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Revenue Committee
October 28, 2011

[LR232 LR234]

The Committee on Revenue met at 10:00 a.m. on Friday, October 28, 2011, in Room 120 of the ITC Building, Metro Community College, Omaha, Nebraska, for the purpose of conducting a public hearing on LR234. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; and Greg Adams. Senators absent: Pete Pirsch; Galen Hadley; LeRoy Louden; and Deb Fischer.

SENATOR CORNETT: We have other committee members that have said they're coming, but we are going to go ahead and begin the hearing at this point. Before we begin, I'd ask you to turn your cell phones to either the silent or vibrate while you're in the hearing room. The sign-in sheets for testifiers are at the back of the room on the table and need to be completed by everyone wishing to testify. When you testify, could you please bring the sign-in sheets up to the committee clerk and hand them to him. There is a sign-in sheet for those who do not wish to testify but wish to indicate their support or opposition to a resolution and these sheets will be included in the official record. We will begin today's hearings with LR234, by Senator Nordquist. It is an interim study to examine policy options in developing long-term plans for infrastructure development for the use of natural gas as a transportation fuel. I would like to keep the hearings--there are two this morning--to one hour each. I would request everyone to keep their testimony to around five minutes. With that, Senator Nordquist, you are welcome to begin. [LR234]

SENATOR NORDQUIST: Thank you, Senator Cornett, and members of the Revenue Committee, for holding this hearing today. I'll keep my remarks brief to give plenty of time for the people behind me to testify, but I'll give you a brief history first of my involvement with this issue the last couple of years. In '09, I introduced LB421, which would exempt compressed natural gas fuel from the excise tax and the Revenue Committee at that time advanced the bill out to General File, but we did not take further action on it. After discussions at that point, we kind of came to the realization that we

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needed to pursue policy options that would incentivize infrastructure, as opposed to just bringing down the price of CNG. Obviously, CNG, the cost on gallon equivalent is very competitive when compared to gasoline, but it's the lack of infrastructure that we need to focus on. So in 2010, I introduced LB1108, which was also heard before the Revenue Committee, and it diverted a portion of the gas tax paid by CNG customers to a grant fund that would be matched by providers and used for infrastructure projects. Again, that was in the short session and no action was taken. Actually, the committee ended up IPPing that bill at the end of the short session. Then last year, I introduced LB587, which sought to foster the infrastructure up along the I-80 corridor and it's...that bill is held right now in the Natural Resources Committee. And essentially, it would have transferred \$500,000 a year out of the Petroleum Release Remediation Fund, which has an unencumbered balance of about \$5,000,000 right now, to give grants up to \$200,000. The grant would have to be matched by an 80 percent from the station or provider--whoever would want to have that public compressed natural gas fueling station. And it had to be within a...I believe the bill had it within a mile of I-80, essentially looking to create I-80 as a corridor of natural gas in Nebraska. Right now, we only have the public fueling stations in Omaha. You're going to hear from people who are looking at it or have looked at compressed natural gas, potentially fleets, long-haul fleets as well that could utilize compressed natural gas to tremendous savings of compressed natural gas, if there was the infrastructure along our transportation corridor. You know, I really believe that this is an option, a realistic option, to help supplement our fuel supply system for our transportation system. Obviously, the prices are lower and more stable, the vehicles powered by compressed natural gas offer fewer emissions and lower greenhouse gases, and obviously, the significant cost savings. And it's an abundant, domestically-produced source of energy. Eighty, 90 percent is produced in North America and this, especially for high-mileage fleets, could really be one of the solutions. We all know there's no one technology that's going to be the silver bullet to solve our state and nation's energy problems, but we have options with natural gas, ethanol, propane, hybrids, electric vehicles--an all-of-the-above approach is what we need to take and this is one possibility that we could move forward with and I look forward to

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working with this committee to examine options and see what we can come up with.
Thank you. [LR234]

SENATOR CORNETT: Thank you, Senator Nordquist. With that, I'd like to open the hearing. Do I hear any questions from the committee members? [LR234]

SENATOR UTTER: I'll reserve any I have until later. [LR234]

SENATOR NORDQUIST: All right. [LR234]

SENATOR ADAMS: I just had one quick one. [LR234]

SENATOR NORDQUIST: Oh, yeah. [LR234]

SENATOR ADAMS: Senator Nordquist, what fund did you say that \$500,000 could be transferred from? [LR234]

SENATOR NORDQUIST: It's the Petroleum Release Remediation Fund, also known as the LUST Fund. [LR234]

SENATOR ADAMS: Thank you. [LR234]

SENATOR CORNETT: With that, could I please have the first testifier? [LR234]

MICHAEL GARVIN: (Exhibits 1 and 2) I have my stopwatch here, so I'll watch my five minutes. It's a far cry from 1968, when I ran track at Mount Michael Elkhorn, so we did not have these technologies. My name is Michael Garvin. I'm a technology specialist in paradigm shift operations. [LR234]

SENATOR CORNETT: My apologies. For the record, could you please spell your name.

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[LR234]

MICHAEL GARVIN: Michael, M-i-c-h-a-e-l, Garvin, G-a-r-v-i-n. I hail from Wayne, Nebraska. I've been a technology paradigm shift specialist with Texas A&M, the University of Texas, Iowa State, University of Iowa for almost 25 years, including a tour of duty with Tech...University of Wisconsin. I'm now engaged with advising Gene Gabus and Gabus Auto Group out of Des Moines to create compressed natural gas cars. My specialty is creating jobs and I'm tasked with locating the compressed natural gas assembly plants. And Nebraska has been chosen to site those plants, so I'm working with economic development and the governor, Governor Heineman, to do that. We have just...will be announcing our first plant to open, hopefully in the first quarter of 2012, in Wayne, Nebraska. We're in discussions with South Sioux City, Fremont, Omaha, and Scottsbluff for additional plants. CNG cars, we think, are critical to the economic health of this country and especially to Omaha and to Lincoln and to Nebraska. My specialty is removing the environmental impediments to economic growth and right now Omaha is in a precarious position in that its ozone levels, readings are dangerously close to the maximum that the EPA will allow. This disallows all economic development that has any kind of carbon footprint into the state of Nebraska around Omaha and the Lincoln area. The models that I have created with my university partners indicate--especially the University of Florida at the Public Utility Research Center--have indicated that for a relatively small number of vehicles, around 9,700 vehicles, we can reduce and replace the gas vehicles in this corridor between Lincoln and Omaha and Council Bluffs. We can reduce the ozone level to a safe buffer where people like Rod Moseman and the Economic Development Partnership in Omaha can attract large job producers where we just can't compete right now. So economic development in the state of Nebraska, moving forward with any industries that have any carbon footprint at all, are going to rely upon reducing ozone levels in this corridor or you're not going to be able to compete. Take, for instance, Boeing. I've worked with South Carolina Economic Development. One of the reasons they were selected by Boeing is because we do not have a carbon footprint problem there. Michelin, BMW, the same way, so we've got a

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large task here. By allowing the Legislature in Nebraska to support what groups like Clean Energy are doing, to put CNG filling stations around the I-80 corridor all the way from Chicago to the West Coast, we're providing a transportation corridor that supports clean energy, supports CNG vehicles, and all the Noble cars--and you'll see pictures of the four noble cars that we're assembling...will be assembling in Nebraska and Iowa--are E85 compatible. So they will have two tanks: one for E85; one for compressed natural gas. Now in California, unfortunately, they will only allow us to have CNG, because then they allow us on the high-occupancy commuter lanes. Of course, the immediate jobs are like in Wayne--20 new jobs in Wayne County--incredibly good. In Omaha, we'd have a plant of about 100-150 jobs here to assemble these vehicles. The demand is extremely high. We've got a delegation going to Trinidad, Tobago next week to negotiate a demand for 200,000 of these vehicles. So, the demand is high. We need to get production up. We're in conjunction...we're working in relation with Dave Heinemann, in relation with Terry Branstad, the legislatures in both states, to get these sited. The reason they're in Nebraska and Iowa only is because I'm from Wayne and Gene Gabus is from Holdrege. It's the only reason, and we've selected these two states to be our core manufacturing states. So with that, I would say there's a win-win situation. This car on the Noble, and I only have 12 seconds left, will be good for the citizens of Nebraska because of the lower cost. In the packages that Gabus is putting together, not only do you get the car, but you get two years of free fuel for this car. This car retails out at \$16,900 with a \$7,200 federal rebate. So you're getting a \$9,400 cash outlay car with no cost of fuel for two years. We're working with groups like Black Hills Gas and Metropolitan Utilities Districts to buy down the fuel for two years. It's good for Nebraska, for the initial assembly plants, like in Wayne, South Sioux City--working with Lance Hedquist in South Sioux City, Rod Moseman in Omaha to put plants here in Nebraska, and of course for the environment, to lower the ground ozone levels in places like Omaha so that we can expand Union Pacific or Burlington Northern if we need to attract companies like Caterpillar or John Deere to this growing community. But do not let us stifle this community because of ground ozone level readings. I thank you.

Questions? [LR234]

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SENATOR CORNETT: Questions from the committee? [LR234]

SENATOR UTTER: Mr. Garvin, as you develop these vehicles, it seems to me like this is a little bit like cell phones. Some places they work and some places they don't. [LR234]

MICHAEL GARVIN: Absolutely, Senator. [LR234]

SENATOR UTTER: Is there a strategy ahead to make the fuel more available, more accessible? [LR234]

MICHAEL GARVIN: There is, and I will leave that to my colleague with Clean Energy to speak to that a little bit later. But we're working with Senator Bloomfield in the northeast part of Nebraska to make sure that there are filling stations from Sioux City to Fremont. We are working with people like Clean Energy to make sure that we can go across the nation. Of course, Kum&Go, Casey's, Hy-Vee are all engaged in the Clean Cities initiative, which we strongly support and thank you for supporting, so we are developing very rapidly these kind of infrastructures that will support, much like the E85 with Kum&Go has done all the way from Lincoln all the way to Chicago. We will also work with MapQuest and Google and all of the apps, that you can use an app to find out exactly where the nearest compressed natural gas station is and what is the cost so you can make selections of where you're going to buy your fuel. Thank you for that question, Senator. [LR234]

SENATOR CORNETT: Further questions? We were expecting more people, so I think they'll probably be here in a little bit. That will be all. Thank you. [LR234]

MICHAEL GARVIN: Thank you, Senator. [LR234]

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SENATOR CORNETT: Next testifier. [LR234]

RON REYNOLDS: (Exhibit 3) Good morning. I'm Ron Reynolds with the Happy Cab Company here in Omaha, Nebraska, and I'd like to read a prepared statement that I was given. [LR234]

SENATOR CORNETT: I'm sorry, could you spell your name also? [LR234]

RON REYNOLDS: R-o-n, Reynolds, R-e-y-n-o-l-d-s. Happy Cab, based in Omaha, Nebraska, is a multifaceted business operated by Mark and Lori Mitchell. Happy Cab's business is located on a 17-acre site at 5402 L Street in Omaha. In addition to its cab service, the location is the home of I-80 Auction, also I-80 gasoline, diesel, natural gas fueling station. Happy Cab has about 70 employees and a fleet of about 225 cabs. Happy Cab leases the individual cabs to the drivers. Happy Cab recognized the potential of natural gas to fuel its fleet of cabs with a cheaper, cleaner, and bringing cost savings and environmental benefits. Happy Cab saw the momentum building in other markets for natural gas vehicles and fleet use. Happy Cab partnered with the Metropolitan Utilities District in Omaha, the local natural gas distributor, to reach its goals. On June 10, 2011, Happy Cab and MUD joined together to celebrate the opening of the first public natural gas fleet fueling station in the Omaha area, located at Happy Cab, I-80 Fuel Station, at 5402 L Street. Happy Cab and MUD bring the public its first opportunity to fuel natural gas vehicles. Happy Cab is also the first private fleet operator of natural gas vehicles in the Omaha area. Happy Cab is currently converting its cab fleet to operate on natural gas fuel. Happy Cab is converting a quarter of its cab fleet this year and intends to add 50 natural gas cabs a year. Currently, Happy Cab, its independent drivers, and public benefit from a natural gas fuel of \$1.88 per gallon. In addition to reducing the emissions effect on its fleet, we have seen an increased number of natural gas vehicles fuel at this location. Recently, many natural gas transit buses manufactured by New Flyer Industries in Minnesota have used I-80 Fueling Station on their way across the country. Happy Cab sees an increase in the recognition

