith Crandall, it's K-e-i-t-h C-r-a-n-d-a-l-l. I'm president of Sapp Brothers Petroleum. I'm also a member of the Nebraska Petroleum Marketers and Convenience Store Association and a member of the Nebraska State Chamber of Commerce and Industry. And I just want...I think most of you know Nebraska's gas tax is 26.4, Kansas is 24, South Dakota and Colorado are 22, Iowa is 21, Missouri is 17, and Wyoming is 13. You know, it's pretty disgusting when you have to listen to a radio station in Omaha, Nebraska say where the cheapest gas is in Omaha, and then they add, but it's X-amount cheaper in Council Bluffs. The exits going into Council Bluffs, their gallons that they pump, 60 percent of their sales are from Nebraska. Now you're not just going to be losing the 10 cents if you increase it 10 cents. You're going to be losing 36 cents. I wish there was a way of tracking how much we lose going to the states around, how much total tax that is. My theory is if you were 21, same as Iowa, that you would make more on your gas tax than by increasing it 10 cents if you would lower it. It's just pretty disgusting when you have to drive through Wyoming and you see, coming up to the last ten miles, and they tell you, be sure and fill up with gas here before you get to Nebraska. So I'm open to any questions. [LB504]

SENATOR CORNETT: Seeing none, thank you. Is there anyone here to testify in a neutral capacity? [LB504]

KARL FREDRICKSON: Madam Chair, members of the committee, I'm Karl Fredrickson, F-r-e-d-r-i-c-k-s-o-n. I'm here before you today representing the Lincoln Chamber of Commerce. We're in a neutral capacity on this. However, as was stated earlier on LB84, we've always been in front of the Legislature looking for increases in revenue for transportation needs. There is...we understand why Senator Campbell introduced the bill. And we concur with her that it's an alternative and it shows you kind of an equivalent of LB84. To that end, we're actually more closer to a proponent than to...but I'll take this opportunity to maybe state a couple of things about, again, the road system that might be a little bit newer. Efficient vehicles, electric vehicles came up. I don't know if any of you listen to NPR radio, but they've got the Nissan Leaf being advertised as no gasoline. The Chevy Volt has a commercial--driving by the gas pump and then curling up the asphalt in front of it. The car's not paying anything to repair that asphalt. And I think that's the long-term of the gas tax is it's not a system for long-term. As the nation moves to alternative fuels, there are still four wheels on the pavement but they won't be paying in to repair or maintain or plow the snow off of it. So from that end, something needs to be done either with gas tax or LB84 which is an alternative to that. So with that, we understand the need, we know there's a need. And...but at this point we're neutral on this bill. And I'll conclude there. [LB504]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. Is there anyone else in a neutral capacity? Senator Campbell has waived closing. That

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

Revenue Committee
February 10, 2011

closes the hearing on LB504. Senator Karpisek, you are recognized to open on LB505.
[LB504]

SENATOR KARPISEK: Thank you, Senator Cornett, members of the Revenue Committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k. I represent the 32nd Legislative District and I'm from Wilber, Nebraska. LB505 proposes to change motor vehicle taxes and the current distribution of proceeds. Under LB505 vehicle taxes would be assessed against vehicles that are 14 to 20 years old at a rate of .03 percent of the tax base. Currently, motor vehicle tax proceeds are allocated to counties, local school systems, school districts, cities, and villages. LB505 would add the State Patrol Retirement Fund as an additional beneficiary for the distribution of tax proceeds at the rate of one-fourth of 1 percent. So what I'm trying to do is to put a little bit of tax on vehicles that are 14 to 20 years old; if you look on page 4 of the bill, it shows how that is gone through now. They use the MSRP on the vehicle and then how much percent is charged of the MSRP is your tax. Again, I've had people ask about their antique cars; if it's over 20 years old it would still be nothing. We're talking about three-tenths of 1 percent. I don't know what a car 14 years ago or 15 years ago the average cost would have been. But if you would think maybe around \$10,000, this would be about a \$3 fee. Again, I would like the State Patrol Retirement Fund to be the beneficiary of that. But if you look at the fiscal note it would also raise the amount going to schools, counties, and all of those too. The fiscal note is a little bit, I don't want to say deceptive, but it shows the expenditures the...there's nothing in revenue. But if you read down below, right at the bottom of the first page there, says there will be a total increase in revenue to political subdivisions of \$3,621,000 statewide, of this amount approximately \$2,172,600 would be allocated to school systems or school districts. So that is kind of the part...the whole part of the bill. Mainly trying to get some money over to the retirement system for the State Patrol because we have been having some shortfalls due to the market. With that, I'd take any questions. [LB505]

