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Appropriations Committee
February 25, 2013

[LB130 LB194 LB195 LB196 LB197 LB198 LB199 LB200 LB286 LB629]

The Committee on Appropriations met at 1:30 p.m. on Monday, February 25, 2013, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB194, LB195, LB196, LB197, LB198, LB199, LB200, LB130, LB286, and LB629. Senators present: Heath Mello, Chairperson; John Harms, Vice Chairperson; Kate Bolz; Danielle Conrad; Bill Kintner; Tyson Larson; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing District 5, and I'm the Chair of the Appropriations Committee. I'd like to start today off with having members do self-introductions starting with Senator Kintner.

SENATOR KINTNER: Oh. Bill Kintner from Legislative District 2 and that's south Sarpy, Cass County, and a little bit of Nebraska City.

SENATOR NORDQUIST: Jeremy Nordquist from District 7, downtown and south Omaha.

SENATOR NELSON: Senator John Nelson, District 6, from central Omaha.

SENATOR HARMS: I'm John Harms, 48th District, Scotts Bluff County.

SENATOR WIGHTMAN: John Wightman, District 36, represent all of Dawson, all of Custer County, and a part of Buffalo County.

SENATOR CONRAD: Danielle Conrad, north Lincoln's "Fighting 46th."

SENATOR BOLZ: Kate Bolz, District 29, south Lincoln.

SENATOR MELLO: Mike Calvert to my right here is our Legislative Fiscal Office director. Assisting the committee today will be Anthony Circo, our committee clerk; Jacob and Kyle will be our pages for the day. In the corner of the room you will see green sheets. If you're planning on testifying today, please fill out the form in its entirety. It helps us keep an accurate record of the hearing. When you come up to testify, please give Anthony the green sheet. When you sit down, please tell us who you are and spell out your first and last name for the record. If you have any paper handouts, please give them to Jacob or Kyle before you begin. We ask that you have 11 copies. If you need more copies, they will be happy to help you make more. If you're here today but you're not planning on testifying but would like to be on the record as having been here, there's a yellow sheet on the table and we ask that you sign in on that sheet and tell us your name and address, the bill number, and if you're here in support or opposition. We will

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hear bill testimony in the following order: first the introducer of the bill, followed by supporters, those in opposition, neutral testimony, and ending with the closing statement by the introducer. We will be using a five-minute light system today. There will be lights at the front of the table, as you can see. When you start, the light will turn green. When the yellow light comes on, that's your one-minute warning. And when the red light comes on, we ask that you wrap up your final thoughts. At this time I would ask all of us to look and make sure that our cell phones are on silent or on vibrate mode. And with that, we will begin the hearing on LB194, LB195, LB196, LB197, LB198, LB199, and LB200 on behalf of the Governor.

GERRY OLIGMUELLER: (Exhibits 1 and 2) Chairman Mello and members of the Appropriations Committee, for the record, my name is Gerry Oligmueller. My name is spelled G-e-r-r-y O-l-i-g-m-u-e-l-l-e-r. I'm the State Budget Administrator and administrator of the Department of Administrative Services Budget Division. I'm appearing here today on behalf of Governor Heineman in support of LB194 through LB200, which constitute the Governor's budget recommendations. Just as an aside I'd say, my, how a couple of years changes things. It was I think two years ago that I sat down to testify and it was to speak to 8 budget bills, to reference 15 other bills introduced at the Governor's request, and to reference 14 bills introduced by individual senators to deal for a total of 37 bills dealing with the budget challenge that faced us in preparing the current biennial budget. So it's certainly a different situation today. The funding for the operations of state government, state aid to individuals and other governments, and capital construction are contained in these legislative bills. The contents of this legislation have been summarized and presented to you in a printed publication entitled "Executive Budget In Brief," 2013 through '15 biennium, and dated January 15, 2013. (Exhibit 2) I've provided a copy of that printed publication along with my prepared remarks (Exhibit 1) to the committee clerk for your record. In addition, we've posted a more comprehensive publication entitled "Executive Budget 2013-15 Biennium," dated January 15, 2013, along with a complete copy of the individual state agency, board, and commission biennial budget requests on the state Budget Division Web site at Budget.Nebraska.gov. The Governor's recommendations for adjustments to the current fiscal year appropriations contained in LB194 represent a net increase of \$1.5 million in current General Fund appropriations. Current year '13 General Fund reappropriations are reduced by \$5 million. Consequently, General Fund obligations are reduced by \$3.5 million for the current fiscal year. The Governor's recommendations for 2013 through '15 biennial appropriations are contained in LB195 through LB198. These recommendations provide for a two-year average increase in General Fund appropriations of 4.9 percent. LB199 and LB200 contain specific provisions related to various funds and transfers necessary to administer and account for budget recommendations made by the Governor for the upcoming biennium. I know that the many state agency budget requests and provisions of LB194 through LB200 have been the subject of your committee working sessions these past five weeks. In addition to this information, your upcoming preliminary recommendations will be the subject of your

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committee hearings for the next four weeks. Today I will not be duplicitous by reviewing in detail the Governor's recommendations. Agency directors will be prepared to discuss specific recommendations related to their agencies during your upcoming budget hearings. The staff of the Budget Division and I will be available throughout your committee process to assist as may be necessary in your further work on developing your recommendations for the upcoming biennium. On behalf of Governor Heineman, I do want to share how much we appreciate the hard work of the Appropriations Committee. Thank you. Do you have any questions you'd like to ask today regarding LB194 through LB200? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR MELLO: Thank you, Mr. Oligmueller. Are there any questions? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Well, I might just... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR MELLO: Senator Nordquist. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: And this gets to how the budget is just constructed, and we've had discussions on this committee for my whole time on here about how we build budgets. And can you just kind of give us a general overview? And it's different this year, when we're starting to look at our revenues rebounding and being able to make investments again in areas of state government, choosing those priorities. How does that process play out when this...in developing the budget that's before us? How is it...how are competing priorities chosen? Are there any kind of metrics or outcome-based budgeting that's used to say, here, these are programs that are working, let's increase our investment there versus over here? Can you just kind of talk about that general process? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Well, I would say just generally, of course, it is initiated formally with communication of the budget instructions to the various agency boards and commissions throughout state government. And the staff of the Budget Division actually conducts several meetings or training sessions, if you will, with the agencies to make certain they're familiar with the information requirements of the process and how to properly use the automated environment in which that information is brought forward so that it can be instantaneously made available when it's offered on September 15 each year, not only for the Governor's use in reviewing the particular issues presented in the financing needs outlined by various agencies of state government but also made available at that same time to the Legislature and, of course, to anyone else who has access to our wonderful World Wide Web. So... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

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SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...that's a very transparent process. There is a communication of an expectation that agencies articulate a strategic approach to the development of their budget requests, including identification of goals and objectives, and bring forward specific measurements of performance. I'd say that process unfolds perhaps more successfully from agency to agency,... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...depending upon the time and resource they invest in bringing that information forward as part of the process. We're limited from both a time and a resource standpoint in terms of trying to enforce that. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: We certainly don't, I would characterize, enforce or dictate that information that's brought forward by agencies,... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...but that expectation is sort of an integral element of that instruction and communication and the screens that are used by the agencies to communicate their very specific, strategic agenda,... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...their goals, objectives, their measures of performance and how that translates into a need for money resource. The, on the executive side at least, and I guess I'd have to defer to the Fiscal Office in terms of what they do at the same time, since the information is available to both of us at the same time, we engage in a review of that information. And we schedule meetings with the Governor that walk the Governor through the state budget request from the top to the bottom and with some consideration of specifically what the agency is presenting,... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...along with what are the Governor's sort of long-term policy

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objectives, which... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Sure. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...you know very much have been about... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...setting a course and direction to create jobs in particular... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...and to support that and economic development through investments in education. So the Governor brings his policy objectives forward in the context of reviewing those individual agency requests. Your hands are tied a bit in some areas because of federal requirements or state requirements. But, you know, to the extent the economy is presenting you with a revenue forecast that's able to accommodate,... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...you can, you know, advance to one degree or another... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...a policy imprint and goal and offering of budget recommendations. So just a... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Do you think a... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...broad general sweep. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Yeah, I appreciate that. Do you think we're kind of at the right balance of using enough outcome information in our budgeting process or...as I assume that you can go too far the other way and overwhelm yourself with that kind of information and, you know, prevent you from making decisions, you know, based on policy priorities? So do you think we're in the right balance or do you think we could improve? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

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GERRY OLIGMUELLER: There's always room for improvement. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Yeah. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: There's always room for improvement and probably the greatest constraint on that is how much time you're able to devote... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Sure. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...to that information, particularly as laypersons, you know, participating in the legislative process in particular and, you know, the limitations that are placed on your time in reviewing that information. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Sure. And then one other kind of unrelated issue but certainly related to the budget is the lack of funding for retirement, at least for the teachers' retirement system, which has a significant unfunded liability of \$108 million for the state. There was no funding included in the budget to address that liability or a plan from the Governor's Office to address it. I know we had discussions before session about legislation, but can you kind of talk about how the Governor came to the decision not to address that? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Well, you know, over the several years leading up to this set of biennial budget recommendations, there was pretty much what I'd characterize as a shared approach on the part of the...in particular, as referenced, the school plan, on the part of the employee's school district, the school employees, including teachers, and the state in terms of confronting the additional cost that was presenting itself, to finance the school retirement plan on a go-forward basis. And as we move through the latter fall and early winter in finalizing our work on the budget, we saw proposals that suggest there would be no approach taken or certainly considered and likely taken that would defer the need for an additional contribution over at least the next several years, perhaps giving us an opportunity to see what the markets do and how that might improve the financing of the school plan. In late December, the associations representing the school boards, the school administrators, and the school teachers in particular shared with us a proposal that indicated they were not interested in increasing their contribution towards that additional cost that was confronting us in the upcoming biennium, and at the same time suggested that the state increase its contribution 186 percent over what would be required at the end of fiscal year '17, when the current law provision would have lowered the state's contribution to .7 of a percent of salary from its current 1 percent contribution. So, you know, there was a little pause on our part in

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terms of... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: ...whether or not there was a need to include at that point an additional appropriation until there was some clarity regarding what might be the solution for financing any additional costs associated with the school plan in the upcoming biennium or going forward. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: Does the Governor's Office acknowledge that there is a liability that the state ultimately is responsible for? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: I think, you know, there's a responsibility on all of the interests relative to the school plan that need to come forward in a somewhat measured basis that recognizes that...the interests of all three of those parties in dealing with those costs on a go-forward basis. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR NORDQUIST: All right. Thank you. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR MELLO: Senator Kintner. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: Gerry, thank you for coming today. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Sure. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: A couple questions: How long have you been in your current position? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Since 1995. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: So you were appointed by Nelson? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Yes. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: Governor Nelson. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

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GERRY OLIGMUELLER: Yeah. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: Okay. Just walk me through, how has the budget process, from your end, the executive end, changed over the years? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: How has it changed over the years? [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: Yeah. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Well, other than the numbers are considerably larger than they used to be, I would probably say that the, you know, introduction of technology has brought certainly a new dimension to the budget process. My work actually began in the Legislative Fiscal Office in 1979 through 1983, and we used to work with the budget on accounting paper, okay? And the General Fund status that you use to summarize up your biennial budget, at the time it was annual budgets, but was sort of a calculation by hand and a calculator. This is pre...this is sort of advent of, you know, Excel and other productivity tools to work on the budget. So, you know, the Budget Division and I suspect the Legislative Fiscal Office division are pretty much the same size as they existed 20-30 years ago. And the ability to deal with a complexity of issues and information brought forward is principally managed through productivity tools that save a lot of manual work. But the...how has the process changed other than that? The technology has moved the information, the various elements of the process very much out into the open. So for those who are interested and care to take the time, there is every opportunity to understand, to access information, to have impact. I suspect individual members of the committee feel it maybe more than anybody else because you certainly move your process out into the public domain through hearings, such as you're doing today and will do over the next four weeks. So a great deal more information transacts, is available, can be used to make better decisions and, I would argue, does result in better decision making. And it's done in a very open and transparent manner. And there's always room for improvement in that regard, but I would say it's light-years beyond, you know, what it used to be. And maybe that's just one sort of sweeping thought or comment regarding how it's changed over the years. One thing that's remained the same is how many votes it takes to advance an idea. So there are some constants in that process but... [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR KINTNER: Thank you. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Uh-huh. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

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SENATOR MELLO: Any other questions for Mr. Oligmueller? Seeing none, thank you, Gerry. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

GERRY OLIGMUELLER: Thank you very much. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR MELLO: We will take any proponents on LB194, LB195, LB196, LB197, LB198, LB199, and LB200. Seeing none, any opponents? Seeing none, any testifiers in a neutral capacity? Seeing none, Mr. Oligmueller, waive closing? All right. That closes our hearings on LB194, LB195, LB196, LB197, LB198, LB199, and LB200. For the record, I'd like to welcome Senator Tyson Larson from District 40, who has joined us during the presentation of the budget bills. And I will turn it over to Vice Chairman Harms. [LB194 LB195 LB196 LB197 LB198 LB199 LB200]

SENATOR HARMS: Welcome. [LB130]

SENATOR MELLO: Good afternoon, Vice Chairman Harms, members of the Appropriations Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. LB130 strikes obsolete language pertaining to the completed transfers in Section 84-612 of state statute, which is the section of statute that creates the Cash Reserve Fund. Aside from being a cleanup bill, LB130 has the potential to play an important role in our budget process. Historically, the Appropriations Committee Chair has introduced similar bills each budget cycle so that if the budget requires a transfer from the Cash Reserve, a vehicle is there for doing so. For an example, my predecessor, former Senator Lavon Heidemann, introduced a similar bill in 2011 which was ultimately used to create a Cash Reserve transfer for capital construction projects in 2012. Thank you for your time and I'd be happy to answer any questions you may have. [LB130]