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of benefits of natural gas fuel in the United States to lower fuel costs, increase energy independence, and reduce vehicle pollution. Happy Cab believes in the future of natural gas fuel and is the first business fleet in Nebraska to enter what will become the future of fleet operations. Happy Cab believes that natural gas fueling is part of the essential effort to reach energy independence in the United States. Happy Cab believes that an incentive of some kind, possibly a tax credit or a new or converted alternate-fueled vehicle aimed at increasing the purchases of natural gas vehicles in Nebraska, will result in the benefits to both Nebraska and the state. [LR234]

SENATOR CORNETT: Thank you very much. [LR234]

RON REYNOLDS: You're welcome. [LR234]

SENATOR CORNETT: Questions? Seeing none, thank you. [LR234]

RON REYNOLDS: All right. [LR234]

SENATOR CORNETT: Next testifier. [LR234]

JACK SCHIMENTI: (Exhibit 4) Good morning, I'm Jack Schimenti, president of Lincoln Composites. My name is spelled J-a-c-k, Schimenti, S-c-h-i-m-e-n-t-i, and I'd have to say that I'm gassed to be here. (Laughter) Lincoln Composites is a natural gas-dependent company. We manufacture fuel cylinders for the natural gas vehicle industry throughout the world. We're the world's largest in our technology. We have developed our technology right here in Lincoln, Nebraska, over the course of the last 15 years. We have approximately 140,000 fuel storage cylinders worldwide. Lincoln Composites presently employs 150 people. Not long ago, in 2004, we only had 35, so we are dependent on the natural gas industry. We are promoting employment within the Lincoln area. Forty-five of our people have higher educations, most of them engineers--don't hold that against us. Within the economic support of the local area,

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Lincoln Composites puts in about \$16 million in salary and procurement of the local...from local suppliers. With that, 99 percent of our revenue comes from outside the state. One percent comes from within the state and I'll get to that later. Sixty percent comes from outside the United States. We sell a lot of our product outside the United States and bring in a lot of revenue to Nebraska. Our sales have increased by 650 percent since 2004, and we have increased our production facility and our capacity by 300 percent over the course of the last couple years. An investment in the infrastructure for NGVs in Nebraska will create additional jobs at Lincoln Composites, as well as our supplier network within the Nebraska area. There are several FMVSS, federal motor vehicle safety standards, associated with containers. We comply with them. We comply with the industry-imposed natural gas vehicle standard, too. Lincoln Composites has been doing this since 1993. We have been extremely successful. You heard earlier today, earlier from Happy Cab. They are a customer of Lincoln Composites. They're the 1 percent, part of our 1 percent sales within the United...within Nebraska. Our cylinders, you also heard that Happy Cab has a infrastructure fueling facility. A lot of the vehicles coming through, fueling in that fueling facility, have Lincoln Composites tanks: New Flyer Buses out of Minnesota, McNeilus Refuse Trucks out of Minnesota fill up regularly in that infrastructure. Doug Clark, president of MUD, is also driving around with a Lincoln Composites tank in the back of his F-150. We're proud to have Doug as one of our customers; he actually was the first one in Nebraska. Right now, there are about 13 million vehicles in the world running on natural gas; only 130,000 vehicles, roughly, in the United States. We're well behind the curve. There's only about 100 vehicles in Nebraska that are running on natural gas and we only have four stations. The biggest issue right now is the infrastructure: bringing in and connecting the United States East Coast, West Coast. I-80 is a major thoroughfare for that activity. Entire states, Utah, Oklahoma, and Texas have begun to convert their government and their commercial fleets to natural gas. When you compare the price of natural gas at about \$2 an equivalent gallon to \$3.50 on average for diesel, it makes a lot of economic sense. They measure payback in months as opposed to years. Most common question, again, gets back to the infrastructure. Where do we get the fuel for our vehicles? And obviously,

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that's why we're here today. There are entire countries that are moving to the natural gas economy, and United States is slow in recognition of the benefits of the natural gas economy that can be supported. United States has a major benefit as a result of the reserves that we have in natural gas today. We will end up being an exporter of natural gas in the coming years. Even Nebraska has shell gas out in the southwest part of Nebraska--the Niobrara Reserves. Given the chicken-and-egg dilemma, we need the infrastructure. I-80 is a major thoroughfare for large, Class 8 trucks, the tractor-trailers. The next move in the natural gas vehicle industry are going to be conversion of the large tractor-trailers to burn natural gas. That is a huge consumer of natural gas or, excuse me, of petroleum fuel, and we have the ability to start displacing our reliance on petroleum liquid fuels by using natural gas in appropriate locations. We have also developed, over the course of the last several years, a virtual pipeline. We have a product that can move large amounts of natural gas where infrastructure does not exist. It is a temporary solution. That product is in use in southeast Asia in Malaysia, Vietnam, South America, Columbia, soon to be Mexico, Peru, and they use...they move large amounts of natural gas to mother-daughter stations where they don't exist. That is a possibility, that is an option that could support natural gas infrastructure in Nebraska until the regular filling stations are built. Lincoln Composites, again, it's dependent on the natural gas vehicle market because we believe it's the right time and the right fuel to alleviate our dependence on foreign oil. It is the time to put natural gas solution to work in our home state as well as our nation. Thank you. [LR234]

SENATOR CORNETT: Questions? Seeing none, thank you. Next testifier. [LR234]

MICHAEL CORRIGAN: (Exhibit 5) Good morning. Thank you for the opportunity. My name is Mike Corrigan, M-i-k-e C-o-r-r-i-g-a-n, and I'm from Omaha, Nebraska. I'm with Fuel Conversion Solutions, which is based out of Green Valley, Missouri, and we also have operations in Lincoln and Omaha. We perform CNG vehicle conversions in Nebraska and surrounding states. We also provide CNG training and inspections for technicians, for fleet operators, first responders, and others that are interested in the

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safe operation of these vehicles. Prior to joining Fuel Conversion Solutions this summer, I was with the Metropolitan Utilities District of Omaha for 17 years and there I was fortunate enough to be directly involved in their efforts to develop the market for CNG vehicles locally and regionally. I'm a member of the board of directors of the Nebraska Clean Cities Coalition and also serve on the Midwest CNG Task Force through the Kansas City Regional Clean Cities Coalition. I am personally and professionally committed to the advancement of CNG vehicles because I'm convinced that they, by far, they are the most effective alternative available to substantially reduce both our use of petroleum in the transportation sector and substantially reduce the negative environmental effects from that petroleum use. So in short, I've become passionate about the advancement of CNG over the past several years, and I applaud the Legislature's initiative in examining policy options in support of that development. At FCS, we've performed CNG vehicles for fleets and individuals in Nebraska, Kansas, Missouri, Iowa, and Oklahoma. Alternative fuel vehicle tax credits at the federal level have expired, just as several of those states are starting to see CNG development take hold. Oklahoma provides its own state tax credit for CNG vehicles for up to 50 percent of the incremental cost or conversion cost of the vehicles, and down there the CNG market is growing very rapidly. I've got a client here in Omaha that has a regional delivery business based in Omaha with several hubs in surrounding states. He's already begun converting his Oklahoma fleet because...partly because of the strong network...doing it in Oklahoma because of the strong network of stations that exist down there, but also because of those state-level incentives for the conversions. He'd very much like to convert his Nebraska fleet, but with...he'd be looking for some assistance to get that infrastructure and vehicles in place started in Nebraska. I also have several other clients, Nebraska fleets, that are anxious to begin implementing CNG vehicles that are looking for some state-based incentives in lieu of the federal incentives. I've seen firsthand multiple fleet applications around the country that have successfully converted to CNG and realized significant and sustained fuel savings. A colleague of mine in Kansas City with the Kansas City, Kansas, school district recently deployed 47 CNG school buses. In the first month of operation alone, they saved over \$40,000 in fuel cost

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and those savings will continue over the long life of those vehicles. Implementing CNG projects, whether for fleets or individuals, requires several changes from our status quo or our traditional ways of buying, using, and fueling vehicles. Nearly every successful CNG project that I'm aware of needed some sort of financial assistance at the beginning to encourage businesses and individuals to make the necessary changes to implement the CNG vehicles. And this is especially true in states like ours that are still in the early stages of developing infrastructure. State incentives do not need to be for unlimited amounts of...unlimited amounts or for unlimited time frames, but they should be significant enough to actually help those that want to get started and for a long enough term that they can plan and implement those projects. Again, I applaud the Legislature for taking this initiative to examine this issue and develop a long-term plan. I look forward to offering any support or feedback I can through this process. Thank you and any questions? [LR234]

SENATOR CORNETT: Questions from the committee? [LR234]

SENATOR UTTER: I have just one, and I apologize for not being more up to date on this. But with natural gas at \$1.88 per gallon equivalent, and the unleaded--super unleaded, I guess they call it at the filling stations--it depends on where you're at, from \$3.30 to \$3.50 in Nebraska, what is the...when you get right down to the differences in mileage, what is the real savings? [LR234]

MICHAEL CORRIGAN: Natural gas is measured and sold at what's called a gasoline gallon equivalent, a GGE, so it has the same energy content as a gallon of gasoline, so it's really a very nice apples-to-apples comparison when you're talking the pricing...you're talking about the same energy content, you get essentially the same mileage, so. [LR234]

SENATOR UTTER: So it's \$1.88 compared to the whatever... [LR234]

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MICHAEL CORRIGAN: Exactly. [LR234]

SENATOR UTTER: \$3.30, \$3.40, \$3.50 [LR234]

MICHAEL CORRIGAN: Yeah. Unlike some of the other fuels where you have to make conversions, it's an apples-to-apples comparison. [LR234]

SENATOR CORNETT: Thank you. [LR234]

MICHAEL CORRIGAN: Thank you. [LR234]

SENATOR CORNETT: Next testifier. [LR234]

KOBY KNIGHT: (Exhibits 6 and 7) Good morning. My name's Koby Knight. I'm with Clean Energy. It's K-o-b-y K-n-i-g-h-t, and I'm here to represent Clean Energy. Clean Energy is North America's largest transportation fuel provider. We operate in about 26 states and have about 250 fueling stations--actually it's around 260 now--around the country. We fuel 23,000 natural gas vehicles every day. Clean Energy and its founder, Mr. T. Boone Pickens, is grateful that you've asked us to come here and we can provide some of the experiences we've had over the last 20 years with natural gas vehicles and infrastructure development. In an effort to support your committee's call to jump-start use of NGVs in the state of Nebraska, we've put together some of our policy experience to help you avoid any poor NGV policy decisions and outcomes. By sharing our perspective, we hope that the state of Nebraska will avoid any disappointing outcomes and results that lead to the infamous statement: Well, we tried it and it just didn't work. Clean Energy is a company that truly believes NGVs work. It's particularly in the medium- and heavy-duty transportation sectors: taxi cabs, fleet vehicles, things like that. And if the state provides a proper incentive, you can have sustained development of these natural gas vehicles and of infrastructure. What are the benefits of natural gas vehicles? More and more states are devising policies that would power natural gas

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vehicles for several strategic reasons. Specifically, policymakers are increasingly viewing natural gas transportation as an opportunity to create local, regional, and national jobs versus jobs overseas. It displaces foreign oil and proves U.S. energy security. Currently, the U.S. sends about \$1 billion a day--or \$1 million a minute--overseas to import foreign oil. Natural gas is a domestically abundant fuel. There's enough fuel in the United States in currently-known reserves to last about 200 years if we used every bit of it to run our vehicles. It makes local and regional businesses more competitive through significant fuel-cost savings and it improves the overall air quality. It's a cleaner-burning fuel. Vehicle incentives over station incentives, we believe...we build stations, we operate those stations, we have a vehicle conversion part of our company, too, but mainly what we do is build and operate fueling infrastructure. We believe the incentive should be on the vehicle side, not the station side. In order for Nebraska to succeed in building the NGV market, it must overcome the temptation to focus on fueling station incentives and creating the fueling network. Time and time again, we run into well-intentioned legislatures that they want to jump-start the NGV market, they focus on fueling stations. This is not, and I repeat, it's not a build-it-and-they-will-come market. We've been doing it long enough to know that that really doesn't work well. It doesn't work well with consumer fleets. You know, Americans as consumers, we're very intolerant. We want a fueling station on every single corner now. We don't want it 10 years from now, 5 years from now, we want it now. So, the consumer market is a tough one to get a lot of people to convert over to something that's...that they don't have the convenience they had with gasoline. Clean Energy's learning that the hard way. We've invested in that kind of infrastructure and it hasn't worked that well for us. It's not a sustainable investment. If a station doesn't have volume, it doesn't sell fuel, the station will not be maintained and it will eventually be shut down. So, in other words, we need vehicles and we need vehicles to consume a lot of fuel. You know, the elephants of industry: the taxi cab market, the fleet vehicles that go out and deliver trash, the Class 8 tractors that run down I-80, those types of market. And let me explain that a little bit in the incentive side of the house. If you've got \$1 million in your state to hand out as vehicle incentives and you use it as a buy-down, as