SENATOR CORNETT: Senator Hadley. [LB505]

SENATOR HADLEY: Senator Cornett, Senator Karpisek, we heard a similar bill in Transportation. [LB505]

SENATOR KARPISEK: Correct. [LB505]

SENATOR HADLEY: Do you think your bill is a better bill than the one we heard there where basically the proceeds would go to the Highway Trust Fund? [LB505]

SENATOR KARPISEK: Well, I don't know if it's a better bill. And I'm a little surprised that they went two different ways. But you know how that Exec Board is, since I'm a member of it. (Laugh) But to tell you the truth, that was kind of the bill that we were looking at with the State Patrol in it. And it's amazing how the two bills were the same

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

Revenue Committee
February 10, 2011

but that did not have the state troopers in it. So we decided to bring this bill and hoping that maybe the two could be combined if the committees saw fit to move them on. So, yes, I don't think either one is better. I think they would actually go together. [LB505]

SENATOR HADLEY: Thank you, Senator Karpisek. [LB505]

SENATOR CORNETT: Senator Adams. [LB505]

SENATOR ADAMS: I drive a 1995 Nissan pickup, but you're going to pick on me here, aren't you? [LB505]

SENATOR KARPISEK: I heard that's what you had. [LB505]

SENATOR ADAMS: (Laughter) I wondered why you were hovering around that pickup a lot. I thought you were going to try to break into it. [LB505]

SENATOR KARPISEK: No way. [LB505]

SENATOR ADAMS: But it's just you're looking at the rust and telling me I ought to come up with another 3 bucks. That's all I had. [LB505]

SENATOR CORNETT: I was just going to say I'm glad you're not basing it on mileage. [LB505]

SENATOR KARPISEK: (Laugh) Right, no. [LB505]

SENATOR CORNETT: Senator Utter. [LB505]

SENATOR UTTER: Senator Karpisek, this is based on value... [LB505]

SENATOR KARPISEK: Of the manufacturer's suggested retail price. [LB505]

SENATOR UTTER: ...of the suggested retail price. [LB505]

SENATOR KARPISEK: As it is now. [LB505]

SENATOR UTTER: Have you given any thought at all, you know, to me once you get beyond ten years old or whatever that age is, 12 years old, 14 years old, doesn't...does it make any sense to have a user fee beyond that date, a flat fee rather than a percentage of the original...the manufacturer's price as, you know, a flat \$20 fee or \$10 fee or \$5 fee whatever it is? [LB505]

SENATOR KARPISEK: And I think that that is... [LB505]

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

Revenue Committee
February 10, 2011

SENATOR UTTER: And would it be easier from an administration standpoint, would it be easier to administrate? [LB505]

SENATOR KARPISEK: Well, I don't know that it would be easier to administrate because then you'd have that one part of those cars that would be the flat fee. And that's Senator Campbell's bill that was heard in Transportation, I think does have a \$10 flat fee. And this bill started that way. Like I say, we kind of redid it and we looked at going about half of what the 14-year-old vehicle would be, because that's .07. So we went to .03. I think you would just be able to figure it right in because all those others are figured on a percentage. This also would go on a percentage. So instead a flat fee it flows with the way the rest of the taxes are charged. [LB505]

SENATOR UTTER: Senator Karpisek, what is the source of the Patrol's funding for the retirement system now? [LB505]

SENATOR KARPISEK: It's...they put in toward it. And there will be someone behind me that can tell you a little bit more on that. But they do a good percentage of their pay and I'm going to stop there and let them tell you. But if we run low or if it needs to be helped out, it's the state. [LB505]

SENATOR UTTER: Are we...is there any danger that we're setting a bad precedent, that we are picking out one specific item to add to pick up the retirement benefits for a specific group? What happens when the next specific group shows up and says, well, I'd like to have a fee here to embellish my retirement fund or to take care of a shortfall in my retirement fund? Is that a problem from a tax policy standpoint? [LB505]