SENATOR HARMS: Any questions? I'm sorry you're getting off that easy, Senator Mello. Are there any other individuals who would like to speak in favor of the bill? Any that would like to speak opposed? Seeing none, anyone who would like to speak in neutral capacity? Senator Mello, you waive. Thank you. [LB130]

SENATOR MELLO: That takes us to LB286, Senator Conrad. [LB286]

SENATOR CONRAD: Good afternoon. Just pause for a brief moment. Jacob made a few copies that I'm going to wait to distribute. [LB286]

SENATOR MELLO: LB286. [LB286]

SENATOR CONRAD: (Exhibits 3, 4, and 5) Chairman Mello, members of the committee, my name is Danielle Conrad, that's D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d,

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representing, as you know, the "Fighting 46th" Legislative District of north Lincoln. I'm here today to introduce LB286. LB286 would transfer the remainder of Nebraska's share of the national mortgage settlement from the Cash Reserve Fund, where we placed it upon receiving it, and dividing it into the following ways: \$5,422,528 to the Affordable Housing Trust Fund; \$1 million to the Homeless Shelter Assistance Fund; and \$1 million to the Legal Aid and Services Fund. There will be those that testify today who will point out how vitally important these programs are and how they can utilize these critical funds. The national mortgage settlement came about as a result of a negotiation between states' attorneys general, the Department of Justice, and other federal agencies with the nation's five largest mortgage servicers over questionable mortgage loan servicing and foreclosure practices. The page is bringing around a brief overview generated by NCSL in regards to the settlement itself and utilization of settlement funds on a state-by-state basis as they were known January 2013. The purpose of these funds is to provide relief for those harmed by these actions. Forty-nine states participated in the settlement with the exception of Oklahoma, who chose to settle individually. These funds are being used in other states in the areas of affordable housing, legal aid, homeless assistance, consumer protection, and for other purposes. LB286 ensures that these monies that came to Nebraska as a result of this settlement are used in the way in which they were intended. I'd be happy to answer any questions. Also, for the record, Chairman Mello, I'd hope that you would note I received communication from registered lobbyist Walter Radcliffe (Exhibit 5) on behalf of his clients, the Home Builders, Realtors Association that, because of a scheduling conflict, they would not be able to testify this afternoon. I asked that they provide a letter so that their support could be included in the record. [LB286]

SENATOR MELLO: Thank you, Senator Conrad. Are there any questions? [LB286]

SENATOR KINTNER: Yeah, I have one. [LB286]

SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: That's a crap load of money. [LB286]

SENATOR CONRAD: Indeed. [LB286]

SENATOR KINTNER: When we put money in the Affordable Housing Trust Fund, how is that money used exactly? [LB286]

SENATOR CONRAD: Um-hum, sure. That's a... [LB286]

SENATOR KINTNER: And I'm not an opponent. I'm just trying to... [LB286]

SENATOR CONRAD: Sure, absolutely. It's a fantastic question, Senator Kintner. And,

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to returning members of the committee, this probably won't be new issues, but for new members I think that this legislation should provide an excellent educational opportunity for some of these programs, in particular, the Affordable Housing Trust Fund, which is administered through the Department of Economic Development in concert with local partners in the private sector and in communities all across the state. I'm pretty sure that their work touches every single legislative district in terms of creating projects to improve affordable housing for our citizenry. And I know that there are some experts that are here today to talk a little bit more about how those funds are utilized. But what we do know, from a general sense, is that this is one program where we see a considerable return on investment. For each dollar invested, we see, I think, an increased economic activity to the state of...it's about five to one, and I'm sure if I'm misquoting that amount somebody will let me know and can correct the record in that regard. But it's really about affordable housing needs for our citizens. [LB286]

SENATOR KINTNER: Will someone be coming behind you to talk about the homeless shelter and the legal aid services? [LB286]

SENATOR CONRAD: Absolutely, yes. [LB286]

SENATOR KINTNER: Okay, because I...maybe if I have detailed questions to ask them. [LB286]

SENATOR CONRAD: That would be great because they probably know far more than I. [LB286]

SENATOR KINTNER: Okay. [LB286]

SENATOR NELSON: Heath. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

SENATOR NELSON: Thank you, Senator. And, Senator Conrad, I'm just...how are these numbers arrived at? Are you hearing me? [LB286]

SENATOR CONRAD: Yes. [LB286]

SENATOR NELSON: Is there an increase from the budget cycle two years ago, a percentage increase for each of them, or how is this allocated or determined? [LB286]

SENATOR CONRAD: Thank you, Senator Nelson. That's a great question. They're really arbitrary, and they're numbers that I generated in looking at this legislation upon introduction this session. I did not run these numbers by any of the affected programs before I put in the legislation and, that being said, I hope that they're a starting place for

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dialogue within the committee process. And I'm happy to negotiate in an upward manner or otherwise if we need to. But what it does do is it takes the entirety of the settlement dollars that we didn't transfer in the last biennium, and it would afford them to appropriate uses, rather than leave them parked in the Cash Reserve. [LB286]

SENATOR NELSON: I was party to a recent conversation for affordable housing for seniors. [LB286]

SENATOR CONRAD: Um-hum. [LB286]

SENATOR NELSON: We'll be hearing from someone today that might discuss that or address that as to what part, in the future, might go for seniors? [LB286]

SENATOR CONRAD: I think so. [LB286]

SENATOR NELSON: Okay. [LB286]

SENATOR CONRAD: I think you will hear more about that today, Senator, and it's a critical part of this issue. [LB286]

SENATOR NELSON: Thank you. [LB286]

SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: Mr. Chairman, I'm not sure if you could answer this or Senator Conrad. How much money is in this Cash Reserve Fund, and what percentage are we taking out? [LB286]

SENATOR CONRAD: Sure. And I see Fiscal Analyst putting together some numbers, but if...rough estimate, Senator. I think we're at about \$400 million. Is that right? [LB286]

MICHAEL CALVERT: Just a little under. [LB286]

SENATOR CONRAD: Just a little under \$400 million in our existing Cash Reserves. I don't know as a percentage, off the top of my head, what this would represent, but the exact dollar amounts are tied to what was generated from Nebraska's share of the mortgage settlement. That's where it's tied to. [LB286]

SENATOR MELLO: I believe that, to some extent, the question that was asked, it's roughly about a 2 percent transfer, give or take, based on this year's projections of the Cash Reserve. But depending upon the excess that comes, possibly, from our certified forecast, that would probably bring it down to about 1.25 percent maybe. [LB286]

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SENATOR KINTNER: Thank you. [LB286]

SENATOR CONRAD: Yeah, I believe those numbers to be accurate. And I think the important distinction to remember when looking at this issue from a policy perspective is the Cash Reserve resources are generated from a variety of different sources for a variety of different purposes. My point of view, in regards to this and other settlement issues, is that we as a Legislature should try, if we have the ability to, to direct them to an issue or an area or a program that best meets the original intent of that settlement, which is what I'm attempting to do through LB286. For example, at its most basic we're getting money because of some bad actions in mortgage settlement and related to housing, so I'm trying to get them back into housing and related areas. [LB286]

SENATOR KINTNER: Thank you, Senator. [LB286]

SENATOR CONRAD: Yes. [LB286]

SENATOR MELLO: Any further questions? [LB286]

SENATOR WIGHTMAN: I might. [LB286]

SENATOR MELLO: Senator Wightman. [LB286]

SENATOR WIGHTMAN: Thank you. One of the things that we had earlier, I know, when we were talking about the \$40 million transfer out of cash funds into...the request from four NRDs, I think,... [LB286]

SENATOR CONRAD: Um-hum. [LB286]

SENATOR WIGHTMAN: ...was a \$40 million transfer out, which they said at that time constituted about 10 percent, and that's fairly close to what Senator Mello is suggesting as well. How would...for example, that \$40 million, how much would that affect what you're asking to do here? And I know you can't give a real specific answer to that, but... [LB286]

SENATOR CONRAD: Sure. From a general perspective, Senator Wightman, I anticipate some caution in your question, and I think that caution is well warranted. I think that all of us on the committee are concerned about the sufficiency of the Cash Reserve, and any sort of transfer should be looked at with very careful scrutiny to ensure that the state's needs are best met. And that's something the committee is going to have to grapple with as we work through our process to decide how and if we should transfer any amounts. But my perspective is that this request is a little bit different since it's directly tied to those settlement funds that we would not have otherwise had as part of the Cash Reserve. [LB286]

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SENATOR WIGHTMAN: And that was suggested in the law, although when it was to be paid back was a little more questionable than most loans would be, I think. [LB286]

SENATOR CONRAD: That's right. [LB286]

SENATOR WIGHTMAN: But... [LB286]

SENATOR CONRAD: This is not a loan. (Laugh) [LB286]

SENATOR WIGHTMAN: You aren't intending to pay this back? [LB286]

SENATOR CONRAD: No,... [LB286]

SENATOR WIGHTMAN: Okay, thank you. [LB286]

SENATOR CONRAD: ...not directly, but through indirect benefits to the great citizens of this great state, of course. [LB286]

SENATOR WIGHTMAN: Okay. [LB286]

SENATOR CONRAD: Okay, thank you. [LB286]

SENATOR MELLO: Any further questions? Seeing none, thank you, Senator Conrad. [LB286]

SENATOR CONRAD: Okay. [LB286]

SENATOR MELLO: Next proponent. Good afternoon. [LB286]

THOMAS JUDDS: (Exhibit 6) Good afternoon. Senators, good afternoon. My name is Thomas Judds, J-u-d-d-s, and I am here this afternoon in support of LB286. And I want to thank Senator Conrad for introducing this bill and having the opportunity to speak with you today. Today I'm in on behalf of the commission that I serve on, appointed by the Governor, and that is the Nebraska Commission on Housing and Homelessness. And you are receiving a letter on behalf of the commission, Kathy Mesner, who serves as the chairman of that commission, and also, in addition, Brent Williams, who serves on the...the chairman of the...excuse me, the policies and issues committee. Neither one of them were able to make it today, and so I'm...I have the fortune and the opportunity to be here to represent the commission. In a sense, the trust funds have been a very strong resource for affordable housing for our state, and the letter will identify several areas of impact that those resources have had. And on the second paragraph in particular, it awarded over \$90 million to create over 4,800 housing units in

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Nebraska. In addition, we also have approximately over 6,300 jobs that have been a result of those trust funds and the projects that have come through there. Three hundred million has been leveraged with other sources as a result of the trust fund's allocations. And, particularly, the...I represent a company that provides equity to tax credit development, and these trust funds have been very instrumental in leveraging those dollars that the Nebraska Investment Finance Authority provides on the tax credit side. I want to say that the commission was started in '97, and we have been very fortunate to have these trust funds, again, in affordable housing. I believe you may recall, last year there was a gentleman from Reinke Manufacturing that came in support of the trust funds in regards to the impact that it had on a local community there in Deshler. And the need for affordable housing was critical for that business to expand. And so I want to say that these trust funds have a very strong economic return, and I hope that you will support this bill that Senator Conrad has introduced. And I would leave it at that, and if you have any questions for me, I'd be glad to answer those, so. [LB286]

SENATOR MELLO: Well, thank you so much for your testimony. Are there any questions? Senator Kintner. [LB286]

SENATOR KINTNER: Thank you very much for coming out today. [LB286]

THOMAS JUDDS: You're welcome. [LB286]

SENATOR KINTNER: As a former director of public affairs for one of the larger homebuilders associations across the country, I love housing. I'm looking at this letter here and it says, we have no homes in which workers can live, we cannot recruit businesses to our state. I am not aware of a housing shortage in our state. We have some of the most affordable housing in the country. Can you expand on that? I know you didn't write this letter yourself. [LB286]

THOMAS JUDDS: Right. [LB286]

SENATOR KINTNER: But can you expand on what she's getting at there? [LB286]

THOMAS JUDDS: Well, let me...I'm going to use the example again in Deshler. Reinke Manufacturing just recently went through an expansion there. And Chris Roth, who serves as the president and CEO, actually gave a call to me and said, Thomas, we need housing in Deshler, I have jobs, but I don't have workers because there's no available, decent, affordable housing. And so Chris is very strongly supporting this because he had to get into the housing business. And what I mean by that is they had to acquire some houses in Deshler, renovate those out of their own dollars on that company, in addition, built a fourplex. So these resources would go to help build. And Chris said to me, he said, Thomas, I'm not in the housing business but I have to be, he

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says, I have to be to be able to get...attract these workers. So there is a housing shortage, especially for affordable housing. And it has work force housing behind it, as well as senior housing. And the question was asked earlier in regards to maybe the percentage of senior housing. I'm going to answer that by saying that, in my...in the tax credit world, approximately about 50 percent of the projects are allocated for senior housing. It's one of the growing segments of our demand as our population ages. So I would say, in my estimation, probably say around 50 percent of those dollars would be also for senior housing. [LB286]

SENATOR KINTNER: Can I ask...can I keep going? [LB286]

SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: Don't take me as an opponent. I'm going to try to get to the bottom of where we are here. Now for all the years of our country, 200-some years, there has been people that have been in the homebuilding business to make money. So when they see a need, they think, huh, if I go fill that need I'm going to make money. So you're trying to tell me that no homebuilders would go out, to the example you gave, and think, boy, this is an opportunity, they've got workers, they need housing, boom, this is what I do. Why did that not happen? [LB286]

THOMAS JUDDS: In that example, I don't want to speak for Chris. In regards to why, I'm going to say is that, in that rural community, it might have cost more than what it would to bring a contractor there to build that housing. I don't know the specifics behind that reason though. I'm sorry. [LB286]

SENATOR KINTNER: Well, you don't bring contractors there. They sniff money, they see green, their eyes light up, and they go running there. And they figure, great, what's the need? Oh, you've got 200 people that...two whole families, oh, boy, we could start building a house. And they start getting the permits and they start figuring it out, and they, you know, they build. And it's built at market rates, so whatever the market is for that area, they build it. So what does the Nebraska Commission on Housing do? How did they get involved with this whole operation? [LB286]