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a credit toward buying that vehicle and you took that, you could probably buy 166 consumer vehicles; you could buy down 166 of those. If you did that on big rigs, you could probably buy about 28 big rigs. A vehicle, a small vehicle, is about a \$6,000 difference; the big rigs, up to \$35,000 difference in price over the conventional vehicle. Those consumer vehicles, over a one-year period, would consume about 83,000 gallons of fuel. You and me driving around, we'd probably burn around 500 gallons of gasoline a year--not that much. A Class 8 tractor burns about 20,000 gallons of fuel a year--one. So those 28 big rigs are going to consume over 500,000 gallons of fuel; the little cars are only going to burn about 83,000 gallons of fuel, so you get a lot more fuel from those guys. Further, when you're planning a station network, if you're planning for the bigger fleets, you can strategically locate your fueling infrastructure in places to fuel those guys. As a part of building that infrastructure, you add that consumer fueling station with it so that more and more consumer stations get added, but you're really paying for it with those bigger vehicles. Private fueling firms like ourselves are more than willing to come in and invest the money to build the infrastructure if the vehicles are there. Or if we know that we have customers that can go out and buy vehicles, we'll build the fueling stations for them. We currently, and it's not in our written testimony, we had 150 natural gas stations on our drawing board that are being built on the highway corridors of the United States, specifically for the Class 8 tractors. We have a deal with Pilot Flying J where we are building at their facilities. In fact, there will be some here in the next...you'll probably see it under construction in the next 12 months. Finally, private natural gas firms are well-capitalized. We are currently aware of 24 other companies that build natural gas fueling infrastructure like ourselves, so there's plenty of companies out there that will come in. They have the money, they'll build the infrastructure, they don't need the incentives. Let's see, warranties for vehicles? We believe that when you do go incentivize these vehicles, you need to be specific on how you incentivize--make sure the vehicles will be covered by a warranty when they're complete, if they're either from some of the big manufacturers or from a vehicle conversion shop that gets the okay from those manufacturers and keep those warranties in to protect the customers. I know I'm running out of time. Was there any other...Nebraska can successfully provide

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its residents and businesses with alternative to gasoline or diesel that is cheaper, cleaner, abundant, and American by implementing strategies that have proven to advance the NGV market efficiently and sustainably, and the key word is sustainably. The key to such policy is to ensure the incentives focus on the high fuel-consuming customers and vehicles, not the stations. If you have those customers, we'll build the stations. The vehicles that are dedicated natural gas with warranties and consumer protections, that's a must, and that's that. I have some more in my documentation that I submitted that you can read. [LR234]

SENATOR CORNETT: Since you have been in this field for a while, Senator Utter and I were discussing something that frequently comes up and I've dealt with this issue with Doug Clark for quite a period of time now in the natural gas cars and of course we want to incentivize alternative sources of fuel for transportation. But in Nebraska, our roads are funded by a fuel tax and as we convert more and more vehicles over, particularly your larger vehicles which cause more wear and tear on the roads, what would your recommendation be in regards to roads funding and taxation of this? [LR234]

KOBY KNIGHT: Well, what are you currently? How do you currently tax those vehicles? Because it won't be new vehicles. [LR234]

SENATOR CORNETT: No, it's not the vehicles, it's the fuel. [LR234]

KOBY KNIGHT: Oh, the fuel. But, well, how do you currently tax the diesel fuel? I would say you'd make the tax the same as you do for the diesel or the gasoline. [LR234]

SENATOR CORNETT: So you put that tax on it per whatever the equivalent of the gallon is. [LR234]

KOBY KNIGHT: Just...you make it apples to apples. On the federal side, there's already that taxation and they actually made a slight error on the LNG side, liquid natural gas

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side. They don't do it in the energy equivalent basis like they talked about with the GGE and they're correcting that, but we say just keep those taxes the same. Carry them over--you've already got the administrative help in there to administer that type of formula. We're not asking for anything special on that side. You should still collect those taxes to maintain those roads. [LR234]

SENATOR CORNETT: So we...because there have been...I have heard, in the past, arguments against retaining those taxes as part of a way to incentivize people to convert, but... [LR234]

KOBY KNIGHT: But natural gas in America... [LR234]

SENATOR CORNETT: It's going to be cheap enough. [LR234]

KOBY KNIGHT: ...is so inexpensive that we're building multibillion dollar liquefaction plants to export it overseas because it's so much cheaper than what they have. It's so much cheaper than diesel and gasoline that if you can incentivize the vehicles and get the vehicle market moving so that you can take those incentives away in a few years, that's all you need. [LR234]

SENATOR CORNETT: So if we looked at incentivizing or promoting this industry in the state of Nebraska, you would also agree that we should collect the same taxes on that fuel for the roads. [LR234]

KOBY KNIGHT: Yes. [LR234]

SENATOR CORNETT: Okay. Thank you. Further questions? [LR234]

SENATOR UTTER: Just clarify for me, so that I understand it. Did I hear you say that a tractor, a semi-tractor, will cost roughly \$35,000 more to be equipped to burn natural

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gas than it does if it's a diesel? Did I hear that right? [LR234]

KOBY KNIGHT: Yes, sir. It's up to that. Currently, there's very few natural gas Class 8 tractors produced. There's a Peterbilt dealership or factory in Denton, Texas, that builds about 200 Class 8 tractors a day. They currently build four natural gas units a day. That's up from four a month six months ago, and they expect to be up to most of their production on natural gas soon. So, the economies of scale for the natural gas vehicles isn't there yet in certain classes of vehicles. On the trash truck side, they started using natural gas vehicles many years ago and they used to pay \$30,000 to \$50,000 more per trash truck. Incentives were needed there. Now, they pay about \$4,000 or \$5,000 more per trash truck and the cost of fuel savings is such that they get a payback in the first few months of operation. [LR234]

SENATOR UTTER: So is this an entirely different engine or is this a conversion of an existing gas or diesel engine? [LR234]

KOBY KNIGHT: It is typically a...it's the same, let's say, Cummins diesel engine with a few changes on the fuel side. It's basically the same engine. [LR234]

SENATOR UTTER: So, in your opinion, if the cost is \$35,000 more for a tractor-trailer that, I assume, sometimes they get a million miles on it or more, maybe, what kind of an incentive is needed? [LR234]

KOBY KNIGHT: Typically, the first guys may need an incentive up to that \$35,000 per truck to buy in, but once you get the base load of these fueling facilities, then other guys in the area go, well, you know, this guy's been doing it for a year and he's...quite frankly, he's beating me out of contracts. I've got to get a lower cost of fuel; I can't compete against him running diesel. So, they start to buy those and the incentives start to go away and pretty soon, like in the trash industry, there is no incentive and you've got people like Republic and some of those big guys saying, well, west of the Mississippi,

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we don't buy any diesel-powered units. We only buy natural gas-powered units because the fuel savings is so great that I can't afford to buy the diesel ones. [LR234]

SENATOR UTTER: In other states, and you mentioned Oklahoma, what does their incentive situation look like? [LR234]

KOBY KNIGHT: It's very similar to what I outlined in the written documentation I gave you. The smaller vehicles, usually up to around \$6,000; some of the larger vehicles, the Class 8 tractors, all the way up to \$35,000 or \$40,000 per vehicle. It depends on their mileage and, you know, what they're being used for, and things like that. [LR234]

SENATOR CORNETT: One more question, because we're running out of time and it looks like the whole Urban Affairs Committee is out there: What is the federal incentive? [LR234]

KOBY KNIGHT: You know, I'm actually not familiar with it. I'm actually an engineer and do the operations, so I think I've put it in the documentation of the federal incentive. [LR234]

SENATOR CORNETT: Okay, because I...it almost...because I thought I heard someone testify earlier that there was a federal incentive... [LR234]

KOBY KNIGHT: I think it's gone away. I think it has gone away now. [LR234]

SENATOR CORNETT: Okay. Thank you very much. Questions? Thank you. Next testifier. May I see a show of hands for the number of testifiers that are left? Okay. [LR234]

DANIEL CROUCHLEY: (Exhibit 8) Senator Cornett, members of the committee, my name is Dan Crouchley, C-r-o-u-c-h-l-e-y. I'm senior vice president and counsel to the

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president of Metropolitan Utilities District. MUD is a political subdivision that provides water and gas to 215,000 customers in the greater Omaha area. MUD has opened two fueling stations in Omaha. MUD has about 65 natural gas vehicles at the present time and will continue to add those. I have submitted written testimony, so I want to quickly move to infrastructure and if, hopefully, if you would have the maps that were in my testimony, I could go over just the current circumstance with regard to infrastructure and basically what we need, at least on the I-80 corridor. After my two-page letter, there's a map. Map number one shows the state of Nebraska and you'll note that there are circles around and those circles represent the ability of...we're talking about small vehicles, so this is a Honda, a GX vehicle, which will run about 200 miles on a tank of gas. So those circles represent 100 miles out, 100 miles back, so we're talking about back and forth. Omaha and Lincoln now have stations, so really you could probably get close to Kearney on I-80 currently, and turn around and get back to another station. So what we need is...roughly, we need three stations located somewhere in central to western Nebraska using the I-80 corridor. That's basically what that first map shows. Moving to the second map, we're part of a coalition and you're seeing a regional aspect there of Nebraska, Iowa, Kansas, and Missouri. The red...we're using interstates as the transportation routes. The red is areas that you can operate on with natural gas and the remainder, those circles and so on, are actually areas that do not have fueling stations and need to have fueling stations. Again, in Nebraska, you're looking at about, at a minimum, three to the west that would be needed to cover--roughly cover--the whole state. And the remainder there would allow people to use vehicles, and passenger vehicles, to make their way from St. Louis to western Nebraska, from Davenport to Wichita, etcetera. That's, in terms of incentives, the two that hit me are either a tax credit, which we were talking about in Oklahoma. And we've got that language and if the committee wanted that language placed in Nebraska language, we'd be happy to give them that. And in terms of an incentive to vehicles, from MUD's point of view, that probably would be very attractive, but this infrastructure issue is a major one. Senator Nordquist's LB587 was pretty good. It's in committee right now, but it provided for the development of infrastructure along I-80. That's what we need is I-80 from east to west.

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And those are two possibilities that that bill was...we'd certainly promoted it and favored it, but it sits in committee right now. That's the extent of my testimony. Any questions?
[LR234]

SENATOR CORNETT: Seeing none, thank you. [LR234]

DANIEL CROUCHLEY: Thank you. [LR234]

JILL BECKER: (Exhibit 9) Good morning, Senators, I'm Jill Becker with Black Hills Energy and I just wanted to respond to a couple of comments and questions that have been made. I have written testimony that I'll submit to the committee. I just wanted to clarify that, as of right now, compressed natural gas vehicles do already pay the current fuel tax that we have statutorily. That's why we have Senator Nordquist...while a couple of years ago that would have excluded CNG from that tax structure... [LR234]

SENATOR CORNETT: That's right. [LR234]

JILL BECKER: ...but as of right now, if you have a CNG vehicle, you would already be paying those same fuel taxes that you would pay on a regular gasoline vehicle. Just to comment, too, on what Dan just said, we view two...probably the two biggest things that the state could do is to provide, number one, some type of incentive or program to help entities that want to convert their vehicles. Because of the sticker shock, as Senator Utter mentioned, of that initial conversion can be high. But once people do it and they realize those significant fuel savings, it doesn't take very long to convince them. I mean, their financial numbers show them what a benefit it is. Secondly, we also think that the state can do a lot to promote this industry by converting more of its own vehicles. We have a very high number of state vehicles. A lot of those state vehicles drive around in the same circles, come home every night, and those would also be a very good application for using compressed natural gas. So with that, I will just submit my written testimony and answer any questions. [LR234]

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SENATOR CORNETT: Thank you very much. Questions? Seeing none, Senator Nordquist, would you like a couple minutes for closing? [LR234]

SENATOR NORDQUIST: Yes. Thank you again for having the hearing. I think we heard today the great potential of compressed natural gas, the impact it's having in Nebraska, the jobs it's creating with manufacturing here in Nebraska. And I think the policy options before us, we can look at a reasonable approach to maybe address a couple of those in a sunsetted manner, maybe a four- or a five-year approach to incentives that would try to get this off the ground and then the incentives would be gone after a four- or five-year period. So I hope we can take a look at that and I look forward to working with you, Madam Chair, Chairwoman, and the rest of the committee. Thank you. Did you...oh, sorry. [LR234]

MICHAEL GARVIN: I just wanted to announce to the committee and invite you--we did bring a car, a CNG and an E85 compatible car outside, so you're welcome to talk with Mr. Jerry Lande from Gabus Automotive from Des Moines, and see what this commuter car looks like. This was designed for the California market. In the Midwest market, we've got an SUV and a four-wheel drive pickup truck much like the Frontier, I guess, the Nissan Frontier, so you're very welcome, after the second hearing, to see that car. [LR234]

SENATOR CORNETT: Thank you. We're going to stand at ease for 10 minutes to give the committee clerk time to set up for the joint hearing with Urban Affairs. If you'd like to go out and look at the cars, anyone that's wishing to come back, you have about, well, about 9 minutes now, so. [LR234]

The Committee on Revenue met at 1:30 p.m. on Friday, October 28, 2011, in Room 120 of the Metro Community College ITC Building, Omaha, Nebraska, for the purpose of conducting a public hearing on LR232. Senators present: Abbie Cornett, Chairperson;

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Dennis Utter, Vice Chairperson; Greg Adams; Galen Hadley; and Pete Pirsch. Senators absent: Deb Fischer and LeRoy Louden.