SENATOR KARPISEK: Well, part of the reason that this came to us was because of the judges increase on court fees to help fund their retirement. So we did that last year, I think. So that's part of...and we didn't think that it would be real good to try to put anything more on court fees to go to the State Troopers retirement because (laugh) that might look like they may be trying to pad themselves more every time they pulled someone over. I don't know, teachers may think of something. I don't know what they would be able to do every time they got an apple from their students maybe, I don't know. (Laugh) [LB505]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB505]

SENATOR KARPISEK: Thank you. [LB505]

KORBY GILBERTSON: Good afternoon, Madam Chair, members of the committee. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of the State Troopers Association of

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

Revenue Committee
February 10, 2011

Nebraska in support of LB505. First of all, I'd like to thank Senator Karpisek for his patience in working with us on this piece of legislation. I'll tell you, this has been something that I've been trying to come up with for the last two years. Since I started representing the State Patrol doing retirement issues for them, over 15 years ago, we have seen lots of highs and a couple of really bad lows. (Laugh) And this has been the worst low, obviously, in the market insofar as funding for the Patrol retirement plan. Under current law, the current statute says that the General Fund has to make up any shortfalls in the retirement plan unless there is a corresponding benefit that there should not be an increase in the contribution rates. Now we have turned our back on that statute many times over. And all of you have seen the retirement bills go across the floor each year. The Patrol is very proud of being the first ones to the table every time saying we are going to pay our fair share for our benefits. This bill is a way to look at trying to lessen both the impact on the General Fund as well as the Patrol members themselves. This year the bill that's in front of Retirement will increase the contribution rates from 16 percent of pay to 19 percent of pay for the next three years. That is a fairly drastic increase in percent of pay, especially for these Troopers who obviously have families. And, you know, when you look at 20 percent of your paycheck going out each month, that's quite a significant amount of money. However, they also realize that they have a very good retirement plan and they are very much willing to protect it. With that said, this bill went through three or four different versions. One of them, Senator Utter, did have a base tax. Our first one said \$12, a \$12 base tax for all cars over 14 years old. We did a little math based on information we got from DMV, figured that would raise about \$9 million. I said, well, this would be great, you know, we could give \$2 million for the Patrol, give the rest to the Highway Trust Fund. Well, then we got talking about it more and looking at how the taxes go, how they're based in the statute currently. And then a lot of the people that are paying taxes for those cars that would be 14 to 20 years old would be paying twice as much as some people that had 13-year-old cars. So we didn't think that was probably a real fair thing to do because poor Senator Adams would be paying four times as much as someone else. So with that said, that's how we came back to just doing a percentage increase and trying to follow the way that the rest of the motor vehicle taxes ran. How did we come up with motor vehicle taxes as the funding source? Talked to a learned colleague of mine because I had another idea that they didn't like very much which was to add it to the registration fees of automobiles. So we came up with this idea as a potential alternative of something that, you know, there's a whole group of cars that are out there using the roads, and if this is termed to be some type of a user fee, they sure aren't paying their fair share by paying zero. So this would be a very small tax, on average, according to the fiscal note, about \$7 per car. It's hard to argue that you should be able to drive on the streets, and I talked to Senator Campbell about her bill and she said, I just don't think people...you know, no one should be able to have a car out on the road and not pay. We did stop it at 20 years because that is the time in which you can apply for an antique...for the historical plates. So that's why the 20-year cutoff was picked. So there actually is some logic behind it. But (laugh) with that, I'll quit and try to answer any questions, if I can. [LB505]

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

Revenue Committee
February 10, 2011

SENATOR CORNETT: You're almost there, Senator Adams. [LB505]

SENATOR ADAMS: I'm getting close to the antique. [LB505]

SENATOR HADLEY: Senator Cornett. Ms. Gilbertson, I have asked in the past why we give the county and school system, school districts, cities and villages part of this tax on the motor vehicle. And I have been told it was a tax policy question when we took away some taxing ability, when cars...when it went from a property...personal property and this was the replacement. I guess, what, from your standpoint, what would be the tax policy issue in using this tax to fund the State Patrol retirement? [LB505]

KORBY GILBERTSON: We...to be perfectly honest, I tried to look at a nexus. And between different duties of the State Patrol and what different things that there could be a logical nexus between. Obviously, you could have a fee on tickets that they write. However, it would be kind of hard to sell that I think because everyone would think they'll just go write more tickets to fund the retirement. So I tried to look at other things. Well, what is one of the main things that Troopers do? They patrol our roads. This is mainly looked at as a property tax, a user tax for people who are on the roads. So that was my logic at going after this. I think that when we look at what has gone on with the judges plan, we...the Legislature saw fit to increase court fees again last year to help fund judges retirement. I was just trying to find something else that would lessen the impact on the General Fund and be able to supplement the State Patrol's plan as well. [LB505]