THOMAS JUDDS: We were set up as a...around 1997, and it's a cross-section of housing professionals and homeless professionals across the state. And we are really to act as an advisor and a consultant to the Governor and the Department of Economic Development on housing issues and policy. We provide recommendations to the Governor on those issues. [LB286]

SENATOR KINTNER: Well, where would you be involved, in your example there? How would you help facilitate a need and a builder and bring it...would you try to facilitate that somehow or...? [LB286]

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THOMAS JUDDS: In those specific examples, Chris called me in regard...I believe that's the question. [LB286]

SENATOR KINTNER: Yeah. [LB286]

THOMAS JUDDS: Chris called me with my other hat on, as far as a professional and equity provider, because he knew about our company and what we do and to help...our...the program that we specialize in with NIFA. That was the example that I was giving you there. In regards to the commission, it really looks over all the policies and issues that are being proposed and say, here's the recommendations based on what were hearing as a group collectively and where resources can be allocated. [LB286]

SENATOR KINTNER: Well, but what does the Nebraska Commission on Housing...I mean, where do they fit in? I mean, how do they have to be involved to bring the whole...I'm still a little bit lost here, so I'm just trying to get to the bottom of this. [LB286]

THOMAS JUDDS: Well,... [LB286]

SENATOR KINTNER: I'm not trying to dig down and make you look bad or anything. [LB286]

THOMAS JUDDS: No, I understand that. [LB286]

SENATOR KINTNER: I'm just trying to get to the bottom. Okay. [LB286]

THOMAS JUDDS: No offense taken at all. [LB286]

SENATOR KINTNER: Okay. All right. [LB286]

THOMAS JUDDS: Thank you. Each year, we look at the annual action plan in regards to resources that DED proposes, and then we look at that and say, where is the need, where are we hearing those needs in amongst...across the state? And then we make those recommendations to the Governor and to DED. [LB286]

SENATOR KINTNER: Give me an example of what a recommendation might be and how they might act on it. [LB286]

THOMAS JUDDS: Well, if DED may say, you know, we're going to change up the scoring for certain allocations of dollars, what would...the commission would look at it and say, what is the recommendation from the commission to DED in regards to a change in scoring or as far as investment opportunities, allocating less resources or

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more resources to a program? [LB286]

SENATOR KINTNER: Okay, we're getting somewhere. Now what would be the allocation of a resource? That...the... [LB286]

THOMAS JUDDS: Like home funds. [LB286]

SENATOR KINTNER: Home funds for who? [LB286]

THOMAS JUDDS: It could be for housing, could be for homeless. I don't know the particulars in regards to a change in that right now. [LB286]

SENATOR KINTNER: Well, okay. I'm looking at your example of not enough housing for a company to want to open up so they could have enough people and all that. What exactly would this money that we're allocating go toward? Would it be assistance for the people or assistance for the town, assistance for the builders? [LB286]

THOMAS JUDDS: It would be assistance for...in housings, particularly, it could be new construction, down payment assistance. It could also be a resource for tax credit development projects as well or homelessness. There's different variations or opportunities amongst the trust funds. And I don't have all of the funding, where all those dollars and resources can go. I believe there may be a person who is going to testify on behalf of and support of this program that would have that data and could also share some of that, where those past resources have been allocated for, particularly, projects and across the state. [LB286]

SENATOR KINTNER: Thank you very much. I didn't mean to put you in the hot seat or anything. [LB286]

THOMAS JUDDS: No, no, no problem. [LB286]

SENATOR KINTNER: I'm just trying to understand it. Thank you very much. [LB286]

THOMAS JUDDS: You're welcome. [LB286]

SENATOR KINTNER: Appreciate it. [LB286]

SENATOR MELLO: Senator Harms. [LB286]

SENATOR HARMS: Thank you very much for coming. [LB286]

THOMAS JUDDS: You're welcome. [LB286]

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SENATOR HARMS: Appreciate your testimony. The dollars that you're talking about here actually makes it more affordable, is that correct? I mean, it actually makes it easier for a contractor or also easier for people to get into new housing, is that correct? [LB286]

THOMAS JUDDS: It does. It acts as a resource, additional funding. In particular, on the tax credit program, equity and other soft funding play a big part because what it does is affordable housing, there's only a certain dollar amount that can be, as far as debt, that you can have, really, on projects and how...to make rents affordable. And so what you have to offer is additional dollars to be able to supplement development cost, to go in there, to keep the debt low. So you're exactly right. It's leveraging. It's additional resources. [LB286]

SENATOR HARMS: Yeah, and I think in rural Nebraska, I mean, there's a lot of difference between the urban and the rural environment. And in the rural setting I can tell you that we don't have people who will just waltz in and build a home. You have to go get them, you have to find them, you have to ship them in. So it's extremely expensive sometimes to be able to start rural America up again and start providing housing. This does provide that necessary assistance that we normally couldn't get, particularly for elderly, I mean, where it is affordable. And you can build something that they can live in and be proud of and have their dignity, rather than living in something that's extremely poor and bad and the conditions are not good. And I think, to me, that's how I separate this out in my thinking. Is that correct? [LB286]

THOMAS JUDDS: Yes, I agree with you. [LB286]

SENATOR HARMS: Okay, thank you. [LB286]

THOMAS JUDDS: And I also like the point that Senator Conrad made in regards to that the source of...the origination of these funds coming from housing and continuing keeping them in the housing industry, I think, is a very valid point, has a lot of merit. [LB286]

SENATOR HARMS: I can tell you that Senator Conrad has been a champion of this particular concern for a long time, and I appreciate her not letting that disappear, because I think it is important. As our economy starts to get a little bit better, we need to continue to move in this direction. [LB286]

THOMAS JUDDS: Thank you. [LB286]

SENATOR HARMS: Thank you. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

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SENATOR NELSON: Thank you, Senator Mello. I caught the first name, Thomas, but not the second. [LB286]

THOMAS JUDDS: Judds, J-u-d-d-s. [LB286]

SENATOR NELSON: J-u-d-d-a? [LB286]

THOMAS JUDDS: S. [LB286]

SENATOR NELSON: Okay. Thank you for coming today. Just to go a little farther here, I...from your answer to the questions, it appears to me that the secret here is building the housing at a lower cost so that whoever then acquires that and rents it out can do it for less rent. Is that the way it works? You're not subsidizing the elderly, for instance, that are living. [LB286]

THOMAS JUDDS: That's correct. [LB286]

SENATOR NELSON: That's correct, okay. Do you publish then that there is...or did somebody publish that there is a certain amount available, and then do you accept propositions from contractors? Is that the way it works as far as getting these units and things built? [LB286]

THOMAS JUDDS: The...if it was a...and I'm going to use the example of a tax credit development that I'm very familiar with. [LB286]

SENATOR NELSON: Okay, yes. [LB286]

THOMAS JUDDS: Equity would represent a certain piece of the development cost; debt would also represent a certain piece; and then there's a gap, usually, there, where soft funds would come in. And that would be in the form of either home funds or trust funds or TIF financing. And that's the piece...so it all... [LB286]

SENATOR NELSON: But how do you get the people to build these units? That's my question. [LB286]

THOMAS JUDDS: Yeah, and... [LB286]

SENATOR NELSON: And how do you get them to go out to western Nebraska? Who does the actual building and construction because it's an attractive proposition for them? [LB286]

THOMAS JUDDS: Yeah. There's developers that will...nonprofit and for-profit

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developers that will go out and meet with communities and assess the need and the demand and also whether or not to...you know, how strong are the application that could be put together to help build that housing. It's a... [LB286]

SENATOR NELSON: Okay. [LB286]

THOMAS JUDDS: They look at it as a demand, you know, how... [LB286]

SENATOR NELSON: So it's an application that comes in and somebody approves, is that right? [LB286]

THOMAS JUDDS: Correct, correct. [LB286]

SENATOR NELSON: Okay. Now I remember the request from Reinke Engineering (sic) at Deshler. That was a couple of years ago. Was that true? [LB286]

THOMAS JUDDS: I think Chris just finished those...that fourplex just about a year ago. [LB286]

SENATOR NELSON: Well, that's my question. What happened there? Did the project get completed and everything? [LB286]

THOMAS JUDDS: Out of his own dollars, out of his own company, he did put that together. [LB286]

SENATOR NELSON: Okay. All right. [LB286]

THOMAS JUDDS: And again, his comment to me was, Thomas, I don't want to be in the housing business but I'm forced to do that. [LB286]

SENATOR NELSON: Now, in answering my earlier question, about 50 percent of the funds are going for senior housing? [LB286]

THOMAS JUDDS: That would be my guess, and I say that because, again, I'm familiar with the tax credit development. And I'm going to say...estimate about 50 percent of those allocations are going to seniors 55 and older, and so I'm going to use that example and draw that maybe as a comparison for the trust funds as well. I don't have any data to support that other than from the tax credit allocation. [LB286]

SENATOR NELSON: But there has been an increase in that area over the years. [LB286]

THOMAS JUDDS: There has been. [LB286]

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SENATOR NELSON: All right. [LB286]

THOMAS JUDDS: There has been. [LB286]

SENATOR NELSON: All right, thank you very much. [LB286]

THOMAS JUDDS: You're welcome. [LB286]

SENATOR MELLO: Thank you, Senator Nelson. Senator Wightman. [LB286]

SENATOR WIGHTMAN: Thank you, Senator Mello. Mr. Juds, is that how you pronounce it? [LB286]

THOMAS JUDDS: Yes, sir. [LB286]

SENATOR WIGHTMAN: I can try and give you an example in our town, which isn't quite as small a town as some of these. The one you were discussing, I think, is a much smaller town. And I'm assuming in many of these small towns there just isn't a lot of market there for the home unless its industry is coming there. And so there aren't many homes on the market. And, of course, we've had a lot out at Lexington, Nebraska, that...a lot of these housing grants out there. And again, we're talking about primarily meat packing employees out at Lexington, Nebraska, a lot of them minorities. And I assume that's what happens in a lot of these is you have people who just can't afford housing who are going to be the employees in that plant. Is that a fair statement or... [LB286]

THOMAS JUDDS: Well,... [LB286]

SENATOR WIGHTMAN: Not always, I'm sure. [LB286]

THOMAS JUDDS: No. Yeah, and I wouldn't...I really haven't come across the example of the meat packing. I was in Pender last year, in Wakefield, and they had asked me to come up there because of their need for affordable housing. And one of their employers, and I think it's called JetBlue, not BLU-JET. One of them is the airline, and the other one isn't. But the whole point of that was he's running...he wants to expand his business up there, but he needed housing. And Pender also had the new hospital, and I think they have about a \$20 million investment in Pender on a new hospital. And they have added a teacher to the school. They need housing, and so they're looking at how do we get affordable housing in our communities. And this is where the trust funds come in as a valuable resource to serve these communities--Deshler, Pender, Wakefield. [LB286]

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SENATOR WIGHTMAN: Yeah, as I say, Lexington is bigger than many of these towns. [LB286]

THOMAS JUDDS: Um-hum. [LB286]

SENATOR WIGHTMAN: Many of these smaller towns, unless they attract an industry, don't have very much demand for housing in most of those towns, I think you could say. Lexington is a little unusual. But because of the type of industry that we're talking about...we have a town of 10,000, and about 2,700 people work at the meat packing plant. So we're talking about a big percentage of the community that works. And of course they don't all live in Lexington either, but a big share of them do. [LB286]

THOMAS JUDDS: Um-hum. [LB286]

SENATOR WIGHTMAN: But I think it could be either of two, that you have a small town that's not growing very rapidly and if it weren't for this plant they just do not have very much of that housing there, I would assume, sometimes almost zero. [LB286]

THOMAS JUDDS: Um-hum, um-hum. [LB286]

SENATOR WIGHTMAN: And when it is, sometimes it's because of the industry like we have at Lexington. And again, the wages aren't very high, and that's why it requires some assistance to get the housing in at a price that people can afford. [LB286]

THOMAS JUDDS: It does, thank you. [LB286]

SENATOR WIGHTMAN: Is that a fair statement? [LB286]

THOMAS JUDDS: It is, definitely. [LB286]

SENATOR WIGHTMAN: Okay, thank you. [LB286]

THOMAS JUDDS: You're welcome. [LB286]

SENATOR MELLO: Any further questions for Mr. Judds? Seeing none, thank you so much. [LB286]

THOMAS JUDDS: Thank you. [LB286]

SENATOR MELLO: Next proponent. Welcome. [LB286]

MICHAEL RENKEN: (Exhibits 7 and 8) Good afternoon, committee members. My name is Mike Renken, M-i-k-e R-e-n-k-e-n. I'm the executive director of NeighborWorks