SENATOR ADAMS: (Recorder malfunction) ...hearing started today. Welcome everyone who's here. And we are...LR232 is going to be introduced by Senator Cornett. Some preliminaries, and I hope I fall in line with what the Chair would prefer. We are on a time line and we plan to conclude this hearing by 3:00 today. And, obviously, we may have a lot of testifiers, so please limit your testimony to five minutes, and there may very well be follow-up questions after that. We also ask that as you come up and prepare to testify that you fill out one of the testifier sheets that are at the back of the room, make sure that the clerk has an opportunity to get all of that. When you come to the microphone to begin your testimony, if you would start by stating your name and spelling your last name for the record so it's clear for the clerk. And with that, did I leave anything out for you, Senator Cornett? All right. Let's start. Senator Cornett, welcome to your hearing. [LR232]

SENATOR CORNETT: Thank you, Senator Adams and members of the Revenue Committee. I introduced a legislative resolution on TIF to investigate a number of issues that have...came to my attention and attention of other members of the Legislature over the past few years in regards to TIF, basically to answer some questions. We continually hear that a number of our communities have TIFed away too large of a percentage of their tax base. We have heard complaints from school districts in regards to TIF. We also recognize what a valuable tool TIF is for municipalities to develop. The questions that have arise are: is blighted and substandard even a fair standard to use because so many...because it is so broad and you see it being used in so many different ways? Is there an amount that is too much to TIF in regards to your tax...your base? Yes, there is already an amount set in statute, but is that the correct amount? And one of Senator Heidemann's continual questions to me over the past few years is, every time a municipality TIFs a project and foregoes that increase in valuation for 15 years, what is the cost to the state in regards to TEEOSA and what has to be made up

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at the state level for that loss of property tax revenue to the district? These are all things that I felt had brought TIF to a point where we needed to discuss it, including...someone came to me and wanted me to look at a bill that excluded the amount TIFed, that increase in valuation, from the TEEOSA formula to make the municipalities more directly responsible to their school districts. It is not something that I agreed to do or would introduce a bill on, but these are all questions and things that we need to look at before the year comes up because most likely we will be looking at different TIF bills this year. With that, I would be happy to answer any questions. [LR232]

SENATOR ADAMS: Thank you, Senator. Are there questions to begin with? Better not look to my left. Any questions? All right. Thank you, Senator. We'd take the first testifier. [LR232]

SENATOR UTTER: I guess we can go home, huh? (Laughter) Thank you very much and welcome. [LR232]

BRIDGET HADLEY: (Exhibit 1) Good afternoon. My name is Bridget Hadley. I am with the city of Omaha Planning Department, and the name is Bridget, B-r-i-d-g-e-t, and Hadley, H-a-d-l-e-y. [LR232]

SENATOR HADLEY: Great name, isn't it? [LR232]

BRIDGET HADLEY: (Laugh) Thank you for this opportunity. I'll try to be brief. The primary...TIF is a primary tool for economic development and redevelopment for the state, of course, and particularly in the city of Omaha. As we all are aware, it is a state tool for development and redevelopment, and it is one of the best that we have. Okay. I wanted to make sure that was on. TIF is an investment and I think that's the best way to look at it. It is an investment in the city's present and future, and for that matter, an investment in the state's present and future. It is an investment in our public infrastructure in the business activity, which is an investment in our communities, our

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schools and neighborhoods. The investment thus results in jobs, housing, and the provision of goods and services which are public and private. We feel and we believe very strongly that we use TIF properly. I have a few maps, and we may not get through all of them. But the first map I want to show is a map that is of our blighted areas of Omaha. So the area outlined in purple represents the area that we have blighted in the city of Omaha. And we know the cap, according to the state statute, is 35 percent. Our percentage is only about 17.2 percent. And I did present a handout and all this information is in that packet. So this right here, this line here represents 72nd Street. And, as you can see, the majority of the blighted area is east of 72nd. So that kind of gives you an idea of where we're focussing at. And those are the areas that we have deemed and we have determined, using the state statutes for blight and substandard, are the areas in most need of redevelopment. Thank you. We only approve TIF projects in blighted areas that can...or areas that can be blighted. We have used...or I should say we've switched to the term community redevelopment area to just be a little more softer, more palatable to the public. But we know that the...we still use the state statute of blight and substandard to determine those areas. So we definitely approve TIF projects that are only in the blighted areas, and we do go through a public process, of course, to first blight those areas. It goes to a TIF committee which is made up of the...two members of the finance department, the finance director, and the city comptroller, the public works director, the city engineer, the city attorney, planning department director, economic development manager, as well as two representatives of the mayor's office. So it's a total committee of nine members. So a great representation of the city that actually looks at blighted areas first when we want to do the study in a proven area, as well as following up with a TIF. So it goes through that process. Then we take that to the public to make them aware of what we're going to do. Then it goes to the planning board for approval. And then it goes to the city council for approval by the city council, which is then executed by resolution, which is then executed by the mayor. So it's a complete public process. TIF is not used...is not issued automatically, and I think that's important to understand. There is an application process that we go through and, again, that's also in your handout. The TIF applications, once it's determined it is in a blighted

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area, comes to the economic development division of the planning department. We, first, review that project to make sure it complies with the state statutes, that the project makes sense, it's meeting our city master plan goals, and then we take it to the TIF committee. And then, again, the public process of the planning board and then the city council, so another public process. So, again, they're not issued automatically; they are ferreted through a very stringent process. We do apply the "but for" test, which I know many people are wondering, do we actually look at that? Are we doing a good job? We feel we are doing a great job at that. And one thing I want to point out, "but for" does not only mean affordability meaning can this particular applicant or developer/owner afford to do this project without TIF? I think the other important issue, because we are in the environment of economic incentives to incent projects, they are looking at it this a good economic decision, a business decision for us? They're looking at investing dollars. They've got to make a decision on, is this going to get...this project going to give us the right return? And so granting incentives are tremendously important to getting the projects that we want as well as having projects move forward. So, again, it's not just affordability, it's an economic business decision on whether or not to invest or reinvest dollars in such a project. As I mention, because we're in the environment of economic incentives, oftentimes if there are no incentives, there is no deal on a project. So I would like to say that the state and its many communities are in competition with neighboring states and sometimes other more distant states to keep business investments and talent as well as to attract new business investments and talents. We align our economic development goals for the city of Omaha with what we're trying achieve in terms of these TIF projects and TIF applications that come in. We are focusing on jobs, job creation, business investments, economic and community revitalization, and housing. That means affordable and market. [LR232]

SENATOR UTTER: Ms. Hadley? [LR232]

BRIDGET HADLEY: Yes. [LR232]

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SENATOR UTTER: Can I get you to move along just a little bit? I think you're beyond the five minutes, so if you don't mind, why... [LR232]

BRIDGET HADLEY: Okay. Well, what I want to get to right now are the results. I think that the TIF for us, the paid projects that we have give us...show the best results of what TIF has done for us. This chart right here represents about 67 of the paid TIF projects, completed projects, in the city of Omaha over a span of time. What it represents is a base value of over \$40 million that these projects started out with before the TIF. Once that TIF was paid off, there was an increase of \$299 million, almost \$300 million, in excess value or taxable value, which represents about 734 percent increase in valuation. Just this year as of May, we took those same projects and looked at from the point in time of the base value of over \$40 million to May, what was that increase in value? Well, they increased by a total of \$423,036,258, so almost a 1,035 percent. And we feel like what that demonstrates is, with the TIF projects, you're going to get a significant increase in valuation which enhances the tax base for the city which is extremely important for the state as well. And without these TIF projects, you would not get this increase. And so we feel like this chart really demonstrates the value of TIF in terms of what we've been able to achieve in Omaha. And so I guess I'd like to say without...we really have benefited from TIF, not just in the city of Omaha. We think that we need a stronger TIF, as well as we'd like to have some additional economic development tools because TIF has been used a lot and we'd like to have additional tools. But we definitely know TIF has been a great tool for us in the city of Omaha. Thank you. [LR232]

SENATOR UTTER: Thank you very much. Are there questions? Senator Adams. [LR232]

SENATOR ADAMS: Thank you, Senator. Let me, first of all, begin by admitting to having served as a mayor, I signed off on a lot of TIF projects and know that it's an important tool. And as an Education Committee Chair that's got to make sure that

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schools are funded every year, I got a pretty good idea what all those folks are feeling about TIF and I share some of that. So my guess is the solution to this, if there is a problem to be solved, is somewhere in the middle. And the point of my questions will be kind of directed in that way, not for or against but trying to find a balance in point. My first question, are most of yours 15-year TIFs? [LR232]

BRIDGET HADLEY: Well, the state statute is 15 years. We have found that oftentimes our TIFs will pay off before that. [LR232]

SENATOR ADAMS: Okay. Let me give you a hypothetical. Let's say that you have a city block that truly does by all of our definitions qualify for what blighted and substandard mean, because I'll bet I can get about 75 different definitions of blighted and substandard. But let's assume that everybody agrees, yeah, that is a bad block. That's got to be fixed up. You can't find an outside investor. There's no incentive unless there's some TIF involved, and it certainly is to the city's benefit to clean this block up. So you identify it. But this block happens to be within an area that is blighted and substandard that's far greater than this block. When you developed a project, is the block the project or do you reach out beyond that block in order to get additional TIF to make something happen? [LR232]

BRIDGET HADLEY: It really depends on what we are trying to achieve for the city. If we feel like that particular area, larger than that block, let's say, if we feel like the area beyond that block needs to be redeveloped and there's economic potential redevelopment needs... [LR232]

SENATOR ADAMS: Um-hum. [LR232]

BRIDGET HADLEY: ...because according to the statutes, the statutes will determine what is substandard and what is blighted. So based on those statute definitions and the fact that it's all based on areas in need of redevelopment, if an area beyond that block

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needs to be redeveloped and we know that there's potential to have development occur, then we will look beyond that area to see if we can make more happen versus just that one block. Does that answer your question? [LR232]

SENATOR ADAMS: It does. And I bet every city in Nebraska looks at that a little bit differently, but you answered it. Thank you. [LR232]

SENATOR UTTER: Other questions? Senator Pirsch. [LR232]

SENATOR PIRSCH: Well, and I'm not sure if this questions is best posed to you, but I'll put it out there, and then perhaps those who may testify later can address it as well. And that's, you know, we talked about some of the parameters of the statute. This is statute-driven, what you can, cannot do with respect to TIF. And so the 15 years, right, that's the maximum you were talking about? [LR232]

BRIDGET HADLEY: Right, right. [LR232]

SENATOR PIRSCH: The 35, right? And you said you were.. [LR232]

BRIDGET HADLEY: Thirty-five percent cap. [LR232]

SENATOR PIRSCH: Right. [LR232]

BRIDGET HADLEY: On the acres that can be blighted. [LR232]

SENATOR PIRSCH: On the... [LR232]

BRIDGET HADLEY: Thirty-five percent cap on the acres that can be blighted. [LR232]

SENATOR PIRSCH: Right. [LR232]

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BRIDGET HADLEY: Right. [LR232]

SENATOR PIRSCH: And so I'm trying to get a sense of how restrictive the statute sets things out in terms of what you can and cannot do or does it give a broad leeway to cities, to municipalities, to do what they need to do in terms of designating what is substandard and blighted? [LR232]