SENATOR HADLEY: I would quote another lobbyist that said tax policy is 25 votes. [LB505]

KORBY GILBERTSON: Yeah, I think I worked for him. (Laugh) [LB505]

SENATOR HADLEY: Okay. [LB505]

SENATOR CORNETT: Senator Utter. [LB505]

SENATOR UTTER: Thank you, Senator Cornett. Korby, will you describe for me the Patrol's retirement plan. [LB505]

KORBY GILBERTSON: The State Troopers Retirement Plan right now is funded through three different things, actually four. They get a small amount of money from...there was about, oh what was it, about 15 years ago when the Omaha teachers came over, there was an education fund that now gives a small amount of money to each of the retirement plans. So they get a little bit of money from that. The next places they get it are from the employer, so the State Patrol, and the employee. So right now

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

Revenue Committee
February 10, 2011

each of them give 16 percent, that's charted to go up to 19 percent this year. [LB505]

SENATOR UTTER: Of their salary, right? [LB505]

KORBY GILBERTSON: Of their salary, right. And then there's also, in the last several years, there's also been an infusion of General Funds into the plan to help shore it up. Two years ago, when we had the budget-cutting special session they did take about \$400,000 out of the State Patrol plan to fund other things. Which, of course, we yelled and screamed at that time but said, you know, please don't keep doing that to us because obviously it has compounded in the last couple years. But that's the funding mechanism. [LB505]

SENATOR UTTER: The match, it's an equal match? [LB505]

KORBY GILBERTSON: Yes. [LB505]

SENATOR UTTER: And will you describe the benefit. [LB505]

KORBY GILBERTSON: The benefits, well, there's a variety of benefits for their plan. [LB505]

SENATOR UTTER: I'm asking you, I guess, it is a defined benefit plan, right? [LB505]

KORBY GILBERTSON: And I can get it...it is a defined benefit plan. And after they can vest into the retirement plan, they have to reach the age of 55, they will get 75 percent, up to 75 percent of their highest three years of pay. There is a COLA. They also have what's called a DROP program, a Deferred Retirement Option Program, which before you think that's a big...it doesn't cost the plan any money. What it does is allows them to retire in theory but keep working for the state and collect their retirement funds and put them into one lump sum upon the date that they retire. And the idea with that is that you can keep long-term employees for a little bit longer, saves the state money because they don't have to make the contribution into the plan anymore for that five-year period. But it gives the employee a benefit at the end of the five-year period. So those are the things. And we have looked at different components of the retirement plan to try to come up with other cost-saving measures. And we are continuing discussions on really getting down to looking at benefits and age of retirement, certain benefits, the COLA, things like that. We're continuing discussions to see, based on the market and seeing how things go, what else we will need to do because this is not going to solve it. Five hundred thousand dollars won't solve it but it can help. It can help from the state from having to make General Fund contributions. [LB505]

SENATOR CORNETT: To replace what they took. [LB505]

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

Revenue Committee
February 10, 2011

KORBY GILBERTSON: Yes. Well, not only to replace what was taken during the special session, but in future years it could help keep the state from having to make future General Fund contributions into the plan. [LB505]

SENATOR CORNETT: Questions? Seeing none,... [LB505]

KORBY GILBERTSON: Thank you very much. [LB505]

SENATOR CORNETT: Next proponent. [LB505]

JACK CHELOHA: Good afternoon, members of the Revenue Committee. My name is Jack Cheloha, last name spelled C-h-e-l-o-h-a. I'm the lobbyist for the city of Omaha. I want to testify in support of LB505. The purpose of my testimony, I guess I was a little conflicted at first. I thought about coming in neutral, but in order to be anything I must be consistent. And I did support a bill heard before the Transportation and Telecommunications Committee that Senator Campbell offered similar to this subject where vehicles older than 14 years would pay some type of either fee or tax for the use of their vehicle on the roads. And to be consistent, I think that's fair. And I think that this bill offers a little bit different mechanism of collecting that amount. They actually do it on the vehicle tax as opposed to a fee that would go into the Highway Trust Fund. But nevertheless, under either scenario the city of Omaha would stand to benefit. And so for that reason I'm here to support the bill. I don't have any position as to your tax policy and how you or whether you'd allocate it to the State Patrol Retirement or not. So I'll leave that up to 25 of you. I'd be happy to answer any questions. [LB505]