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Lincoln, here in Lincoln, Nebraska. I'm here to, again, encourage you to support LB286, which you've already heard transfers \$5.4 million from the Cash Reserve to the Nebraska Affordable Housing Trust Fund. Of that amount...and \$1 million to the Homeless Shelter Assistance Trust Fund and \$1 million to the Legal Aid. I'm going to tell you a little about NeighborWorks Lincoln. Our mission is to make Lincoln a safer and stronger community through home ownership and community building. We have used trust fund monies for down payment assistance, we've used trust fund monies for new construction, and we've used trust fund monies for purchase, rehab, resale. We have three areas that we work in our organization. We do down...home ownership, we do real estate development, and we do community building. Home ownership does home ownership classes once a month, 11 months out of the year. We usually have between 25-35 families in those houses. And then, for anyone to use one of our programs, they have to graduate from that nine-hour course. If they do, then we will help them move forward into home ownership. So we have used this money also in our real estate development area. We have purchased troubled properties in the core neighborhoods and have either rehabbed them or tore them down and built new in an effort to build the strength of the core neighborhoods. And I want to brag a little bit on a success story. The Malone neighborhood, which is right down in the downtown area, from O to Vine, about 19th to 27th, we've had a hand in 90 properties in that community, our organization. And the really fun thing is, if you look at those 90 properties, and we don't have all 90. We've looked at 90 of them...19 of those. Those 19, the tax receipts by the city tripled from when we bought them to when we sold them. And if you look at the Malone neighborhood, the change in the Malone neighborhood that has occurred because of home ownership and real estate development has been very significant. And I'm very comfortable to say that if you ask people, has the Malone neighborhood changed, they will definitely say yes, and I think our organization is part of that. And that's, in big part, due to trust fund monies which we have received over seven out of the last nine years of nearly \$4.7 million. And that has allowed for a community investment of nearly \$52 million. So I think there's a significant impact that can be had by those trust fund dollars coming out to organizations like mine to help build neighborhoods back and also to help people become homeowners. And that's a challenging event, as you spoke to, Senator, of those people that are of moderate means. It takes an effort to figure out how to become a homeowner, and this is a way to help them do that. The other exciting thing we've done with trust funds is an Antelope Creek project where we received \$500,000 in trust funds to build 18 townhomes between 23rd and 24th, P and Q. It's a tremendously exciting project for us. Six of those are completed and sold, and people are occupying them. We have six more in process right now. We have purchase agreements on every one of them. And we have six more to be completed that we'll be starting in the next couple weeks probably. So that's been a huge success. And the fun thing is we've seen mixed development there. We've seen people of moderate means. We've seen market-based clients move into those. And every type of individual you can think of has moved in to have a very blended and mixed community there that's going to be a huge asset for the city of Lincoln. And, obviously,

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we're very proud of that. So if you look at NeighborWorks Lincoln, we do an average of about 140 individuals in training every year. We help at least 50 people a year become homeowners. So that's been good. The pricing in Malone has jumped up and become significant to where we bring people back. I will say to you, some of this is if you don't have a market value to get an appraised value, you can't build a house there and make a return. You have to get those prices to come up so you can build a house to make a return going back. And we're getting to the place where we're at about a break-even now, to be able to build a moderate home in Malone and get our money back. And if we do that, then the trust fund dollars go back in and we use those as program income to do the next project in the community. I'd answer any questions. [LB286]

SENATOR MELLO: All right. Thank you, Mr. Renken. Any questions? Senator Wightman. [LB286]

SENATOR WIGHTMAN: Thank you for being here. When you look at these loans that you're making on these types of home loans, is there a particular percentage you look at as to what maybe the cost of the home would be and what you end up providing financing for? [LB286]

MICHAEL RENKEN: You know, we...our goal is to be as conservative as we can and still put people of moderate means in homes because we want a success ratio. We want them to be in the home long term. I have preliminary numbers from...of our projects, and over the last nine to ten years we've seen a foreclosure rate of somewhere in the ballpark of 2.5 percent. And again, I didn't put that in my document because I haven't studied those enough that I don't want to say those are absolute. But those look like preliminary figures nationwide. And NeighborWorks organizations, they will tell you that the foreclosure rate is significantly diminished, and that's because we're very conservative in our underwriting. All of our clients are required to be qualified for a first mortgage before they use any of our property or any of our money. And so if we're going to help them they have to be able to go to a commercial bank and get a first mortgage. [LB286]

SENATOR WIGHTMAN: One other question. When you make these loans, what percentage normally would be paid back of what that home would cost if it weren't for the grant? Would that be 85? Is it 90? Is it 75? What's the figure? [LB286]

MICHAEL RENKEN: To be real honest, there's about three different ways we look at those loans. We have some of them that those dollars are forgiven, and they're put in there to generate value in neighborhoods. Some of them are half forgiven and half deferred, which means that at a sale they owe us half of them back. Some of them are completely forgiven. So we have different ranges, depending on the pool of money, depending on how those are structured, and depending on the need of the clients. Our real important issue, and especially in Malone, is to allow people to be...have a first

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home maybe in the core neighborhoods, but allow them to have equity that builds up so that they can go to their second home. And they can be a stepping stone to the next home that they build to build more equity in the community. [LB286]

SENATOR WIGHTMAN: Do, occasionally, you build in an area where you have to tear down some old homes or...? [LB286]

MICHAEL RENKEN: We have demolished homes. We just now made a contract with an individual that...a home that we're really happy we have because it needed to be taken care of in a block that we've done a lot of work on. And our purchase agreement is price of the lot, and they have to tear down the existing house because the existing house is not livable. We can't rehab it; it's got to be built new. [LB286]

SENATOR WIGHTMAN: Thank you. [LB286]

SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: I'm going to call you Michael, if it's okay. [LB286]

MICHAEL RENKEN: That's fine. [LB286]

SENATOR KINTNER: Okay, I think I like what you're doing. I think I like you, so I want to be informal. (Laugh) [LB286]

MICHAEL RENKEN: Thank you. I think I like you, too, now. [LB286]

SENATOR KINTNER: You named three things you did--rehabbing, down payment. What was the third one? [LB286]

MICHAEL RENKEN: We do real estate development,... [LB286]

SENATOR KINTNER: Okay, real estate development, okay. [LB286]

MICHAEL RENKEN: ...home ownership services, which is education and down payment assistance,... [LB286]

SENATOR KINTNER: Okay, three or four things, okay. [LB286]

MICHAEL RENKEN: ...and we do community building. [LB286]

SENATOR KINTNER: Okay, community building. [LB286]

MICHAEL RENKEN: Community building is a really exciting adventure, and we have

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two people that work in the neighborhood and with the neighborhood association, try to bring people together, and have them work together to make their neighborhood stronger. [LB286]

SENATOR KINTNER: Is...are...is the primary just lower-middle-class people that are...that you're housing in most of these developments? I guess the 18 townhomes, what...give me a profile of who is moving in there, kind of. [LB286]

MICHAEL RENKEN: We have city employees in there. We have brand-new graduates from college that are professionals working in west Haymarket. We have low-income people. We are required to have six people under 80 percent of low to moderate income, which is...so that's a...and that's a situation of pride for me because you're putting several different groups into a city block with 18 homes on it that is all going to be involved with the homeowners association, townhomes association, all going to work together to make that block and keep that block the value that it is today. [LB286]

SENATOR KINTNER: On the low-income people, are you providing them with a down payment? [LB286]

MICHAEL RENKEN: We do help them with down payment assistance. [LB286]

SENATOR KINTNER: All right. [LB286]

MICHAEL RENKEN: We...and low income can be anywhere from 100 percent, low to moderate, down. If you get much below 80, that gets pretty tough to...it can be done, but you're putting significant dollars in to make that affordable for people. [LB286]

SENATOR KINTNER: Now we had a pretty big housing bubble burst because we were making loans to people that couldn't pay them back, no down payment, 10 percent down, 5 percent down, and that caused quite a problem in our country. Why would you give someone a down payment? That down payment says, I can own a home because I have the ability to pay it back. If you give someone a down payment that doesn't have...where...does that snag you at all? Did that come back to bite you in the rear end? How do you handle that if you got people that can't afford a down payment and they get into a home? Are you having any problems with that? [LB286]

MICHAEL RENKEN: And again, I think I'd go back to my statement that they have to qualify with a commercial lender for a first mortgage, first and foremost. Then our seconds will help them with two things: either down payment...either closing costs or rehab. If they don't buy the house from us, oftentimes there are things. And we have rehab special that goes into a house, and we look at everything, from furnace to roof to siding to lead, to make sure that that house isn't going to have a major expense for them for the first three to five years. We feel very comfortable that if we can put

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somebody in the house and they don't have a big hurdle that they have to get over in year one or two, their chances of survival are pretty good when you underwrite them conservatively. We spend on the average of nine hours in home buyer education with each one of those people, plus we have a person that works on closing and talks with them about how, what their responsibilities are, what they need to do to be a successful homeowner. So I feel very comfortable that those people we're putting in homes...and I'll give you a background for me. I came out of the commercial banking ranks and became an executive director of a not-for-profit, so I'm very much probusiness. I always have been. And now I'm figuring out that there's another side to this, and we have to help these people become homeowners. And it's going to make their community stronger if we do it. [LB286]

SENATOR KINTNER: Well, I'm a little more pro free market than pro business, but good. Okay, I...it sounds good to me. Thank you. Appreciate it. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Mr. Renken. You answered a couple of my questions. You are a nonprofit organization. [LB286]

MICHAEL RENKEN: Yes, we are. [LB286]

SENATOR NELSON: And you take a second mortgage. [LB286]

MICHAEL RENKEN: Yes. [LB286]

SENATOR NELSON: So it's a commercial lender that has the first mortgage. It's... [LB286]

MICHAEL RENKEN: Correct. [LB286]

SENATOR NELSON: When you speak about getting your money back in and that going back in the trust fund, it's from the second mortgage? [LB286]

MICHAEL RENKEN: Right. [LB286]

SENATOR NELSON: And that can be down the road, can't it? [LB286]

MICHAEL RENKEN: Correct. [LB286]

SENATOR NELSON: Yeah, okay. You don't have any agreement where you've got a certain percentage coming? [LB286]

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MICHAEL RENKEN: No. We do get a fee for the closing, which is very minor. But we don't get any money back from that transaction, from the local commercial bank. [LB286]

SENATOR NELSON: Okay. [LB286]

MICHAEL RENKEN: We obviously go to them and ask them for help from time to time, from a donation standpoint, and we do do some of that. [LB286]

SENATOR NELSON: Does the term of the mortgage vary from, like, 15 years to 20 or 10 or...? [LB286]

MICHAEL RENKEN: Most of those are going in the 20 to 30 range. [LB286]

SENATOR NELSON: Okay. [LB286]

MICHAEL RENKEN: And we use...because our mortgages are viewed...our documents are a mortgage, a second mortgage. And if you tie our mortgages into the first mortgage, oftentimes, there will be above loan-to-value range on the house. Our mortgage is...the first mortgage holders are banks that are holding those loans in their portfolio and not selling into the secondary market. [LB286]

SENATOR NELSON: Okay, all right. Thank you. [LB286]

MICHAEL RENKEN: The secondary market would hurt us; it hurts us on that. [LB286]

SENATOR NELSON: Okay. [LB286]

SENATOR MELLO: Any further questions? Senator Bolz. [LB286]

SENATOR BOLZ: Just one quick question. Can you tell me about your success rates? Do you see folks struggling? Do you see high foreclosures, or are you fairly successful in your work with the clients? [LB286]

MICHAEL RENKEN: And again, I'm going to give you preliminary numbers. Our preliminary number of the study we've done--and, quite honestly, it's with the city of Lincoln--in a great number of units that we've worked with them on we're seeing about a 2.5 percent foreclosure rate. We have very few foreclosures. We're far more successful than a general loan would be. I also say to you, NeighborWorks America, throughout the country, would say foreclosure rates has significantly dropped because of home ownership and our kind of help. [LB286]

SENATOR BOLZ: Thank you. [LB286]

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SENATOR MELLO: Seeing no further questions, thank you, Mr. Renken. [LB286]

MICHAEL RENKEN: Thank you, Senators. [LB286]

SENATOR MELLO: Next proponent. [LB286]

DANIELLE HILL: Hi. [LB286]

SENATOR MELLO: Hi. [LB286]

DANIELLE HILL: (Exhibits 9, 10, and 11) My name is Danielle Hill, spelled D-a-n-i-e-l-l-e, last name Hill, H-i-l-l, and I come with lots of paper. This is my testimony. It's two pages, and so it's got my written testimony and a fact sheet, a copy...there's actually 13 copies there. Many of you have asked what can be done with the trust fund, and this is the last amount of awards that went out. And, if you'll recall, this committee was supportive of \$1 million of that \$8.4 million national mortgage settlement being transferred to the trust fund. Well, just try to erase \$1 million in allocated resources from any one of those activities. And then I also brought...I believe you've received this in an e-mail, but I brought it on her beautiful, colored letterhead. Judy Petersen, who is the chair of the Nebraska Housing Developers Association, who I represent, and Senator Larson's district is part of her service area. Oh, I forgot to give him this. Sorry. And then I promised Mr. Nelson earlier a printout of all the projects awarded in Omaha, and I have that here, too, so. Well, this is...I'd better do this. It's kind of...I have District 2 and District 36 and...you can read, so I'm not going to read my testimony. The reason I like to be on third base or fourth base or home plate or cleanup, whatever you want to call it--I'll call it third base since I'm the third testifier--is because I've been working in the affordable housing industry for 20 years now. I've been the director of the association for 15 plus. And the association was established by nonprofit organizations that wanted to build their local capacity to address housing needs on a local level instead of being at the mercy of people with the suitcase. And we are now about 60 members strong. Our membership is comprised of nonprofit developers, for-profit developers, financial institutions, government entities, communities, and anyone who supports affordable housing and sees the need for it. So obviously there's a few things. The bubble burst on the housing market, there's a lot that have...believe that that was based on providing loans to people that couldn't afford to have those loans, and I believe that's true. But they were lending people 50 percent of their income. They were using unscrupulous measures to get people into housing, which is why this settlement occurred. So it wasn't on the fault, necessarily, of the buyer, other than if they didn't listen to some of the warning signals or they had this instant gratification thing going on, where I want what I want and I want it now. What we've seen in all the...we've collected data for well over 10 years on households, educated, the income of those households, and the foreclosure rate for households that are educated, that get into a good loan instead of one of those