BRIDGET HADLEY: The statutes give a definition for blight and substandard and it's fairly clear, but there may be some generalities you can draw for interpretation. But it is fairly clear what is substandard and what is a blighted area. [LR232]

SENATOR PIRSCH: Okay. And just in closing with mostly a comment. I think, you know, if there's an area of common ground, is there anything inherently...with respect to those schools and cities inherently that they cannot come into alignment? I mean, is the ultimate goals of both are aligned, are they not, in terms of both want to have high...you know, good neighbors...I'm sorry, good neighborhoods within their districts, correct? [LR232]

BRIDGET HADLEY: You know, I won't purport to speak for, you know, the school districts. But I think our experience has been, in Omaha, that we are in alignment. We have...I've met once with the director of finance, Dennis Pool. [LR232]

SENATOR PIRSCH: Um-hum. [LR232]

BRIDGET HADLEY: And he has expressed, you know, the concerns about TIF. But I believe that the projects, and these 67 projects demonstrate the benefit, the overwhelming benefit that it brings not just to the school district, all the taxing jurisdictions. And that TIF is really...it was originally created to help with public infrastructure. That was the primary emphasis, and that is the primary emphasis and

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where most of the dollars go to for all of The TIF projects. You may be familiar with Ak-Sar-Ben Village in Omaha, Midtown Crossing. A lot of these projects, and there are many more, public infrastructure is what those dollars, tax increment financing dollars are used for, for those projects. That's the primary purpose. It can also be used for rehabilitation of properties, specifically historic buildings. And that's something we want to do in this state is preserve our buildings. So the statutes do cover all of those things. [LR232]

SENATOR PIRSCH: Okay. Thank you very much. [LR232]

SENATOR UTTER: Senator Cornett. [LR232]

SENATOR CORNETT: Just to be very clear, the city of Omaha was not the beginning of the focus for TIF. I've heard everybody thought that that might be the case. But we were already looking at TIF in relationship to LB775 and super advantage. And a number of municipalities have TIFed areas and then have put in advantage or in the past LB775 projects and now are facing the no increase or the no increase in valuation for 15 years and are being hit then with the sales tax refund. And they are coming to the state yelling for help. Is there a point where we should limit the combination of the two? There's one municipality that's TIFed away 30 percent of their base and now has no sales tax for a number of years facing them at all because of refunds. [LR232]

BRIDGET HADLEY: Well, I think the way I would like to answer that is that I think we're very careful. We work with the Chamber of Commerce. We work with all of economic development partners to understand, you know, all the different incentives that are going into various projects. [LR232]

SENATOR CORNETT: But the city of Omaha has the resources to do that. Some of the smaller communities I don't think necessarily knew what they were getting into. And should there be other standards in place so, if nothing else, to protect those

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municipalities for the situations they face now? [LR232]

BRIDGET HADLEY: Standards in place for those particular municipalities? [LR232]

SENATOR CORNETT: No, just for TIF and how it is used in general in combination with other incentive programs or refund programs. [LR232]

BRIDGET HADLEY: You know, I don't know that I would say that there should be because...and I can only speak to the limited experience I've had with TIF only in Omaha how it has worked. I can't speak to why it hasn't worked as well, you know, maybe in some of those communities. [LR232]

SENATOR UTTER: Senator Adams. [LR232]

SENATOR ADAMS: One more question. And this may seem like a simple one that you have a very clear answer to, and certainly there's no requirement in statute for this. But you described a nine-member redevelopment board that you have. [LR232]

BRIDGET HADLEY: TIF committee, right. [LR232]

SENATOR ADAMS: And you also just now talked about including the Chamber of Commerce and I'm assuming Omaha or Douglas County economic development people, and all that's great. Do you include the school's discussion with them before you TIF a project? [LR232]

BRIDGET HADLEY: No, we do not. When I mentioned the chamber, the chamber and a lot of our economic development partners, we're involved with them on various projects and at various levels. When the TIF application comes in to us, it's a private decision, a private decision by that developer to, first of all, decide I'm going to invest some dollars. And then when they go to their lending institution because the dollars that they receive

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are coming from a lending institution, if we had to...I would say if we had to involve a lot more entities in the approval process, I don't think these projects would make it. So right now, because of the way TIF has functioned in Omaha, we have had OPS's and all the taxing jurisdiction's approval for these projects. [LR232]

SENATOR ADAMS: Okay. But maybe you misunderstood or I wasn't very clear. I'm not talking about formally including a school in the application or in the approval. [LR232]

BRIDGET HADLEY: Oh, okay. Okay. [LR232]

SENATOR ADAMS: That would probably be inappropriate given the very things you've described. I'm talking about simply communicating with the schools. [LR232]

BRIDGET HADLEY: Yes. Yes. Whenever we have a TIF project go forward or even if it's the blight, because it has to go to the planning board, there is a public notice. And that's part of the public process, and it goes to all taxing jurisdictions that there's a planning board project, and in this case it's a TIF project, so that they are notified that this project is going forward. So as part of the public process, anyone has an opportunity to come forth and share their thoughts about the project. So that's how we get their input. [LR232]

SENATOR ADAMS: Okay. Thank you. [LR232]

BRIDGET HADLEY: Um-hum. [LR232]

SENATOR UTTER: Further questions for Ms. Hadley? If not, thank you very much for your testimony. [LR232]

BRIDGET HADLEY: Thank you. [LR232]

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SENATOR HADLEY: Next testifier. [LR232]

SENATOR CORNETT: Again, I will remind the testifiers we're trying to keep testimony to five minutes to allow time for questions from the committee. [LR232]

SENATOR UTTER: Welcome. [LR232]

ANDREW RIKLI: (Exhibit 2) Thank you, Senator Utter, members of the committee. My name is Andrew Rikli, last name is spelled R-i-k-l-i. I'm the assistant superintendent for business affairs for the Westside Community Schools. First off, we'd like to thank you for taking the time to analyze what's clearly a highly important topic. Prior to the 2011 school year, the Westside Community Schools had very little interaction with blight and substandard designations or TIF projects in general, though we did have an issue in '96 when the Peony Park area, which many of you are familiar with, was attempted to be blighted by the city of Omaha, and we successfully had some resolution to that project. However, in 2011 that changed for our public school district when we found out that the city of Omaha was attempting to blight an area that was extremely large, that would encompass a large part of the Westside Community Schools school District, as well as the Omaha Public Schools. By our estimation, it included approximately 50 percent of the school district's general boundaries as well as over 80 percent of our commercial interests. What we did upon finding out about the sheer size and scope of this proposed blighted and substandard zone was mobilize our efforts. We met with planning board officials; we met with internal stakeholders; we met with Omaha city council members. And I'm happy to report to you that after a great deal of negotiating and meeting with the planning department, as well as the Omaha City Council, we did have a successful resolution in that the proposed zone was greatly reduced in its size. It's still a significant part of the Westside Community School District. By our estimates, approximately 30 percent of our geographic territory. It's still approximately 50 percent of our commercial property. But we feel like it was a victory. The one thing that I would like the committee to be very clear on is that the Westside Community Schools and, dare I say, most public

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school districts in Nebraska do not want to stand in the way of community development. We recognize that a vibrant, commercial enterprise is essential to growth in this city, this state, and this region. We get that. But we also want the community as well as the Legislature to understand that it comes with a price tag. To give you one simple example, the Crossroads Mall, which most of you are aware of, it's the single biggest intersection in the city of Omaha as well as the state of Nebraska, 72nd and Dodge. It's in dire need of redevelopment. That much is beyond debate. The mall has fallen into a great state of disrepair. We get it. Everyone knows it needs to be redeveloped. We haven't done an analysis of all of the impact that TIF, if the TIF project were approved within the blighted and substandard area, but to give one example, Crossroads Mall, which was recently purchased by a developer for approximately \$9.7 million, for assessment purposes is about \$2 million. That kicks off just over \$300,000 in school taxes for the Westside Community School District. The World-Herald has publicly reported that the developer plans upwards of \$200 million in that particular project. If a base valuation was locked in and, no, the property taxes don't go away. We get that. But there is some type of a base valuation which is established upon which no future growth occurs for 15 years. So we would presumably get the base valuation of approximately \$300,000 in taxes which it currently kicks off. If we were to have access to that full \$200 million project and valuation, that would generate an additional \$2 million a year in property taxes on that property alone for one school district alone. So perhaps when you think of that number and extrapolate that over many other commercial properties in a highly concentrated part of town, I suspect you can begin to understand why our school board was so very concerned about this particular project. Again, we do not want to stand in the way of Crossroads. We do not want to stand in the way of commercial redevelopment. But when you look at a combination of declining state aid, you look at in many cases stagnating property valuations, ever increasing costs of operation, you really have a perfect storm of factors which led to this concern on the part of our community and board. So as I conclude my testimony, Senator, I would humbly suggest two recommendations moving forward as we begin to look at TIF across the state. The first would be this, that as the planning board and as the city

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council considers not only the blighted and substandard designation but also individual tax increment financing projects within those zones, that the schools be part of that conversation as Senator Adams astutely pointed out. Specifically I think there needs to be room for negotiation on that base valuation. In other words, if, hypothetically going back to Crossroads Mall, as an example, that that project were developed for \$100 million, \$150 million, \$200 million, whatever the case may be, that instead of simply defaulting to whatever that base valuation was at the time the project fell into the blighted and substandard designation, that the city working in conjunction with the school district and the developer could negotiate what is that valuation increase. Maybe it's not the full \$200 million. Maybe it's not the base. Maybe it's something in the middle. We would just like to have an opportunity since it impacts our bottom line to have a say in the process. The second thing that I would humbly ask the committee to consider, Ms. Hadley had pointed out 35 percent of the acreage is capped for purposes of blighted and substandard, and that's all well and good. But I'm not aware of a similar statutory requirement that says 35 percent of a taxing jurisdiction or more. What I mean by that is this: clearly when you look at that blighted and substandard designation that was recently enacted in midtown Omaha, it was far and away 35 percent of our taxing jurisdiction. They may be well within the 35 percent for Omaha proper, but it represented a far greater slice of the pie for that particular taxing jurisdiction. So I would ask that the committee take care to review how much of the property tax base is being impacted by a specific blighted and substandard designation. As Ms...Senator Cornett has correctly pointed out, the price tag with all of these projects is very clear. And let's be very, very clear and very honest: TIF projects do come with a price tag from municipalities in potential tax revenue loss. No, the taxes don't go away but they are capped artificially for 15 years. And the other price tag comes in the case of state aid. When you are limiting the amount of resources, i.e., property taxes that a school district can access for a period of time, and we're talking about a generation of kids--15 years is a long time--that has implications for the state aid formula which has to then backfill that lack of resources, as Senator Cornett pointed out. With that, I'll conclude my testimony and gladly answer any questions you have. [LR232]

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SENATOR UTTER: Thank you, Mr. Rikli. Senator Hadley. [LR232]

SENATOR HADLEY: Mr. Rikli, thank you. We're looking at this almost as if it was a point-in-time concept. But if you take it over a longer period of time, and I think Ms. Hadley talked about the projects that we're now paying the full bore, you know, if you look out 30, 35 years, wouldn't you theoretically have new projects coming on as you have projects? The TIF is complete and they're paying the full bore. So wouldn't over a, you know, 30-year, 40-year process you're kind of even in the process. Isn't that correct? [LR232]

ANDREW RIKLI: I think what you're saying, Senator, is a fair statement, and that is once that 15-year period is up, or as Ms. Hadley pointed out, some TIF projects pay end up being completed in 13 years, for example, we would undoubtedly see increased tax revenue if it's a good project because a rising tide lifts all boats. And if it's a good, commercial redevelopment, then very likely some of the residential properties and commercial properties in the adjacent areas would also see property tax growth. A very famous economist, however, said, in the long term, we're all dead. [LR232]

SENATOR HADLEY: Um-hum. [LR232]

ANDREW RIKLI: What happens between Point A and Point B is what we're concerned about. We can extrapolate out 30 years, 40 years, 50 years, and say, this is a wonderful deal. But in the short term, there are real implications for families. Fifteen years, let's say it's even 12 years, 13 years--which I believe that the city planning has told us the average payoff is--that's a generation of kids that have diminished access to resources. That's what our concern is, Senator. [LR232]

SENATOR UTTER: Other questions? Senator Adams. [LR232]

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SENATOR ADAMS: It's not really a question, but I was glad to hear you say, Andy, that you're not opposed to development because there's probably some large percentage of all of these TIF projects from this end of the state clear to the other that truly in my opinion fit the standard of "but for". The school wouldn't get any value off a particular area or project if it wasn't for the interjection of TIF. Now a situation you've described where your taxing jurisdiction, Westside Public Schools, folded into the Omaha land mass. I get what you're saying there. That gets pretty disproportionate. [LR232]