SENATOR CORNETT: Explain to me how the city of Omaha benefits. [LB505]

JACK CHELOHA: Under this bill? [LB505]

SENATOR CORNETT: Yes. [LB505]

JACK CHELOHA: We would benefit by vehicles older than 14 years would be subject to this vehicle tax. That tax is allocated to schools, cities and counties. Schools get the lion's share of it--60 percent, but cities, again 18 percent, counties get 22 percent. But in my county it would switch because of the size proportion of city of Omaha. But nevertheless, we would stand to gain some revenue as a result of this bill. [LB505]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB505]

JACK CHELOHA: Thank you. [LB505]

SENATOR CORNETT: Next proponent. May I see a show of hands for the number of proponents left. How many opponents are there? Okay. Go ahead, I'm sorry. [LB505]

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

Revenue Committee
February 10, 2011

LYNN REX: Senator Cornett, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We do support this measure. We also had representation before the Transportation Committee supporting a similar bill. This bill would raise roughly \$3.6 million in additional funds for schools, cities and counties and about \$2.1 million of that would go to schools. So for that reason we're here to support this. And in answer to your question, Senator Hadley, when the Legislature changed its tax policy to move from a property tax over to this type of a tax it was done because folks were registering their cars in various places, including other states, so as to not pay a high property tax in one county as opposed to another. And that's when the Legislature said what we're going to do, I believe it was LB45 actually, and what they said that we're going to do is basically make it uniform across the state, so no matter where you live in the state of Nebraska your fees would be the same. And that was the...what occurred at the time that the Legislature made that policy shift. But I'd be happy to respond to any questions you might have. [LB505]

SENATOR CORNETT: Senator Hadley. [LB505]

SENATOR HADLEY: Thank you, Senator Cornett. Ms. Rex, sometimes I worry down here that we think \$7.80 or \$10 a year is nothing. But for some people that could be, you know, a real amount. Do you think there should be any mechanism for the poor people that this might be a relatively significant amount...to have some kind of method for helping them? You know, if I drive a 1978 Corvette, I can afford it. I'm sure Senator Adams can afford it. But maybe there are people that this could be, you know... [LB505]

LYNN REX: Well, I guess, my answer to that would be that I think there are other programs, other assistance programs out there for folks that are in that situation. And I do realize that there are individuals in that situation. But I think there are other programs for them. [LB505]

SENATOR HADLEY: Okay, thank you. [LB505]

LYNN REX: You're welcome. [LB505]

SENATOR CORNETT: Further questions? Seeing none,... [LB505]

LYNN REX: Thank you. [LB505]

SENATOR CORNETT: Are there any opponents? Anyone in a neutral capacity? Senator Karpisek. [LB505]

SENATOR KARPISEK: Thank you, Senator Cornett and members of the committee. Obviously, I worry, I think we all worry about people who can't afford it. And you're right,

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

Revenue Committee
February 10, 2011

it's not much but it piles on and it piles on and I agree. However, I do think these vehicles are still on the road, they're still using our services. You ask which bill was better. I really like the percentage better than the flat fee because it may be...it's a lot less than looking at a \$10 fee. The \$10 may be higher than the one...Senator Adams' truck is 14 years old. I do worry about that, the one...I do realize that. However, I think we need to look at some other ways to get some of the...get the money in because one way or another the state is going to end up funding this if it gets low. And we've had to do that in the past. We've had to kick into some of these retirement plans. It is a very good retirement plan and the Troopers realize that. And that's why they're up to 16 percent of their pay kicking in. And we could argue that benefit all day long, but that's not what this bill is about. So it's an idea to bring forth. I thought Ms. Gilbertson made good points on it and that's why I brought the bill. I think it does make a little bit of sense why after 14 years all of a sudden you just don't pay anything. So with that, I'd be...and the price of gas being what it is, and I realize that cuts into everyone's budget too. But it's another thing that you have to pay to drive, so thank you. [LB505]

SENATOR CORNETT: Thank you. Questions? Seeing none, thank you. That closes the hearings for today. [LB505]