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predatory loans, is less than 2 percent. And we didn't see much impact with any of the loans that our organization made or our member organizations made during this whole burst. It was really caused by unscrupulous banking methods, and so this settlement is helping to repair that. Obviously, the trust fund earns money based on real estate transactions. And when the housing bubble burst occurred, the trust fund receipts went down. Then we...the trust fund was hit to make up some budgetary things, and then it was hit again in...perpetually for a new program that was established to support economic development. So this is a measure to try to bring money back into the trust fund. And when...this housing is housing that the market doesn't...I'm going to cover that up, Senator Mello. This housing is what the market doesn't take care of, so there is no money to be made. If you built a home or a fourplex in Deshler, I'm practically guaranteeing you that the cost to build that fourplex did not appraise out on what a bank would loan you. So somebody ate that gap somewhere, and you can't...you can only charge so high. I don't know what the market will bear in Deshler as far as rents go, but generally, in a more rural area like that, you might be spending \$400. But in order to support how much it cost to build that, you'd have to be charging \$900. So this is housing that the market doesn't take care of. And most of the loans that are provided are repaid, some of them based on the sale of net proceeds. We have been able to help people with disabilities purchase homes that are on SSDI, and they've owned their homes for five years, ten years, and they're not coming back to the trough. And we've been paid back by some of those individuals, so...red light. [LB286]

SENATOR MELLO: Any questions at all for Ms. Hill? Senator Kintner. [LB286]

SENATOR KINTNER: Thank you very much for coming. [LB286]

DANIELLE HILL: Okay. [LB286]

SENATOR KINTNER: I appreciate you being here, Danielle. Explain to me why a bank would make a predatory loan. What's behind it for them? Why would they do that? [LB286]

DANIELLE HILL: You know, I asked myself that same question. But the incentive is always there is money to be made. We got to watch...and if I can find this video, I will e-mail to you or deliver it personally. The way that whole money worked is, okay, the bank makes a loan, Fannie or Freddie buy it on the secondary market, they sell it to other investors, and they make hedge bets or whatnot. And pretty soon there was no loans to sell, so then they started creeping into some unsavory loans in order to keep that money flowing. But, to me, it's because somebody, somewhere made some money. [LB286]

SENATOR KINTNER: Banks don't make predatory loans. It doesn't make any sense. You put someone in a house and they can't pay that money back, they're stuck with a

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piece of real estate they've got to take care of until they can sell it. The reason that happened is because there were government-backed loans, and they could make that loans because the government backed the loans. The government is what caused this, not the banks. The bank...the government was saying, you make the bad loan, we'll back it up. And then they would bundle those loans and sell them--no government, no bad loans. There's no bank that goes out and makes a predatory loan because it's a money loser, and they're there to make money. So let's not say it's the banks. [LB286]

DANIELLE HILL: Somebody, somewhere makes the money. [LB286]

SENATOR KINTNER: Oh, I'll guarantee you, the government allowed... [LB286]

DANIELLE HILL: And it was investors for the most part. [LB286]

SENATOR KINTNER: The government caused this. The second question I have is... [LB286]

DANIELLE HILL: I'm going to find that video. [LB286]

SENATOR KINTNER: You had said that they...this provides housing that the market doesn't supply. [LB286]

DANIELLE HILL: Right. [LB286]

SENATOR KINTNER: Explain to me how the hell...explain to me the free market and housing and how that all works. [LB286]

DANIELLE HILL: So say, for instance, you... [LB286]

SENATOR KINTNER: By the way, I'm asking you the tough questions, but I'm not trying to beat you down... [LB286]

DANIELLE HILL: I was hoping you would because... [LB286]

SENATOR KINTNER: ...or beat you up or anything. Okay, okay. [LB286]

DANIELLE HILL: No, I take it in the spirit it's intended. [LB286]

SENATOR KINTNER: All right, okay. [LB286]

DANIELLE HILL: Thank you. [LB286]

SENATOR KINTNER: Okay, all right. Thank you. [LB286]

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DANIELLE HILL: So, for instance, if you have an elderly person, a person who is elderly, living in Syracuse, Nebraska, their house is falling down around them, they don't have the money to pay a contractor to come in and do the rehab necessary to make that a healthy, suitable, safe environment, and nobody is going to loan them that money if they don't have an income to support paying a loan. Usually, their house might be paid for. So in comes a grant or, actually, a loan program to...that will provide them a loan, you know, based on certain criteria, to help them rehab that house. It helps the community because, you know, if I'm driving around in the community and I'm making a judgment about that community and I see a bunch of dilapidated housing, I'm like, hmm, probably wouldn't want to live here, probably wouldn't want to locate my business here. So it helps the community, it helps that individual, you know, and it makes the community strong and it makes the value of that property and the surrounding property either maintain or increase. So that's one case scenario. Another case scenario is you have...in Ord, Nebraska--which I believe is smaller than Lexington, correct?--... [LB286]

SENATOR WIGHTMAN: Right. [LB286]

DANIELLE HILL: ...they don't have any manufacturing companies or big businesses, but they have increased their population, over the past two, three, five years, based on a strategy that includes having housing that's available for people that want to move to Ord and creating an environment that supports the entrepreneurial spirit and small business development. They've done a combination of senior housing. But they couldn't have invited a homebuilder or developer into that town to say, we want six new houses right here, you build them, because they wouldn't have appraised out. You had to bring the market...if no house had sold in the past ten years, there was no market, there was no house loans being made, there is no new construction permits being issued. So you use a program like this to instigate it, to get it started. And eventually the market will pick up pace and you could build something that a lender would provide you a first mortgage on in its entirety. [LB286]

SENATOR KINTNER: Wow. Let me tell you how the free market works. You build market-rate housing. You build a \$150,000 house. Somebody in a \$60,000-\$70,000 house moves up to that \$150,000 house. The person in the \$70,000 house is no longer living there. So somebody who doesn't have a lot of money moves into the \$70,000 house. The piece of crap that they were living in is now your low-income housing. Somebody moves in there who's got no money, who probably rents that. That's how the free market works. You don't build low-income housing. You build market-rate housing as people move up. The stuff at the lower end becomes the low-income housing. Where we've screwed up is we've tried to build low-income housing, and we have to subsidize the living crap out of it to make it work in a price model that will work for low-income people, whereas traditionally, in our country, for our first 200 years or so, we simply let the lower end of the housing stock be the housing for low-income people. That's how

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the free market works. And then...now...so you're wanting to jump ahead of the free market here with some money. I'm not saying we shouldn't do it, but, I mean, you're messing around with the free market here. And in your...you know, to say that, well, a person owns a house, so somehow they had the financial means to buy it. Now that house is a dump because they haven't been able to take care of it, so they probably lost a home. They have cancer or something, wiped out their savings. That's probably how that happened. [LB286]

DANIELLE HILL: Got old. [LB286]

SENATOR KINTNER: And now you think we should come in with taxpayer money and fix up that home? [LB286]

DANIELLE HILL: Well, taxpayer money, I guess, it is a doc stamp. It's not like property tax or sales tax or anything like that. It is a documentary stamp tax that funds it, which is based on the sale of real estate, so it seems logical, if the market isn't working for some people. We have jobs out there that don't pay a living wage, you know. The wage to afford a two-bedroom, market-rate apartment in anywhere in Nebraska is about \$11. Well, if you have jobs that you're spending all this money to create with taxpayer dollars but you don't have housing...and I'm talking safe, decent housing, because nobody should be forced to live in sludge, you know. I wouldn't want my elderly grandmother to have to live that way just because she didn't have enough money or some bad things happened to her along the way. [LB286]

SENATOR KINTNER: Well, we have a homestead exemption for grandmother, so. [LB286]

DANIELLE HILL: Well, if she gets her application in first or in line. So I can't remember where I was going with that, but...so...but they don't pay a living wage. [LB286]

SENATOR KINTNER: Well, my question to you was you...okay. [LB286]

DANIELLE HILL: And so what should people do? I mean, we want our communities to be strong, safe, and healthy. We want our people to be strong, safe, and healthy. We want our people to be strong, safe, and healthy. You've got people, they're not lazy, they're not not working, they just don't make enough money. Their kids don't deserve to live in squalor because they don't make enough money. So we try to help build community and help build opportunities for families to house their children in safe, decent places and for elderly to live in safe, decent places. [LB286]

SENATOR KINTNER: Well, the squalor, which is what we called low-income housing for many, many, years,... [LB286]

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DANIELLE HILL: Which is horrible. [LB286]

SENATOR KINTNER: ...and you grew there and your kids grew up in that. And they said, jeez, I don't want to live in the squalor, I'd better get an education and go out and make some money so I don't have to live in this piece of crap, and then they moved up. You've got to have crappy housing. That is your low-income housing stock. You can't jump over that. You can't jump over that. I mean, are you suggesting we take taxpayer money and we take the low-income housing stock out of the market? [LB286]

DANIELLE HILL: I'm suggesting that no one in the United States of America should live in what you're defining as low-income housing. [LB286]

SENATOR KINTNER: You mean...are you suggesting that we should subsidize all our housing so there's no low-income housing? [LB286]

DANIELLE HILL: No. [LB286]

SENATOR KINTNER: Then how do we get...if no one should live in it, then how do you keep people from living in it? [LB286]

DANIELLE HILL: By rehabbing it, by demolishing it, by building new, by investing in our communities. [LB286]

SENATOR KINTNER: Well, we had urban renewal in the '70s, and we demolished a bunch of low-income housing. It totally screwed up the market. [LB286]

DANIELLE HILL: Hmm. [LB286]

SENATOR KINTNER: I mean, we're still feeling the effects of it 30 years, 40 years later. [LB286]

DANIELLE HILL: I was a teenager then, so I don't remember that. [LB286]

SENATOR KINTNER: All right, well, thank you for patiently answering my questions. [LB286]

DANIELLE HILL: Um-hum. [LB286]

SENATOR KINTNER: I appreciate it. [LB286]

SENATOR MELLO: Danielle, we actually...Senator Bolz had a question. [LB286]

DANIELLE HILL: Oh, sorry. [LB286]

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SENATOR BOLZ: Just briefly, Danielle. There is a housing area in my district called Prairie Crossing. Are you familiar with it, by chance? [LB286]

DANIELLE HILL: Yeah, um-hum. [LB286]

SENATOR BOLZ: My understanding of that is that it's mixed-use housing, and so, in that way that you're filling an affordable housing market but it becomes self-sustaining by having folks who live in that community who are moderate and higher income. Is that correct? [LB286]

DANIELLE HILL: Right. In a design that doesn't promote the big slums of the...that were built in the '70s, I guess. [LB286]

SENATOR BOLZ: Yeah, it's a lovely community, and I was just trying to clarify in my head that this sort of funding stream could help create a mixed-use facility that would, in the future, be sustaining of a multitype housing unit, is that right? [LB286]

DANIELLE HILL: It...yes. [LB286]

SENATOR BOLZ: Okay, thank you. [LB286]

DANIELLE HILL: Yeah, because you'd take the public funding and build the affordable units. But the whole project cost, you bring other equity into it, so you have some market...you're able to have market-rate units that aren't subsidized at all by any gap financing, along with affordable housing, and make a sense of community. And that project is about six, seven years old, I want to say, and it still looks new. [LB286]

SENATOR BOLZ: It does. Thank you. [LB286]

DANIELLE HILL: It's very well maintained. [LB286]

SENATOR BOLZ: Thank you. [LB286]

SENATOR MELLO: Any further questions? Seeing none, thank you, Danielle. [LB286]

DANIELLE HILL: Um-hum. [LB286]

SENATOR MELLO: Next proponent. [LB286]

DAVE PANTOS: Just waiting for the green light, or should I... [LB286]

SENATOR MELLO: Go ahead. You can go ahead and start. [LB286]

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DAVE PANTOS: (Exhibit 12) I'm just glad I didn't trip on my way up like Jennifer Lawrence last night. (Laughter) What a disaster. My name is Dave Pantos, that's Dave P-a-n-t-o-s. I'm the executive director of Legal Aid of Nebraska. For those who don't know, Legal Aid is a nonprofit law firm for the poor in Nebraska. We have offices in eight towns in our state--Omaha, Lincoln, Lexington, North Platte, Norfolk, Grand Island, Bancroft, and Scottsbluff. We serve every county in Nebraska, and a significant portion of our funding comes from the Legal Aid and Services Fund. So I am speaking in support of giving more money to the Legal Aid and Services Fund, which is the bill before you, so that's what I want to focus on. The terms of the foreclosure settlement, which sent \$2.7 billion to the states in 2012, included a permissible use of legal services, as well as housing counseling. These are two things that Legal Aid does. We provide free legal services and free housing counseling to low-income people throughout Nebraska. Why was legal assistance or legal services included in the settlement? Because there were so many people who suffered from all the stuff we've been talking about today, problems with housing and foreclosures, and they needed legal assistance, even if it was just legal advice up through legal representation in court. And so I think that was pretty good thinking. That's why I really appreciate Senator Conrad recognizing that that was a component of the settlement and trying to ensure a transfer of \$1 million into the Legal Aid and Services Fund. The Legal Aid and Services Fund was created by the Legislature in 1997 to make up for shortfalls in federal funding for legal services. In 1996, legal aid funding on the federal level was cut dramatically, and the state...the Legislature thoughtfully stepped in and created a court filing fee, which then fed into the Legal Aid and Services Fund. And in 2002, that filing fee was increased. It's \$5.25 per civil case filed. And, unfortunately, due to the economy, the Commission on Public Advocacy, which administers these funds, has fallen short every year for the past three years in meeting their grant allocation. So they decide every year who's going to get what portion of that fund, so it's a competitive process. Legal Aid typically gets about 60 to 65 percent of those funds. And so they say, well, you're going to get this much, and it's been running short. And, as a matter of fact, in January and February, if you were to spread that out over the year, they'd be about \$150,000 to \$200,000 short this year. In addition to that, Legal Aid is weathering other funding issues. Federal funding was cut again in 2012, between 2011 and 2012, by about 18 percent. And, in addition, those who are attorneys know about the Interest on Lawyers Trust Account fund, and that fund reached its peak in 2007, in terms of the grants to Legal Aid of Nebraska, and we got about half a million dollars from that fund. And by 2011 that was down to \$42,000. It was about the same in 2012; looks like it's going to be about \$50,000 this year. So a lot of the funding sources for free legal aid to the poor in this state are going down. We are struggling to make up for those shortfalls through private fund-raising and contracts and government grants, etcetera, but it's tough. And what we want to do is continue to provide free legal services for those that are struggling--veterans, victims of domestic violence, and especially those who are facing housing issues as the result of the economic downturn. And so I ask you, please do