ANDREW RIKLI: Absolutely. [LR232]

SENATOR ADAMS: Thank you. Thank you, Senator. [LR232]

SENATOR UTTER: Other questions? Senator Pirsch. [LR232]

SENATOR PIRSCH: So there's a "but for" component within the state statute, correct? [LR232]

ANDREW RIKLI: There is, Senator. [LR232]

SENATOR PIRSCH: And is it being construed in a tight manner? [LR232]

ANDREW RIKLI: I'm not the best person to answer that, Senator. I believe I have to take city planning at face value when they tell us that a careful and thoughtful analysis has been done that says, "but for" this provision, the property would not be developed. I will tell you my personal experience says otherwise. Let me give you an example. One of the main points of contention that the city made when they blight...when they were attempting to put the blighted and substandard designation on this very large area of Omaha was that "but for" blighted and substandard and TIF protections, redevelopment would not occur. However, we could point to no fewer than six to ten projects, commercial projects, which have occurred in the last five years within that area that

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occurred without TIF protections. So to say that without these protections that commercial redevelopment will not happen, none of us have a crystal ball. The odds may say that it's not going to happen, but to say it's not going to happen is at best a guess. And when you look at that commercial property redevelopment that's occurring without TIF, that flies in the face of that contention, Senator. [LR232]

SENATOR PIRSCH: Thank you. One little point. With respect to I guess I don't know it it's a proposition that you're making with saying other than the requirement for the municipality of the 35 percent, but you're saying perhaps had some...also a requirement that...of a percentage of taxing jurisdiction as well. Is that what you're suggesting then? [LR232]

ANDREW RIKLI: That's exactly what I'm suggesting, Senator. [LR232]

SENATOR PIRSCH: Would that be problematic in certain situations, perhaps not yours but where there's small taxing jurisdictions where even a small, modest project would compose perhaps a large percentage of... [LR232]

ANDREW RIKLI: It could be very problematic. And I don't want to speak for another public school district. But certainly OPS, for example, large geographic district, lots of TIF projects, the majority of them east of 72nd. Perhaps the committee would consider some type of a sliding scale from zero to X number of acres. It could be 35 percent, perhaps larger, smaller percent. There's lots of brain power on this committee. I have no doubt if you looked at the problem you could find something that would be mutually agreeable for all parties. [LR232]

SENATOR PIRSCH: Thank you. [LR232]

ANDREW RIKLI: Thank you. [LR232]

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SENATOR HADLEY: Who were you looking at with that brain power? (Laughter)
[LR232]

SENATOR UTTER: Might be unwarranted or something. Other questions? If not, thank you, Mr. Rikli. [LR232]

ANDREW RIKLI: Thank you, Senator. [LR232]

SENATOR UTTER: Appreciate your testimony. Next witness. [LR232]

LARRY JOBEUN: (Exhibit 3) Senator Cornett, members of the Revenue Committee, Larry Jobeun, J-o-b-e-u-n, 11440 West Center Road. I'm a private real estate development attorney. I'm involved in quite a few TIF projects in the Omaha metropolitan area, including Bellevue and Omaha, and I've done things in Council Bluffs, and I've even done some things in Missouri as well. What I handed out first, if you pass that down, is really just a typical TIF structure that, you know, a lot of people, when clients come into my office, this is what I explain to them. This is how it works. And what I would say to this committee is it really is truly a public-private partnership, and there's a lot of safeguards that are in place right now to make sure that things like the "but for" test and the blight and substandard designation are in place and that they're valid and that there are no faults or flaws. And there's so much review in going through the TIF process. But typically what we do is we start out with the developers and we go through what the TIF-eligible expenses are, and we go through what the pro forma is. And when determine then at that point what is the anticipated return on the investment. And typically what we find in these types of redevelopment projects, the costs far exceed what the return would be without some public assistance. And so what happens is, is you come in and the typical analysis maybe is that, you know, without TIF the project maybe has a 7 percent return on investment; with TIF you get up to 10, 11, 12 percent. These are not...you're not coming up with the 20 percent and 25 percent returns on investments. These projects truly need public assistance or they wouldn't go

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forward. And that's where that "but for" test is really important to understand because "but for" TIF, it wouldn't happen. And as far as the blight and substandard designation goes, you know, you have to meet this subpart (b). I get a lot of clients coming in, you know, they want to blight and substandard, you know, west Omaha. Well, you can't do that because it doesn't meet subpart (b) of the community development laws. And people don't realize how technical subpart (b) really is. And if you don't prove subpart (b), it's a nonstarter, you're not there. So you have to first prove that you meet the blight and substandard designation to even move forward, and that is gone through by the TIF committee, goes to the planning board, goes to the city council. Then you come back with your redevelopment plan. And when you're in the redevelopment plan, again, that goes through the same amount of scrutiny as far as planning board, city council, and then of course you have the redevelopment agreement that goes back to the city council. But what typically you find is that the TIF-eligible expenses always far exceed what the project will support. I've had...I don't know that I've had one TIF project where the TIF-eligible expenses were greater than...or less than the project would support. So, for example, Sorensen Park Plaza where we demolished the Vickers redevelopment site or the Vickers plant, the TIF-eligible expense on that were almost \$17 million, but the TIF award was only \$8.4 million. Why? Because the anticipated valuation was \$60 million and it would only support a TIF of \$8.4 million, even though the costs far exceeded. And, you know, that was in an area that had high associated risks with the project. No one had done a commercial retail redevelopment in that part of Omaha before. And if you didn't have those...that kind of public assistance, you would have never got that project done. There was about \$4.5 million that was put into the off site public infrastructure, 72nd Street, Crown Point, and also Sorensen Park Plaza. You know, it really is a true public-private partnership. And what I also say to my clients that come in, I always tell them never overstate the amount of TIF. Never say the valuation is going to be greater than you really think it is because that never helps. And the reason why it doesn't help, and that's why I handed out this structure, when...between the developer and the city, the developer essentially is loaning money to the city by way of offset under the redevelopment agreement. And the city then...and that is based upon

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the TIF-eligible expenses, and then the city is agreeing to repay the developer for that loan for 15 years on a nonrecourse basis. And this is the biggest protection mechanism there is because the nonrecourse aspect of the note from the city to the developer, if the developer doesn't create the increment, there is no TIF. And so when I tell my developers to come in, I say: look, don't overstate the amount of your TIF because if you do and the project...because, remember, the county assessor is not party to the redevelopment agreement. The county assessor assesses property pursuant to typical mass appraisal techniques that they do under state law anyway. So they're not subject to that agreement. They come in and they value the property. If that property doesn't come in at what the developer thought it was going to come in at, then the city only pays them based upon the increment that they create. So there's a lot of things that are in place now, I mean, just market conditions, public oversight, and then just the developer making sure that they need to protect themselves and not overstate the TIF, do the right thing, and have the right amount of the TIF loan. And then the other thing that the developer does typically is they'll collaterally assign the TIF note to a private lender. So the other reason why you wouldn't overstate the amount of your TIF is that you usually have a private development loan that the TIF note is assigned to, and if you have a development loan that is more than the TIF will end up supporting, the developer takes it in the shorts as well. So there's a number of things that are in the law now that protects both the city, the schools, and the developer. And one last thing, I did want to point out that if you look at the other states that surround us, Nebraska really has two economic development tools that are really typically used in Omaha. And that's sanitary improvement districts and TIF districts. Sanitary improvement districts are outside the corporate limits of the city; TIF are inside the corporate limits of the city. What we've found is we keep going out to these greenfield deals because they're easier to develop. But what the city and the planning department really wants is us to come back infill. Well, coming back infill, there's a substantial amount of cost associated with that, and that's where this public assistance is so necessary. And, you know, I would just point out that the other thing the school district was discussing is why sometimes the area that's blight and substandard is larger than the project. A lot of times that's because of

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that subpart (b). That subpart (b) requires that you use the census-tract data. Sometimes the census-tract data or the census tracts are larger than the actual project area, and so that's why you get these, you know, blight and substandard areas that are larger than what the project is. And I know I've been involved in a number of other committees on a national basis. And, you know, everyone complains about this blight and substandard designation. And maybe the terminology is the problem. And the problem is it's constitutional so I'm not sure we can get around calling things blighted and substandard. But that seems to generate fear in the public because they think somehow that their values are going down then that's not in fact the case. In fact what it's really saying is economic incentives are allowed. The last thing, and then I'll answer any questions that you might have is, if you look at Iowa, for example, Iowa's TIF laws allow a 22-year amortization. And if you look at TIF, like, from a commercial perspective, their tax structure is so much different. They have \$4 per \$100 of valuation whereas Omaha, for example, is \$2.17 per \$100 of valuation. They can amortize almost double the amount of TIF on their projects and they can extend out for seven years longer than we can in Nebraska. Missouri, if you look at Missouri, Missouri has these community improvement districts. They'll allow the TIF to go out 23 years. They'll also allow the districts to impose special assessments. They'll have a local sales tax option. They'll have...they'll be able to actually levy an ad valorem real estate tax. So these states, you're...we're competing with, and their economic incentives we're competing with to bring businesses and to bring development into the state of Nebraska. So with that, I'd be happy to answer any questions. [LR232]

SENATOR UTTER: Thank you, Mr. Jobeun. Questions? Senator Hadley. [LR232]

SENATOR HADLEY: Mr. Jobeun, thank you. The conversation has basically been on commercial real estate and such as that. Have you been involved where you TIF home development? [LR232]

LARRY JOBEUN: I did 1,000 Dodge Condominiums, I did The Paxton Condominium

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property regime, so, yes, we have done...downtown, obviously, because that's where the blight and substandard areas are. But, yes, I've done 1,000 Dodge, I've done...we did the Riverfront, on the Riverfront Condominiums. Did The Paxton Condominiums, and I'm trying to think of others. [LR232]

SENATOR HADLEY: Wouldn't that be...could that potentially lead to problems in the school districts because if you are TIFing and putting residential properties in, that's where the children come that end up going to school in that school district. So you can conceivably have an increase in the enrollment in a school district, and the property values aren't there to support those new students. [LR232]

LARRY JOBEUN: Right. But it's two things. You have to remember, number one, there's no shift in the tax, so the underlying taxing authorities continue to get the base year valuation. And I say this to municipalities all the time when I go around and...representing clients, you really have to truly believe in the "but for" test and you really truly have to believe that people are applying the "but for" test and they're being sincere about it. And in that respect, there's nothing that would prevent a school district from coming in and opposing a particular project saying, wait a minute, we question the pro formas. We think the returns are different, and we think this is not right or this isn't correct. I mean, there are protection mechanisms. Remember, this is a public hearing on going through the blight and substandard designation and going through the redevelopment plan and going through the redevelopment agreement. And if they wanted to, if they disagreed with the project, they could come in at every step if they wanted to, just like the general public, and lodge their objections or opposition. And that's where the process works. And the reason why you can't take it away from the municipalities solely is because so many other things are involved in a TIF project that, in addition to the TIF, generally you have platting or subdivision going along with it, you have rezoning going along with it, you have building codes being applied, you have a number of things...you have public infrastructure being installed. You have so many things that the city is responsible for and TIF is just one part of that entitlement process

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for the entire project. So for the school district, no one would ever object to the school district coming in and saying, hey, wait a minute, you know, and questioning, you know, this or that or the pro forma or the "but for" test or whatever it is. And they have every right to do that, and I don't think anything in the law prohibits them. In fact, the law says they're required to get notice of...at every stage of the proceeding, and they do get notice of every stage of the proceeding. [LR232]

SENATOR HADLEY: Thank you. [LR232]

SENATOR UTTER: Senator Cornett. [LR232]

SENATOR CORNETT: I keep hearing "taking TIF away." That's not what this is about. [LR232]

LARRY JOBEUN: No, I understand that. [LR232]

SENATOR CORNETT: Okay. But what do we answer, the municipalities that are now coming back to the state and saying help us because they have TIFed away 30 percent of their base combined with other incentive programs that they have participated in, they have no sales tax for five, six, seven years facing them? And that before (sic) test, should part of that before (sic) test be looking at what your other potential obligations be regarding the incentive programs and other economic incentives that they utilize? [LR232]

LARRY JOBEUN: Well, I've always cautioned people. In fact, I was...Wells Fargo, at the time, asking me to talk to their public finance people and give them, you know, kind of an overview of Nebraska tax increment financing laws and everything else, and I did do that. And what I said to them, and I didn't realize...I thought I was speaking to 6 bankers, there was 600, but...and a lot of them were the western Nebraska people, and what I said to them is and I said to the bankers, I said be careful of overzealous cities that do