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support this bill because of...it's transfer to the Legal Aid and Services Fund. It's...all that money goes directly to free legal services, and that's it. My statement says everything else. [LB286]

SENATOR MELLO: Thank you, Mr. Pantos. Any questions? Senator Nelson. [LB286]

SENATOR NELSON: I missed who it is that you are getting cut short with \$150,000 to \$175,000 this year. What...you've said that a group that administers some funds? [LB286]

DAVE PANTOS: Sure. The Legal Aid and Services Fund, which is the fund that Senator Conrad's bill would transfer funds into. [LB286]

SENATOR NELSON: Okay. [LB286]

DAVE PANTOS: So it's that thing. That has been coming up short every year to a smaller amount, but this year it's getting worse. I think part of it is just driven by the lack of court filings, which is a result of lower economic activity. I think also more and more people are qualifying for in forma pauperis in filing fees, so they're not having to pay filing fees. So, for whatever reason, that funding is coming short, so this would replenish that fund. [LB286]

SENATOR NELSON: That money is coming out of court fees, is that... [LB286]

DAVE PANTOS: That's correct. [LB286]

SENATOR NELSON: All right. So that's separate and apart from what we have here today. This is \$1 million, or I don't know...if I understand you correctly, this is a separate fund that we're talking about here, right? [LB286]

DAVE PANTOS: The Legal Aid and Services Fund is funded primarily by court fees. This...the proposal is to transfer, from the Cash Reserve Fund, money from the settlement into that same fund. [LB286]

SENATOR NELSON: To the same fund. [LB286]

DAVE PANTOS: Um-hum. [LB286]

SENATOR NELSON: All right. [LB286]

DAVE PANTOS: It's called the Legal Aid and Services Fund. [LB286]

SENATOR NELSON: And what...how much are you anticipating that you would like to

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get then, the total amount? [LB286]

DAVE PANTOS: You mean Legal Aid of Nebraska? [LB286]

SENATOR NELSON: Yes. [LB286]

DAVE PANTOS: Well, you know, I think it's up to the Commission on Public Advocacy to decide where that money is best served... [LB286]

SENATOR NELSON: That's what's... [LB286]

DAVE PANTOS: Yeah. [LB286]

SENATOR NELSON: That's the Commission on Public Advocacy. [LB286]

DAVE PANTOS: Yeah. [LB286]

SENATOR NELSON: And they get funds of their own, right? [LB286]

DAVE PANTOS: Right. [LB286]

SENATOR NELSON: So it's channeled through them? Is that the way this works then? [LB286]

DAVE PANTOS: Yeah. They have a board that meets and decides on the grants, and they review all of our reports. We have to do reporting on our outcomes. So it's not just...they don't just send us the cash. [LB286]

SENATOR NELSON: Okay. [LB286]

DAVE PANTOS: I mean, we have to do a competitive grant process and all that, so it would be up to them to administer those funds. It would not go to indigent criminal defense or anything like that. It would go directly to free legal services for the poor. [LB286]

SENATOR NELSON: What percentage of your total output from your staff of 29 and your attorneys...I...you have 2 attorneys that do nothing but housing counseling in this area? [LB286]

DAVE PANTOS: They are...we have two attorneys that are HECM certified, so they can do reverse mortgages and things like that. [LB286]

SENATOR NELSON: But are they occupied full time then? [LB286]

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DAVE PANTOS: No, they do other services as well. [LB286]

SENATOR NELSON: Okay. [LB286]

DAVE PANTOS: But, yeah, we have, statewide, a staff of just under 70 people that provide legal services and, as stated in my statement, many of them provide housing counseling as part of the legal services package we offer to people who have housing issues. And, frankly, sometimes it comes up in domestic violence situations, where a woman is facing severe housing issues because they're fleeing an abuser and they don't know where to go. So that will be a service that we provide as well for those folks. [LB286]

SENATOR NELSON: So on page 2 of your handout here, in the second paragraph, you collaborate extensively with a whole list of other groups there. Are those...those are referrals that you receive from them? Is that what the collaboration is? [LB286]

DAVE PANTOS: Referrals we receive. We also sometimes go on-site to those places and provide direct legal services and clinics. We'll do outreach where we'll teach people about their legal rights. We go to senior centers to teach seniors about their legal rights, and some of that involves housing counseling as well. So, yeah, this is just a representative sample but not an exclusive sample. [LB286]

SENATOR NELSON: Um-hum. All right, thank you very much. [LB286]

DAVE PANTOS: Thanks, Senator Nelson. [LB286]

SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: Thank you very much for coming out today. [LB286]

DAVE PANTOS: I'm just going to brace myself. [LB286]

SENATOR KINTNER: (Laugh) Do you just represent people, or do you initiate lawsuits? [LB286]

DAVE PANTOS: We...well, sometimes when you represent people that's part of it. Do you mean what kind of cases do we do? [LB286]

SENATOR KINTNER: I mean do you just advise people? [LB286]

DAVE PANTOS: Oh, okay. [LB286]

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SENATOR KINTNER: Or are you, on behalf of people, suing somebody? [LB286]

DAVE PANTOS: We do represent people in court. About 40 percent of our cases are family law cases, so we're typically representing women or victims of domestic violence, helping them get a divorce, child support, child custody. A fair amount of our cases are bankruptcies, so we're doing 341s, that kind of thing. We'll do a fair amount of landlord-tenant work, so we're representing folks who are facing eviction. We represent a lot of people with their public benefits. So if someone is receiving Social Security, disability, or SSI disability and they get kicked off and they're like, wow, I don't have any income and I'm still disabled, we'll help them as well. So we do a little bit of special education work, not too much right now. And, you know, we try to focus on family security, family safety, income maintenance, shelter maintenance, and those are the tools at our disposal. We don't do workers' comp. We don't do personal injury. We don't do medical malpractice. We don't do class actions. We don't do any criminal work, except in tribal court, and...yeah. I could go on. I mean, we do a lot of great stuff though. [LB286]

SENATOR KINTNER: Well, thank you very much. Appreciate it. [LB286]

DAVE PANTOS: Thank you. Thanks. [LB286]

SENATOR MELLO: Any further questions? Seeing none, thank you, Dave. [LB286]

DAVE PANTOS: Thank you very much, everyone. [LB286]

SENATOR MELLO: Next proponent. Welcome. [LB286]

JANE SCHOENIKE: (Exhibit 13) Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is Jane Schoenike, that's spelled S-c-h-o-e-n-i-k-e, and I'm the executive director of the Nebraska State Bar Association. And I appear today in support of LB286, particularly that portion that would transfer additional funding to the Legal Aid and Services Fund. The Nebraska State Bar Association has provided direct civil legal services to low-income Nebraskans since 1985. Robert Spire created the Volunteer Lawyers Project to organize and support local attorneys in providing pro bono legal services to low-income Nebraskans. Since that time, thousands of clients have been represented at no charge or provided with advice on domestic relations, guardianships, landlord-tenant issues, and bankruptcy. However, even with the coordinated efforts of Legal Aid of Nebraska, the state bar, our two law schools, and specialized programs on domestic violence, we together are only able to serve approximately 15 percent of the Nebraskans who would qualify for free legal assistance. Over the past 30 years, the need for civil legal assistance to the poor has grown significantly. Funding for many of our legal assistance programs has declined on both the state and national level. And Dave Pantos gave you the example of what's been

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happening to the Legal Services Corporation (sic) Fund. The NSBA has also tried to replace funding with charitable contributions, grants, and through recruiting lawyers to volunteer at the NSBA's courthouse self-help centers. The bar association is conducting self-help centers in Douglas, Lancaster, Hall, Buffalo, and Madison Counties, and we may soon be out in Scotts Bluff. These centers are staffed by local lawyers who volunteer their time and expertise to assist pro se litigants, most of these unable to hire an attorney. We would appreciate any additional funding that you can provide. Support of the Volunteer Lawyers Project could be leveraged for additional...through the additional funding and, hopefully, allow more of our difficult cases, like those involving allegations of domestic abuse, to be placed through our project. I have provided you with a copy of our letter of support. We thank Senator Conrad for introducing this legislation, and we urge you to approve LB286. Thank you. [LB286]

SENATOR MELLO: Thank you, Jane. Are there any questions? Senator Larson. [LB286]

SENATOR LARSON: How much did the bar provide in terms of...or how much did it spend to offer free legal advice or help last year? [LB286]

JANE SCHOENIKE: The budget for our Volunteer Lawyers Project is about \$375,000 a year. [LB286]

SENATOR LARSON: How many members are on...in the bar? [LB286]

JANE SCHOENIKE: There are 9,000 total, 3,000 inactive and 6,000 active. [LB286]

SENATOR LARSON: 9,000. [LB286]

JANE SCHOENIKE: Yeah. [LB286]

SENATOR LARSON: Okay, thank you. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

SENATOR NELSON: Well, I have a question. The Volunteer Lawyers Project,... [LB286]

JANE SCHOENIKE: Um-hum. [LB286]

SENATOR NELSON: ...those lawyers serve free of charge. [LB286]

JANE SCHOENIKE: That's correct. [LB286]

SENATOR NELSON: So the \$375,000 goes for what then? [LB286]

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JANE SCHOENIKE: Part of that we have a large fund that is used--it's about...I want to say it's about \$250,000 of that \$300,000--that goes to pay lawyers to take these really difficult divorce cases where there's allegations of abuse. And they're paid \$50 an hour, and that's through a special grant from the Legal Aid and Services Fund. The rest is administration. [LB286]

SENATOR NELSON: What...you're handling how many divorces? I mean,... [LB286]

JANE SCHOENIKE: Well, we place...about 80 percent of the caseload that we get is divorce, and we do direct representation of about 600 clients a year, and then we see several thousand through our self-help centers. [LB286]

SENATOR NELSON: Most of those costs are generally awarded against the husband, regardless of who files. So why is it necessary for us to get involved in divorce cases in general? And I'm sure there are many that are, you know, that serious or that difficult to work with. It's mainly a matter, according to my experience, of working out a parenting plan and also a division of property if there is any property. And then 90 percent of the time the costs of support and alimony are awarded or adjudged against the husband. [LB286]

JANE SCHOENIKE: Well, I think it's fair to say that these are both low-income clients. This is a family that doesn't have resources. And that cost can be awarded, but that doesn't mean there is going to be any resources there to pay for that. It isn't a situation where it's, you know, whoever files the divorce gets paid. [LB286]

SENATOR NELSON: Um-hum. [LB286]

JANE SCHOENIKE: There's no money usually changing hands, and we're just very happy if we can get child support. [LB286]

SENATOR NELSON: Um-hum. Thank you. [LB286]

SENATOR MELLO: Senator Larson. [LB286]

SENATOR LARSON: How much are bar fees? [LB286]

JANE SCHOENIKE: Dues are \$275 a year. [LB286]

SENATOR LARSON: For active members? [LB286]

JANE SCHOENIKE: For active members over five years. [LB286]

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SENATOR LARSON: All right, and nonactive members? [LB286]

JANE SCHOENIKE: It's \$120, I believe. [LB286]

SENATOR LARSON: And those are mandatory right now, correct? [LB286]

JANE SCHOENIKE: Yes. [LB286]

SENATOR LARSON: What...and maybe I'm going about it in an odd way. They have...I mean, the majority of our members have absolutely no say in terms of how their...those mandatory fees are spent unless they're on the board or the council or anything of that...like, within the board of the bar, correct? [LB286]

JANE SCHOENIKE: No, I wouldn't say that was true. I think our house of delegates...the association is governed by a body of 90 lawyers from all across the state. Each one of the members of the house is representing 60 lawyers, so they have constant communication back and forth on what the programs of the bar association are. The house approves our budget every year and our annual plan, which lines out everything that we do, and that all has to be approved by our board. [LB286]

SENATOR LARSON: So the 90...90 are in your house of delegates, and they represent 60 lawyers each. That's 5,400 lawyers. [LB286]

JANE SCHOENIKE: Um-hum. Those are in-state, active. [LB286]

SENATOR LARSON: And so the nonactive ones don't have any... [LB286]

JANE SCHOENIKE: They don't have seats in house, no. [LB286]

SENATOR LARSON: ...representation for their \$130 a year? [LB286]

JANE SCHOENIKE: Well, they're eligible to become active. [LB286]

SENATOR LARSON: (Laugh) But they have...but it... [LB286]

JANE SCHOENIKE: You're not able to practice. Well, that's... [LB286]

SENATOR LARSON: But they have to pay, nonetheless, and... [LB286]

JANE SCHOENIKE: Well, they do, but that's by Supreme Court rule. [LB286]

SENATOR LARSON: Okay, I appreciate that. Thank you. [LB286]

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SENATOR MELLO: Senator Kintner. [LB286]

SENATOR KINTNER: Jane, thank you for coming out today. [LB286]

JANE SCHOENIKE: Sure. [LB286]

SENATOR KINTNER: Appreciate it. I got the pro bono stuff. Okay, I like that. That's nice. But how do you jump over to asking the taxpayers to throw some money in the kitty and do it too? Where...it's...tell me the reasoning that takes you down that road. [LB286]

JANE SCHOENIKE: Well, I think it's certainly fair to say that if you can maintain a family in a home or an apartment, if you can get child support for a mother who has children, if you can keep individuals away from difficult situations with creditors, that ultimately is going to save taxpayers more money than it would cost you to provide the free legal representation. I think it's very important for us all to understand that these are the daily difficult parts of life. When we have folks who come to see us, either at the bar association or in these self-help centers, they're in crisis. This is not something where they either planned or really could probably do much to avoid a particularly difficult situation. And so what we are trying to do is maintain the best possible result for those individuals and that we can get them back on their feet and can become productive members. [LB286]