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things they shouldn't do. I don't know. You know, sometimes the cities do things that they shouldn't do and I guess maybe that's the (laugh) problem maybe, not the TIF structure. So, you know, sometimes they get out ahead of themselves because they're so...they so want the project so they'll maybe do things that they shouldn't do. But typically we never see that here. [LR232]

SENATOR CORNETT: But, no, but understand this bill addresses the statewide issue, not just here. [LR232]

LARRY JOBEUN: I understand that. [LR232]

SENATOR CORNETT: And we have the issue with municipalities coming to us and they literally are in a massive bind, and whether they've put themselves there or not, do we need to put safeguards in place so this does not happen in the future? Because I could pretty much guarantee the state is not going to bail them out, and they're up against their lid levies. [LR232]

LARRY JOBEUN: Yeah. And that's an interesting question. You know, how do you protect people from themselves or cities from themselves? (Laughter) [LR232]

SENATOR UTTER: Other questions? If not, Mr. Jobeun, thank you. [LR232]

LARRY JOBEUN: Thank you. [LR232]

SENATOR UTTER: Next witness. Senator Landis, welcome. [LR232]

DAVID LANDIS: Thank you. [LR232]

SENATOR HADLEY: Weren't you the one who did all this stuff? No. [LR232]

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DAVID LANDIS: I wasn't there at the beginning. I was with the...at the constitution amendment. I was there for the passage of the TIF bills. [LR232]

SENATOR CORNETT: So in other words it's all your fault. [LR232]

DAVID LANDIS: Exactly. (Laughter) But I'm not alone. [LR232]

SENATOR CORNETT: At the moment you are. (Laughter) [LR232]

DAVID LANDIS: Well, your committee counsel Bill Lock was there at the same time. [LR232]

SENATOR UTTER: Okay. [LR232]

DAVID LANDIS: (Inaudible) to know, and we were listening to his advice at that time, so there we have it. [LR232]

SENATOR CORNETT: Bill, I think you just got thrown under the bus. (Laughter) [LR232]

SENATOR UTTER: Well, we'll see when I'm done. [LR232]

DAVID LANDIS: (Exhibit 4) My name is David Landis, L-a-n-d-i-s, urban development department director of the city of Lincoln. I've got an explanation for what I'm passing out to you. Senator Hadley made a good point, and that is that this TIF period is part of a longer view. And in trying to identify that longer view for our community, we realized that we had closed the books on about 16 projects that we'd done. So the 15 years had run, the buildings, the construction, the growth had occurred, and they were now back on the tax base. The question was, what kind of payback were we getting? What was the long-term picture? And this chart is that long-term picture. Let me show you some of

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the projects. These are about 15 completed TIF projects. If you want to take a look at them you can. I'll just move them quickly, but I do put up here information that's down here so you don't have to go both ways. [LR232]

SENATOR CORNETT: Should we dim the lights? [LR232]

DAVID LANDIS: You don't need to. [LR232]

SENATOR CORNETT: Are you sure? [LR232]

DAVID LANDIS: It's just fine, sure. You might remember the old Cornhusker Hotel. A. Q. Schimmel had a number of hotels. The question is which hotel was...were they going to refurbish. And when Nebraska passed the tax increment financing, this is the first use we made in the city. We now have a new Cornhusker Hotel. It includes convention space, and we broadened the conventions. During that 15-year period when we were helping this hotel exist, we were also getting broadened convention center use at that location. This is our Haymarket area and this is an old area of the 8th Street and this building was in this shape before this process, and it was this shape afterwards. If you take a look, let me compare those for you, this is what it was; this is what it became. That means that if you have a building around that, there's opportunity. If you're one of those retail centers, you're doing sales tax. The property tax values are going up and it's making a thermal, if you will, a rising hot air form that takes others with it and rises with that. Here's our old train station; it's been refurbishes. That refurbishing brought on-line more additional retail space and the complete utilization of the building, and with it a surrounding attractiveness in the area. This is an old, unused, empty building which became residential, a question that you asked about the use of residential and on occasion we have. And by the way, Senator Adams, your question about the relationship with the schools has come home to roost in our place, in our jurisdiction. The schools have given us a signal and, in fact, we had, you might say from their perspective, a TIF too far. It happened to be some land which was undeveloped for

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which there were going to be new houses. And at that point, the school district said, you know, we don't mind taking a building that's been there paying taxes for 60 years that's now fallen on hard times, and when you put residential there, we're not drawing against the same thing. But we do feel differently where you've got open space and you're going to put new houses on there. Those new houses haven't been paying taxes. They don't have a history, and they bring us new kids, and those kids are a drain on us. We now have essentially an informal relationship. We haven't done it again. We didn't...we certainly have the same formal exchange that everybody has been talking about, but we had a relatively informal exchange. And what we basically said is, you know what? We're not going to TIF open space that becomes residential because you need that growth for your schools. But if I've got an empty warehouse downtown that can become filled and a rising tide of customers for the retail I want downtown, because it's been going out to the edge, I need a vibrant downtown. Towns that have quiet downtowns that close at 5:00 and the transients come in and spent the night there, those towns have a very different economy than those that have a vibrant downtown that are an allure to all kinds of business opportunities. I'll wrap up a couple of more of these. This is another building which was redone. Again, more retail space, office space. This is an old area that was about 50 percent unoccupied. It became the Embassy Suites, and with that, all of the tailgating and all of the (laugh) convention center that works on the football. This was the work that we did with a garage where the first floor was retail and commercial space. Again, a garage that had museum space and retail and our skywalk. Those are among the projects that you're looking at. Now let's take a look at the form. Because the form is going to tell us this. The form is going to tell us that when we froze the taxes and continued to send them out to the jurisdictions, in other words, the number ones, all the number ones that go down there for those projects that are completed, that was the frozen tax base that continues to get distributed. That tax base was a total of \$15 million of tax valuation and it produced \$347,000 in taxes a year. Add up all of those number ones and that represents \$15 million of valuation paying \$347,000 a year in taxes. That money kept coming in and kept being distributed. There was growth in that period of time because there were a bunch of new buildings. Those

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new buildings paid taxes but those taxes went to pay off what we had spent for our share of having...of making those happen. When they came out of TIF, the number twos, okay, when they came out of that process, the valuation of that land was \$105 million and it was paying \$2.4 million in taxes. It had grown from \$15 million to \$105 million. It went from \$347,000 of taxes to \$2,400,000 of taxes per year. That has continued to go up with those valuations and those pieces of property. So if you take a look at the three column. The three column is this last year. That's where they are today. Where they are today is that it has a combined valuation of \$165 million of valuation. Remember, they went in at a total of all of the projects at \$15 million; now the valuation of the tax base is \$165 million for exactly the same sets of properties but with the improvements that are on them. And today, that land is producing \$3.3 million of taxes per year. Went in paying \$347,000 a year; came out paying \$3.3 million a year. It's going to pay that amount or more every year thereafter until these buildings fall apart. Now that will happen some day. But, Senator Hadley, that's a long way off and that's a pretty healthy return. Calculating all the return, you got to compare what we spent, what we gave the developers, if you will, what we shared with the developers. And by the way, let me go back a couple of slides to get to that. If you take those projects, the sum total in the gray years that we gave to make the projects work, that we took away what would have been the tax base for the schools and ourselves and for the counties, we diverted \$6.3 million of taxes. If you add up essentially the new taxes in the yellow years when we've had that greater growth, they would have paid \$3.3 million, \$3.2 million in taxes, but in fact they have paid so far \$28,300,000 of taxes. The difference in those yellow years, Senator Hadley, for that longer picture, and, by the way, that's only four years for some of those projects, but for the Cornhusker Hotel it's now about 15 years, the sum total of difference is \$25 million in taxes. We get 15 percent of that \$25 million. Our schools get 65 percent of that \$25 million. Every year that goes by we get to compare what our rate of return is. Our rate of return so far for what we spent, \$6.3 million to get \$25 million, so far our rate of return is 400 percent. Every year in which we expended \$6.3 million we're getting \$3.1 million of new taxes. Every year our rate of return is 47 percent. Next year, it will be another 47 percent, and

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the year after another 47 percent, because we'll have spent \$6.3 million and we'll be getting \$3.1 million in new taxes. Would there have been growth? Sure, there would have been growth. Even those old buildings probably would have had an increase in valuation over time. In that time, something would have happened to some of those properties. There would have been growth. But I can't calculate what would have happened or what might have happened. I can only...you know, you can't stick your fingers in the river in the same hole twice. Once you do it, it's done. The best I can do is say: when they went in they paid this; when they came out they paid that, and ever since, here's the rate of return that we've had. We do have a way of dealing with TIF on the edge, places where it's still blighted and substandard, but we treat the outer parts of our city differently than we treat the inner parts, the old, the very, very old parts. We ask more of the people at the edge. We allow TIF in our 1950 boundaries if we have blighted and substandard areas at one standard, but we allow our current city where we're at the edge to meet something different. And we expect them to have projects in which 50 percent of the business that that company does comes from outside Lancaster County. Why do we want to do that? Because we want to import money. It's not just pushing money around for the south side of town to the north side of town or the east side of town to the west side of town. The way there's value for the whole community and for our schools and for our counties is to bring money into the jurisdiction. So at our edge, we ask that those projects bring us money from outside the jurisdiction. We also ask that they pay above average wages. And so we ask them to pay 105 percent of the county average wage. And that's the way that we administer in Lincoln, Nebraska. We think there's a pinch for that 15 years, no doubt about it. But we've arrive at an informal relationship, even with our schools, because our schools see the long-term benefit. And, by the way, they share handsomely in that result ultimately which I think we've been able to show exists. Lastly, there's another wrinkle, and that is that the state aid formula does reimburse for the lost valuation, the lost valuation, of about 87 percent. That distorts the state aid formula. If you're a city like Lincoln, however, you feel that's okay because your committee did a study about ten years ago that said, well, Lincoln probably gets back 70 percent of the sales and income tax money that it sends to the

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state, but the other 30 percent goes out in state aid formula assistance to other school districts. We don't mind that. It's...we're the state capitol. We're the home of the university. The whole state helps our city succeed. We don't mind that in fact we wind up contributing more of sales and income tax dollars than we get back. But the fact that we get back some when we do our growth is not inequitable from our perspective. Happy to answer any questions you might have for me. [LR232]

SENATOR UTTER: Thank you, Senator Landis. And as usual, we'd expect nothing less from you than an eloquent presentation and you've fulfilled that. Questions? Senator Adams. [LR232]

SENATOR ADAMS: Thank you, Senator. That was informative. And I do appreciate that informal contact that was made with the schools. It doesn't always have to be in statute, and we all know we're all complacent at times of not showing up for public hearings and meetings and all of those kinds of things. In effect you've kind of already answered my question but I had it on my mind. I'm going to go ahead and ask it. Could you see a situation on the outer edge of town with residential that would be the reverse of Lincoln? You're a small town. [LR232]

DAVID LANDIS: Um-hum. [LR232]

SENATOR ADAMS: You're losing students. And you need to have new housing in order to attract families. [LR232]

DAVID LANDIS: Right. [LR232]

SENATOR ADAMS: And given the cost, as you well know, the cost of infrastructure for a new housing, and in a small community it may take 15 or 20 years to fill that development and the interest clock is ticking on that developer, is it an appropriate use of TIF then in that situation, in that community to go to the outer edge and say, we're

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going to assist this developer to get the housing we need? Now the cornfield may not look blighted and substandard, but we need the students in the school. [LR232]

DAVID LANDIS: Yeah. I think I would take the level of analysis that you're positing one step deeper for both the city and the school. The engine that allows cities to succeed and schools to succeed is the private sector. If the private sector isn't helping, it'll catch up. The city won't be healthy and over time the school won't either. And, by the way, state aid won't save that school either. If there isn't economic opportunity, if there isn't an engine for wealth creation in that town, we know where it goes. And, by the way, there's no state aid formula and there's no Nebraska advantage, there's no TIF that can save a community that doesn't have a wealth-producing engine in it someplace. We are not infinitely malleable. What we do is we have a relationship with that wealth-generating mechanism. We've tried to feed it as best we can. We try to not...we regulate it when it's excessive and has externalities that cause injury to others. But we need that wealth-creating mechanism to succeed. And it will be not immediate but over time schools and cities will fail if that piece isn't attended to. So that the answer I think will be very contextual. The small town isn't going to be like Lincoln. I'm not sure that TIF is going to be the same thing. It's probably not going to play the same role. The way in which it will serve or not serve the community's interests might not be the same. And I don't know the answer here. And I certainly am not going to step into a small town city council who's doing their best, a DeWitt, Nebraska, that used to have a Vise-Grip factory and found that Vise-Grip went to China to make vise grips. I don't know what I would do in that situation. And I'm not sure that in our wisdom or your wisdom, in this case, you can fashion a single tool that will be able to meet all of them. I will say this, in the end it's going to take I think a community vision in which the city and the county and the schools act cooperatively to do that. I think we're probably going to do better by the regionalization of services, by the targeting of incentives rather than just treating them willy-nilly like I hope to God something happens. I'm going to guess the rate of return won't be...there's going to be a big difference between long-term payoff and short-term, you know, gratification based on whether or not it really stokes that engine of economic

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opportunity. [LR232]

SENATOR UTTER: Senator Hadley. [LR232]

SENATOR HADLEY: Thank you, Senator Landis. Going back to my idea about the averaging, and now I'm going to think about from a state standpoint and TEEOSA funding. In the gray areas I potentially could be...the state TEEOSA formula could be putting additional funds into that. [LR232]

DAVID LANDIS: And it did. [LR232]

SENATOR HADLEY: Yeah. [LR232]

DAVID LANDIS: I think we'd take that \$6 million figure, we'd multiply it by 65 percent, that would be the school's piece, and of that number, I think about 87 percent of it was made whole for us by TEEOSA. And in that case, grabbed some state aid money and gave it to us because we were doing that. [LR232]

SENATOR HADLEY: Okay. But then you get to the yellow area and the reverse would work, wouldn't it, because when that property value has gone up, there is less state aid potentially that would go to the state? So, again, we paid more in the gray area... [LR232]

DAVID LANDIS: Right. [LR232]

SENATOR HADLEY: ...and we get...we don't have to pay as much later. [LR232]

DAVID LANDIS: Using the underlying idea of needs and resources... [LR232]

SENATOR HADLEY: Right. [LR232]

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DAVID LANDIS: ...coming out into the yellow areas we've added to our resources.
[LR232]

SENATOR HADLEY: Um-hum. [LR232]

DAVID LANDIS: So that a relationship between our needs and our resources is better than it was before this ever began. The difficulty, and I think Mr. Rikli rightly pointed it out, it's in that gray area. [LR232]

SENATOR HADLEY: That's right. [LR232]

DAVID LANDIS: And that's a tough area. On the other hand, I've got to think that one of our failings is to think in terms of short-term gratification. And if in fact I think there's problems in our economy today and in Wall Street today and in a rather good deal of governance today, it's the failure to look at the long-term implications decisions that we make that I think even we've oftentimes invested in very short, quick gratifications with perhaps long-term debts and long-term obligations that don't pay themselves back. And so there is that problem. It's like a dilemma. There is no answer to a dilemma. A dilemma is the pressure between two competing values, neither of which is wrong but the tension of them can't be solved; it can just be endured. [LR232]

SENATOR UTTER: Senator Pirsch. [LR232]

SENATOR PIRSCH: I guess in terms of take away then, are you suggesting that in terms of how the state deals with this in the statute that perhaps we approach commercial in a different fashion than residential? [LR232]

DAVID LANDIS: Oh, perhaps. There may have been a really big injection of IQ since I was there, but I'm not sure I would have trusted us to have been the state's school

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board for 500 schools (laughter) and 520 local jurisdictions. I'm not sure that you're going to be able to write a state law that will be as contextual as this is, as this will wind up being. Leaving it roughly the way that it is now means that people who misuse this and make stupid decisions will bear the burden of what they do. And people who use this tool well will be able to demonstrate that over time. And the fate will be their own as opposed to imposed upon them or protecting them from themselves perhaps. I would have a hard time imagining the complex of ideas that would be able to right a gradation between Benkelman and Bancroft and Palmyra and Grand Island and Hastings and Lincoln and Omaha. I'd be hard-pressed. Right now our fate is our own. We always come back to you and say, could you please give us more money. [LR232]

SENATOR UTTER: Make us whole. [LR232]

DAVID LANDIS: Make us whole. And I think you've told us recently: thank you, but the cookie jar is empty and there aren't even crumbs. And, by the way, I'd like a little bit of that cookie back, if you don't mind. (Laughter) You're not getting that cookie anymore. In a sense, you were dealing with the same set of responsibilities that we were when that happened. That was a set of obligations that the state had taken on. A trajectory of commitments that had been made that you had to wrenchingly readjust. We'll have to do the same. Thank you. [LR232]

SENATOR UTTER: Senator Landis, thank you very much. [LR232]

DAVID LANDIS: A pleasure. [LR232]

SENATOR UTTER: Always a pleasure to have you. [LR232]

DAVID LANDIS: Nice to have a chance to be here. [LR232]

SENATOR UTTER: Do we have any more testifiers? [LR232]

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SENATOR HADLEY: Don't we get to ask you about 48th and O Street? I guess not.
[LR232]

DAVID LANDIS: You get to ask me anything you want. [LR232]

SENATOR UTTER: Welcome. [LR232]

PAUL KRATZ: Thank you. My name is Paul Kratz, work for the city of Omaha, it's K-r-a-t-z. I just want to briefly respond to I think three questions and try to maybe give a little bit fuller answers. Senator Adams asked about a larger TIF district, and if we create a TIF district, then we do we use that for a single project. And the answer is no, we do not. Crossroads is a good example where we have created a larger blighted and substandard area, but the TIF that we're going to give will be just the property at the Crossroads. We will not take the property taxes from that broader area and then use it for the Crossroads. So I wanted to make that clear--we do not use TIF districts from that standpoint. Senator Cornett, you had asked or mentioned how do we justify or how do we work the TIF, LB775, and the Advantage Act together. And that is a real issue. We have that problem here in Omaha as I'm sure you've heard. I think the answer...from my standpoint, the answer is if the cities can have some knowledge of LB775 and the Advantage Act, if we know what's coming down the line, we can then adjust things to make that work. [LR232]

SENATOR CORNETT: And we have that bill in committee. [LR232]

PAUL KRATZ: You do and I thank you very much for that. Finally, there's some discussions about housing. And as, at least in Omaha is, we develop the downtown area, are more of your kids coming in, is that putting pressure on the schools? And the answer is kind of yes and no. A lot of the people we see downtown and in the condos are either young adults or empty nesters. But another example on the other side is

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Drake Courts and the near South Omaha. We did do TIF on Drake Courts; it's a large apartment complex. With that, a lot of children did come in. But we worked with OPS and they then built right next to Drake Court the Liberty School. And it was a cooperative, working relationship with them. They seemed to have no problem with the idea of more children and another school for them to handle, so. And I think with that, it does seem to work out with the school districts. Those are my three comments, and thank you. [LR232]

SENATOR UTTER: Thank you, Mr. Kratz. Questions? Appreciate it. [LR232]

PAUL KRATZ: Thank you. [LR232]

SENATOR UTTER: Next. Have we run out of folks who want to talk? No, we haven't. Here comes one. [LR232]

BOB TWISS: Good afternoon, members of the Revenue Committee. And I think that still-Chairwoman Cornett, Senator Utter, Senator Hadley, Senator Pirsch, Senator Adams, good to see you. I attended a hearing similar to this several years ago. It may have been ten... [LR232]

SENATOR UTTER: Name and spell it for the record, please. [LR232]

BOB TWISS: Bob Twiss, T-w-i-s-s, as in Sam, Sam. I attended a hearing similar to this in Fremont maybe 10, 15 years ago. I've lost track of time. But it was Senator Friend who chaired the Urban Affairs Committee at that time. It was under his jurisdiction. And I noted the absence of school people at that hearing. I've heard the whisper campaign for quite some time over many, many years about how TIF and/or LB775 takes away things, but I haven't heard much until today. And Senator Landis, former-Senator Landis, in particular did an outstanding job of laying these things out in how good TIF can be. I happen to have worked in downtown Omaha many years ago and I worked at

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9th and Cass, I worked at 12th and Capitol, and those areas have been rebuilt. I also worked with the state Department of Economic Development as an industrial consultant at the time that TIF was under consideration to go before the voters for a constitutional amendment. And initially, I've to tell you, I was opposed to it. And retail at that time was not a consideration. In fact, out of the question. I was asked to carry the water for TIF on the constitutional amendment and things just weren't fitting together in terms of my thinking at that time. I come to you today because I've got a bit of a story to tell, and this is just after OPS sent their letter about one city, one school district. There's a superintendent in the area that was being disingenuous, going about the community, service clubs, and others, and saying that things were off the tax rolls and blaming a prior Millard Public School administrator who was then a state senator whose bill was used, but the bill was gutted. It wasn't his bill; it was only the bill number that was used. Being very disingenuous about things. I got calls from state senators about these comments and I says, well, if it happens again, let me know. This was Kiwanis, it was Rotary, it was also the Optimist Club, and others. And I was personally at the Optimist Club meeting when this occurred as well. But let me give you an example. The ConAgra campus which basically, after I heard these comments, they said, ho, just a minute. I think there's a 15-limit. That's got to be paid off now. First of all, nothing was ever, ever off the tax rolls. He was confusing LB775 with TIF. But as you know today, nothing was off the tax rolls. There is the base, and then there's the excess. There are eight partials and thanks to the city of Omaha, thanks to Douglas County assessors office and others, we were able to research this. This information, incidentally, was made available to school personnel at the beginning of the fight on one city, one school district prior to the enactment of legislation on the learning community coordinating council. ConAgra campus entailing eight bases and also of course eight excesses went--and I don't have those figures with me, I didn't plan to testify today, I'm going from memory, memory is fairly decent--that ConAgra campus grew from that evaluation base 1,046 percent increase in assessed valuation. And yet someone...and many from that same area were going about the community, our greater metro area, saying it's off the tax rolls. I encourage you as senators always to dig, continue to dig, get to the base of it, get to the

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truth. It was never off the tax rolls. LB775 was not the issue. There were a few things with LB775 off the tax rolls, but that was primarily Cargill in Blair and Mainframe Computers which basically aren't there anymore anyway. But these things occurred. So if we're encouraging to share revenue, perhaps...and I'm saying this a bit facetiously, perhaps we need the learning community number two and three in the state of Nebraska since learning community number one comprising 11 school districts in Douglas and Sarpy County accounts for roughly 40 percent of the student population in the entire state. Perhaps we just need more...learning community number two and three, and then we can share the revenues on some sort of equitable basis. I would like to address a few comments to today. One is sharing concerns. And I'm pleased to see so many and a variety of people in the audience today because they do have a stake. But let's make sure that the information is accurate. Let's make sure that there's not a whisper campaign going on with inaccurate information. The lady who testified from the city of Omaha had it pretty well down pat. There is an overwhelming benefit. For example, and I don't have these figures. This was, what, five, six, seven years ago when it was researched. First National Bank Tower, the latest one, which is probably now numbering three or four in the city of Omaha, the last one went on the tax rolls roughly, and...that's the tower and also the computer area, went on the tax rolls roughly around \$10 million base. When I checked six years ago, seven years ago, whenever it was, that had already exceeded appraised valuation of \$110 million. And school districts, all other governmental bodies, continue to get the base, as you well know. Let me...I see you looking at your watch. And it is Friday afternoon prior to a football game, so I'll try to speed up and I'll certainly be willing to answer any questions. It's encouraging to see that there is some communication going on with other governmental entities. "But for," this project wouldn't go forward. I was involved as an industrial consultant, thankfully being able to attract some manufacturing facilities to eastern Nebraska with the help of local folks. Confidentiality is extremely important, and some of those projects absolutely have to start out that way and have to continue that way for quite some time before they may come to fruition. Blighted and substandard, that terminology is a problem, but as laid out by the very confident attorney, that is

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constitutional language. Again, thanks to Senator Landis for his very expert testimony here, and he certainly has a wealth of experience. And I think I have a wealth of experience, that's why I came forward to tell you the story today. [LR232]

SENATOR UTTER: Thank you for your testimony. Is there any questions? [LR232]

SENATOR CORNETT: Just a point of clarification... [LR232]

BOB TWISS: Yes. [LR232]

SENATOR CORNETT: ...that you don't normally chair your own resolutions or bills. [LR232]

BOB TWISS: Thank you very much. I knew you were still chair. I've learned something everyday, Senator Cornett. Thank you very much. Any other questions? [LR232]

SENATOR UTTER: Thank you very much for your testimony. Are there any further testifiers? Seeing none, Senator Cornett, you can close. She waives. Would you like to close the hearings? Thank you all for coming, folks. We got done just about on time, and we appreciate your attendance, we appreciate your testimony, and thank you all for coming. [LR232]