SENATOR KINTNER: You know, everyone who wants money says, boy, if we just spend a little money up-front, we're going to save money over here. I would submit to you, if you look at California, they've saved their way right into bankruptcy by spending money to save money, so you've got to watch when you do that. But I do appreciate you being here. Thank you very much for answering my question. [LB286]

JANE SCHOENIKE: Sure. [LB286]

SENATOR MELLO: Senator Larson. [LB286]

SENATOR LARSON: I understand the argument. And again, maybe I'm on another track, and I think you can see that, of, you know, that you want to help these people because it could cost the state later down the road. Does the bar association have a waiver system for those that cannot afford their dues or even nonactive dues? [LB286]

JANE SCHOENIKE: The Supreme Court does not have a waiver provision in its rules. We have...there is a... [LB286]

SENATOR LARSON: So if you're...so if someone that would like to maybe practice law in the future but become...you know, cannot afford to pay their...even if they're inactive

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currently but can't afford to pay their dues, they essentially would lose? You get the point that I'm trying to move? [LB286]

JANE SCHOENIKE: Well, what you...I mean, if you... [LB286]

SENATOR LARSON: I mean, you're sitting here saying...and I'm making a different point, and I know I'm off the bill. [LB286]

JANE SCHOENIKE: What you can do, if you... [LB286]

SENATOR LARSON: But I think you have an issue. (Laugh) [LB286]

JANE SCHOENIKE: Senator, what you can do is resign, and then you can apply to the Supreme Court to be readmitted. Now, in some situations, you may have to take the bar exam again. I think most lawyers would say that \$120 a month is worth never having to sit through the bar again. But you can resign and be readmitted by leave of the Supreme Court, so it's a member's choice to continue to be an inactive member of the bar. You're not forced to. [LB286]

SENATOR LARSON: Oh, no, no, you're not forced to, but are there...I'm just saying if you want to bring in, you know, low-income, maybe that's something that...obviously I'm getting to the point of maybe I don't like the mandatory bar fees, and you're sitting right here in front of me asking for assistance to help the bar, you know, have more money to do this program. And I would have just issues with the bar in general. And I'm not a lawyer, so I don't pay bar fees. But just the concept in general...and you continue to...I sat in Judiciary for two years and heard these same arguments over and over. So I appreciate you coming in. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

SENATOR NELSON: One question: Do you provide counseling for these lawyers who can't afford to pay their dues? [LB286]

JANE SCHOENIKE: Do I provide counseling? (Laugh) [LB286]

SENATOR NELSON: You know, financial counseling if...for those lawyers who can't... [LB286]

JANE SCHOENIKE: We do have a Nebraska Lawyers Assistance Program, which will help lawyers through many different difficulties in their practice. [LB286]

SENATOR NELSON: So that's available to them. [LB286]

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JANE SCHOENIKE: That is available. [LB286]

SENATOR NELSON: Okay. Thank you. [LB286]

SENATOR MELLO: Seeing no further questions, thank you, Jane. [LB286]

JANE SCHOENIKE: Thank you. [LB286]

SENATOR MELLO: Are there any other proponents? Seeing none. The committee did receive a letter from the Homebuilders Association of Lincoln, the Metropolitan Omaha Builders Association, and the Nebraska Realtors Association in support of LB286. (Exhibit 5) Any opponents? Seeing none, are there any testifiers in the neutral capacity? Welcome. [LB286]

JAMES MOWBRAY: Senator Mello, members of the committee, my name is Jim Mowbray, M-o-w-b-r-a-y. I'm here in a neutral position as chief counsel for the Nebraska Commission on Public Advocacy, and I...Senator Nelson had some questions that I was sitting back in my office and I thought I'd better maybe come here and assist. We do manage the fund where the commission, which is made up of nine attorneys, are the ones that determine how much money is given annually. What I think Mr. Pantos was referring to when you were talking about a shortfall is we try to anticipate how many filings there will be every year and then multiply that times \$5.25 to determine what we think will...what the revenue will come in. And, by statute, our statute requires us that, at the end of the year, that that fund have no money left in it. So we try to basically, obviously, spend every dime that comes into that fund through passing it through to the legal service providers. The last three years, filings have been down each year. I attribute it to two things--well, actually, one thing--and that's the price of gas, which I think people are driving less and they're driving slower. If they're driving slower, they're receiving fewer tickets, thus...I'd say probably 90 percent of the filings are either traffic or misdemeanor, and I would say probably 90 percent of that is traffic. So if people are driving less or driving slower, there are going to be fewer filings, which means there's fewer...there's less revenue. So each year we've tried to anticipate and have reduced the amount of money that we awarded out in grants, but we still haven't been able to, every month, meet...at least our...the amount that we had hoped would come in, and we haven't been able to do that. So the revenue has gone down the last three years, and so this \$1 million that Senator Conrad is proposing then as part of LB286 would certainly help not only make up for what we haven't been able to provide in the last three years, but hopefully give some of these providers a boost. Having, every year, sat through...all of the providers do come every year, annually, and speak to the commission as to what their goals are, what they have achieved, and what they hope to achieve. And I think if any one of these...any of you would ever like to come in and sit in on that annually, I'd be happy to invite you, because I think you would be overwhelmingly impressed. When you talk about tax dollars and how well they're being

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spent and the amount of people that are being served and communities that are being served by these few dollars, I think you'd be very impressed and realize that these civil legal service providers that are providing these services to low-income people not only do it well, but they do it very effectively and very inexpensively. So these dollars go a long ways in helping the poor in Nebraska. So if you have any questions, I'd be happy to answer them, but that's why I'm here. [LB286]

SENATOR MELLO: Thank you, Jim. Are there any questions? [LB286]

SENATOR NELSON: Yeah. [LB286]

SENATOR MELLO: Senator Larson. [LB286]

SENATOR LARSON: This is a different \$3 than what you guys... [LB286]

JAMES MOWBRAY: Yes, yes, this is entirely different. [LB286]

SENATOR LARSON: Okay. How...and you guys determine the grant, and how much is it again? [LB286]

JAMES MOWBRAY: This year I think we were awarded about \$2.2 million. [LB286]

SENATOR LARSON: How much is it each ticket? [LB286]

JAMES MOWBRAY: Oh, it's \$5.25. It's not...it isn't for every filing, but I would say it's almost every filing. Like small claims, I don't believe there is a filing that they...they don't have to pay that, and there may be a couple other...but, generally speaking,... [LB286]

SENATOR LARSON: For the most part, generally... [LB286]

JAMES MOWBRAY: For the most part, yes. [LB286]

SENATOR LARSON: ...it's \$5.25. And why is it...and I don't know the legislative history. Why is it through the Commission on Public Advocacy, or where was it before? I know you...when was the commission created? [LB286]

JAMES MOWBRAY: Yeah, I was...yeah, I've been there ever...it...they gave it...they put it in our office because they felt--i.e., the Legislature, I should say--that because the commission is made up of commissioners that are all lawyers, that are all lawyers who have, you know, either...are obviously practicing but have practiced and done pro bono work, have done criminal defense work, those kinds of things, that they felt like they would be best suited to determine what providers should get it and what type of services should be receiving it, and that's how the commission was given that task. Now we don't

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charge anything. I don't...there's nothing of our expenses that we...that the...in other words, every dollar that goes into that fund passes through. We don't take anything, even for operating expenses, out of that money. [LB286]

SENATOR LARSON: What is the...since...and you guys award it. So is there a breakdown geographically that you have or try to keep to or how is that money awarded? [LB286]

JAMES MOWBRAY: Well, it's awarded based on...by grant application as to what services are they seeking, who are they representing, where do they represent them. And I would say, yeah, it's pretty much statewide. Of course, as Mr. Pantos indicated, Legal Aid gets the majority of the funds, and of course they are clearly statewide. But we provide money to providers all over the state, everywhere. [LB286]

SENATOR LARSON: Okay. All right, thank you. [LB286]

SENATOR MELLO: Senator Nelson. [LB286]

SENATOR NELSON: Thank you. Thank you for coming down and taking the time. [LB286]

JAMES MOWBRAY: Sure. [LB286]

SENATOR NELSON: I guess the question I would have...when the Chief Justice comes before us and the judges and they keep telling us that the filings and the caseloads are increasing and they need more judges, and then you come here today and say that there have been less filings for the last three years, so... [LB286]

JAMES MOWBRAY: There have been and, as I say, it's primarily focused on traffic. And, of course, there, most of those are all paid for by waiver, so you don't need a judge, you know, or... [LB286]

SENATOR NELSON: Um-hum. [LB286]

JAMES MOWBRAY: It doesn't really, I don't think, affect the caseload of the courts, traffic tickets do, to much degree. That's really...where most of that money comes from is traffic tickets. And when I look at the filings, that's where I see the decrease coming, not in the number of civil cases that are being filed or anything like that. It's primarily the huge amount of misdemeanor traffic cases. [LB286]

SENATOR NELSON: Okay, so it's not out of tickets that are paid, the \$16, so you can stay out of court or if you don't contest it. It's if it's filed, if it's filed with the prosecutor or somebody, then that's where your \$5.25 comes. [LB286]

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JAMES MOWBRAY: Yes, including people who pay it by waiver, yes. [LB286]

SENATOR NELSON: Okay. All right, thank you. [LB286]

JAMES MOWBRAY: Yeah. [LB286]

SENATOR MELLO: Seeing no further...oh, Senator Kintner. [LB286]

SENATOR KINTNER: Jim, what office are you in? I'm sorry, I didn't... [LB286]

JAMES MOWBRAY: It's the Nebraska Commission on Public Advocacy. [LB286]

SENATOR KINTNER: Okay, then I just want to say thanks for coming down and explaining some stuff too. [LB286]

JAMES MOWBRAY: You bet. [LB286]

SENATOR KINTNER: I appreciate that. [LB286]

JAMES MOWBRAY: Okay. [LB286]

SENATOR KINTNER: That's all I've got. [LB286]

SENATOR MELLO: See no further questions, thank you. [LB286]

JAMES MOWBRAY: Thank you. [LB286]

SENATOR MELLO: Any further neutral testimony? Seeing none, Senator Conrad, would you like to close? [LB286]

SENATOR CONRAD: Yes, please, briefly. Senator Mello, members of the committee, thank you for a robust hearing and discussion this afternoon on many important topics. I do want to, just briefly, reiterate a few points and clarify a few points for the record and for committee members so that we're all on the same page looking at these issues moving forward. These are not taxpayer dollars that I am talking about in this legislation. Let's be 100 percent clear about that philosophically. This legislation represents, on essentially a cy-pres sort of theory, utilization of private settlement funds provided by large banks due to a voluntary settlement agreement entered into with 49 states, the federal government, etcetera, etcetera, etcetera. This captures the portion that Nebraska has received and puts it into well-established programs that have long enjoyed broad bipartisan support, because access to justice, Senator Larson, is not just the responsibility of lawyers but the responsibility of all of us. Affordable housing is

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about stable families and about stable neighborhoods and about stable communities, which increases the stability of our great state. And I did have a chance to double-check the numbers, and I apologize. I was inaccurate in my opening. For every \$1 we invest in the Affordable Housing Trust Fund, we see a \$3 to \$1 direct return and a total of \$10 to \$1 in terms of direct and indirect total economic development return. So, as you've heard today--and these are DED's numbers--the record demonstrates that these well-established programs do indeed provide a great value to the Nebraska taxpayer. That being said, I think that I would encourage the committee to give favorable consideration to this legislation because it represents critical funding needed for public-private partnerships that really work and that really improve people's lives, which is what we're all here to do. Thank you. [LB286]

SENATOR MELLO: Thank you, Senator Conrad. Are there any questions? Senator Kintner. [LB286]

SENATOR KINTNER: I would respectfully disagree that our tax... [LB286]

SENATOR CONRAD: I would expect nothing other. [LB286]

SENATOR KINTNER: If they're not taxpayers' money, I can't figure out whose money it is. Absolutely, it's taxpayers' money. [LB286]

SENATOR CONRAD: Senator Kintner, if you look at the information that I supplied to this committee from NCSL, this is part of a settlement that was paid for by large institutions. These are not tax dollars. These are the five largest banks said, we're going to put this money into a settlement that we're providing the money--it's private dollars, it's not taxpayer dollars--to address some of the issues that came with the housing bubble and related practices that contributed to an economic crisis for Nebraska and our country. [LB286]

SENATOR KINTNER: Well, once it enters into our bank account, it is the property of the taxpayers, and we are...we only have the authority to spend taxpayer money. We can't spend anyone else's money, so, yes, I think it is taxpayer money. With that being said,... [LB286]

SENATOR CONRAD: I think... [LB286]

SENATOR KINTNER: ...there are certainly some merits to this. And I'm not saying I oppose everything here. I... [LB286]

SENATOR CONRAD: Absolutely. [LB286]

SENATOR KINTNER: So I don't want you to think that I don't dislike...that I dislike the

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bill. [LB286]

SENATOR CONRAD: Absolutely. [LB286]

SENATOR KINTNER: But I don't want us to start thinking this isn't taxpayer money because we're only allowed to spend taxpayer money. [LB286]

SENATOR CONRAD: Senator Kintner, you're right. There...it did not originate as taxpayer dollars. It is now taxpayer dollars, so that's why it is before us. Thank you for that great distinction. [LB286]

SENATOR MELLO: Any further questions? Seeing none, that ends our hearing on LB286. (See also Exhibit 14) That would lead us to our last bill hearing of the day, LB629, with Senator Conrad. [LB286]

SENATOR CONRAD: (Exhibit 15) Good afternoon. (Laughter) Senator Mello, members of the committee, my name is Danielle Conrad, that's D-a-n-i-e-l-l-e, Danyell (phonetically), not Danel (phonetically)--even though we're spelled the same we have a different pronunciation than previous testifiers--representing the "Fighting 46th" Legislative District of north Lincoln, here today to introduce LB629. LB629 simply requires the Governor, as part of his biennial budget submission, to include information on tax incentives, including the number and type of jobs created, the average wage and benefits per job, and his recommendation on whether or not to continue, modify, or terminate such incentives. I introduced this bill as a consideration on increasing transparency on business tax incentives and to make information available, via the budget process, to essentially put these massive spending programs on budget and on par with other state expenditures. Also, this legislation is specifically pertinent in relation to the recent Legislative Performance Audit Committee's report finding that, quote, although the Revenue Department is technically complying with the statutory requirement that it provides recommendations to the Legislature regarding incentives that should be eliminated or limited, it may not be meeting the spirit of the requirement by always having no recommendation. This response potentially deprives the Legislature of useful information. At the same time, the requirement itself is problematic and it may be unrealistic to expect such policy recommendations from the Department of Revenue staff whose responsibility is program administration, not policy development. The report goes on, Senator Harms, who is very familiar, as Chair of that committee, to provide a solution, a solution-oriented approach to how we look at these programs moving forward. I've brought an amendment to this legislation today that further clarifies the bill and it lays out more specifics for the Governor in including this information as part of the biennial budget proposal and using existing information that the department already compiles in putting together its budgetary recommendations. So I'd be happy to answer any questions. Thank you. [LB629]

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SENATOR MELLO: Thank you, Senator Conrad. Are there any questions? [LB629]

SENATOR NELSON: Do you have a copy of the amendment? [LB629]

SENATOR MELLO: Senator Conrad, do you have a copy of the amendment? [LB629]

SENATOR CONRAD: I'm just grabbing it here. I don't know if we have enough but we'll ask the page to make some. [LB629]

SENATOR MELLO: We will ask if Jacob will go make copies of that amendment, provide that to the committee. [LB629]

SENATOR CONRAD: And in its essence, it's very brief. But what the amendment does is it directs the Governor, if this committee were to move forward on this legislation, to utilize existing resources and information the Department of Revenue already compiles, so rather than having to start from scratch. That's really what the amendment does, but we'll bring a copy around for everybody. I apologize we didn't have that in advance. [LB629]

SENATOR MELLO: I have a quick question, I guess, that to some extent we'll wait till...to see the amendment. But under current statute, in Section 81-125, it says that the summary of the tax expenditure report pursuant...prepared pursuant to the Tax Expenditure Reporting Act shall be included with or appended to the budget presented to the Legislature. [LB629]

SENATOR CONRAD: That's right. [LB629]

SENATOR MELLO: That language isn't changed in your amendment, correct? [LB629]

SENATOR CONRAD: That's right. [LB629]

SENATOR MELLO: So that, in theory, should already be occurring. [LB629]

SENATOR CONRAD: And it's my understand...you're right, Senator Mello. And it's my understanding that this Tax Expenditure Reporting Act and the relevant report that emanates therefrom does in fact exist and is published by the Department of Administrative Services or Revenue, Department of Revenue. [LB629]

SENATOR MELLO: Revenue. [LB629]

SENATOR CONRAD: I apologize. Thank you to the fiscal analyst for that correction. It is presented biennially but not in conjunction necessarily with the existing gubernatorial budget process. So I think that it is contemplated in existing statute, a process like the

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one I'm talking about today, and this would kind of help to bring it all together and on par. [LB629]

SENATOR MELLO: But to some extent, I understand in the sense of...and I've wanted to follow up with the Fiscal Office prior to, to make sure that I was correct. They do present a report but it's not... [LB629]

SENATOR CONRAD: That's right. [LB629]

SENATOR MELLO: ...it's not part of the budget, thus, it's tax expenditures that really we don't consider as an Appropriations Committee or as a Legislature as actual spending items that are done through the revenue side of the house, correct? I mean with it... [LB629]

SENATOR CONRAD: That's right. I think it is directed to the Revenue Committee and they utilize it for their considerations before that committee, but it is of course widely available to any member of the Legislature. So I think that the current law does contemplate at least how important this information is and my legislation seeks to synthesize that and really bring that full circle and ensure it's part of a full budgetary review. [LB629]

SENATOR MELLO: Okay. Thank you. Senator Harms. [LB629]

SENATOR HARMS: Thank you very much, Senator Conrad, for bringing this forward. As you know, we're actually asking the Revenue Committee to zero in on this and I think when they do their tax review... [LB629]

SENATOR CONRAD: Yes. [LB629]

SENATOR HARMS: ...and their tax study, this will be included in that actual review. Because I think one thing that we found was, when we went in there, there just wasn't any benchmarks. [LB629]

SENATOR CONRAD: Right. [LB629]

SENATOR HARMS: There's no way for us to evaluate whether or not we're being successful or not being successful. We're spending millions and millions of dollars, but there's no way to determine what's taken place. And so I'm hoping that what will come out of this part of it or the portion that the Revenue Committee looks at, that we'll get another view, another...somebody else's eyes looking at it. It's not that we're against... [LB629]

SENATOR CONRAD: Absolutely. [LB629]

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SENATOR HARMS: ...economic development and the Advantage program. It's just to find a way that we can determine whether the money is being successfully used. And that's really what this study was about. And I'm assuming that's the same thing you're requesting here. [LB629]

SENATOR CONRAD: Absolutely. It's the exact same public policy consideration. It doesn't really assign a value judgment... [LB629]

SENATOR HARMS: No. [LB629]

SENATOR CONRAD: ...to the existing programs but, rather, says that looking at information our legislative performance auditors were able to compile, we have a little work to do to ensure we're being good stewards of the taxpayer dollars and we should try and improve transparency in that regard. And that's what this legislation is about. [LB629]

SENATOR HARMS: Yeah, I think the two will couple, will come together very nicely. One will be with whatever the Revenue Committee decides to do when they do their study, and then whatever happens out of this bill. There may be a close relationship to the two. [LB629]

SENATOR CONRAD: Right. And I think that it is fair, in reading the report and seeing how the Department of Revenue has implemented it. As a code agency and as an executive function, it's probably not a good fit for the Department of Revenue to make a policy recommendation about whether or not to continue these types of programs. So I can't necessarily fault them in that regard, in statutory design, how they're currently charged with that responsibility. It seems to me that it would make more sense, as part of the overall budget process, and to gain some insight from whoever sits in the chief executive's chair about how that fits in with our state's overall priorities and future. [LB629]

SENATOR MELLO: Senator Nelson. [LB629]

SENATOR NELSON: Thank you. Thank you, Danielle, just a question. I read the language here: ensure that the necessary information relative to number and type of jobs created and average wage and benefits is compiled. [LB629]

SENATOR CONRAD: That's right. [LB629]

SENATOR NELSON: Where will the Department of Revenue get that information? [LB629]

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SENATOR CONRAD: I think, with the exception of the benefits question which is flagged on your fiscal note, that information already exists and is put out in the annual report. The applicants to utilize those tax incentive programs provide that information to the department. [LB629]

SENATOR NELSON: They have to... [LB629]

SENATOR CONRAD: That's right. [LB629]

SENATOR NELSON: ...once a year or something they'll... [LB629]

SENATOR CONRAD: They provide an annual report to the Legislature and it's a lot of good information up on their Web site, but with the exception of the benefits piece, which I don't know, I think there's some disagreement there about whether or not they can evaluate that. The other information is already reportable under existing law. [LB629]

SENATOR NELSON: And this doesn't cover other jobs that come into being as a result of this company, I mean outside the company. [LB629]

SENATOR CONRAD: In terms of indirect benefits, it may not. [LB629]

SENATOR NELSON: Yeah. Okay. Thank you. [LB629]

SENATOR MELLO: Senator Harms. [LB629]

SENATOR HARMS: The difference is that when someone makes application for these funds and they approve the funds, when you go in to evaluate it and what our auditors found when they went in to measure whether or not we were being successful, the only thing you can measure is what is done. [LB629]

SENATOR CONRAD: Right. [LB629]

SENATOR HARMS: So in that whole cycle they may say, we're going to have 300 new jobs, but when we went in and did that evaluation, they might have only had 130. So there has to be a continuation on that review to make sure that they've reached the actual number. That's when you start to see whether or not you're being successful or not. [LB629]

SENATOR CONRAD: Right. [LB629]

SENATOR MELLO: Senator Kintner. [LB629]

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SENATOR KINTNER: It is a fine line between incentive and corporate welfare, or is it a far-gapping distance between the two? [LB629]

SENATOR CONRAD: I think that's a great question and I think it's a subjective question that probably would necessitate a subjective response. I think that there are worthy economic development programs that government should engage in to benefit our state. I think that you will find people who disagree with that philosophy. [LB629]

SENATOR KINTNER: Yeah. You and I are probably pretty close on this issue. I dislike corporate welfare as much as I like other kinds of welfare that subsidizes bad behavior. So okay, thank you very much. I appreciate that. [LB629]

SENATOR CONRAD: Very good. Thank you, Senator. [LB629]

SENATOR MELLO: Any other questions? Senator Conrad, just in relation...and I thought I heard you say it, but the one...looking at your amendment here real quick, you would be amenable working with the committee in regard to trying to defined and/or work out that benefits... [LB629]

SENATOR CONRAD: Absolutely. [LB629]

SENATOR MELLO: ...component that was laid out, not in the Legislative Fiscal Office's fiscal note but the Department of Administrative Services Budget Division fiscal note that raised a technical note concern, so to speak. [LB629]

SENATOR CONRAD: Absolutely. [LB629]

SENATOR MELLO: If you...okay. [LB629]

SENATOR CONRAD: I think the important thing to take from the fiscal note generated by our Fiscal Office and weighed in by the executive branch is there's really no cost... [LB629]

SENATOR MELLO: No.. [LB629]

SENATOR CONRAD: ...in pursuing this policy, but they did flag, I think, a legitimate issue in terms of the analysis that we can generate from existing statutory information and requirements that are reportable. [LB629]

SENATOR MELLO: Thank you. See no further questions. Any proponents? Good afternoon. [LB629]

RENEE FRY: (Exhibit 16) Good afternoon. Hello, Chairman Mello and members of the

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Appropriations Committee. My name is Renee Fry, spelled R-e-n-e-e F-r-y, and I'm the executive director of Open Sky Policy Institute, a nonpartisan organization focused on budget and tax policy in Nebraska. And I'm here to testify in support of LB629, which from what I can tell is one of three bills that have been introduced this year that would improve transparency and better-informed policy in regards to the state's tax incentive programs. I won't repeat some of this. Senator Conrad mentioned a couple things but, you know, Nebraska is not the only state that's trying to figure out how best to ensure that these programs are a good return on investment. In fact, there have been several national reports over the past year that have focused on the ballooning costs of tax incentive programs across the country, along with steps that can be taken to better evaluate these programs and ensure that they effectively and efficiently stimulate economic development. I do want to take a minute to highlight three, in particular. In April of 2012, the Pew Center on the States released a report called "Evidence Counts," finding that states spend billions of dollars annually on tax incentives for economic development but that half of the states have not taken basic steps to produce and connect policymakers with good evidence of whether these tools are delivering a strong return on taxpayer dollars. Nebraska actually was found to have a mixed results. Nebraska received points for reporting on all tax incentives and for attempting to measure economic impact, but we were criticized for failing to draw clear conclusions in those reports and because the reports are not informing policy choices. Nebraska was also called out for not making recommendations in its reports, as required by law. And Senator Conrad noted this and so did the Performance Audit Committee. So this would actually, the way that I see this, this provides a mechanism where you actually have those recommendations are being provided. A follow-up to the Pew report: In October the Institute on Taxation and Economic Policy issued a report called "Five Steps Toward a Better Tax Expenditure Debate," and they spelled out ways that states can require evidence-based reviews of tax expenditures designed to gauge their success. They also included examples of states employing best practices in each of these areas. Step number four of this report recommends that the Governor's budget include specific recommendations related to any tax expenditure, such as proposed in LB629. Four states have similar requirements and LB629 actually most closely represents Vermont's statutory requirement. Finally, the Pew released a follow-up to their report in December, called "Avoiding Blank Checks." They urge states to use both estimates of tax incentives plus annual spending limits to control costs. According to the Pew, regular evaluations of existing incentives are essential but not sufficient to prevent the unexpected costs that these policies can cause. Clear estimates and annual spending limits from the outset are the best approach to avoid unnecessary fiscal risk without sacrificing the economic returns of effective tax incentives. Between these reports, they recommend several steps to better evaluate the results of tax incentives. Those steps include the following: number one, you should include a specific explanation of what the tax expenditure is intended to achieve, as Senator Harms mentioned; number two, nonpartisan analysts should regularly evaluate tax expenditures based on how successful they have been in achieving their objectives, and should offer lawmakers

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recommendations for reform; number three, the Governor's budget should include specific recommendations related to tax expenditures, such as what you have in the bill before you today; number four, the Revenue Committee should hold public hearings following the release of the tax expenditure evaluations in order to receive testimony regarding the expenditures--this is what's being proposed in LB612 by Senator Schumacher; number five, tax expenditures should be scheduled to expire every five to ten years so that senators can vote on the expenditure again, in light of new evidence of its success or lack thereof, which Senator Conrad has introduced in LB627; number six, the process should be transparent and ensure that policymakers understand the budget implications of proposed incentives--again, that's covered by LB612 by Senator Schumacher; and number seven, the size of tax incentives should be managed by setting limits on their annual price tag. So we believe that LB629 is a great step toward a better policy debate over some very complex and important revenue issues. I would just like to point out again, as I said, this is a great opportunity to make sure that recommendations regarding these programs are being put forward since the Department of Revenue isn't in a position to do that right now. Also, LB612 I think illustrates these reports are put out for the general public, but there's no opportunity to have a hearing. So there's a real lack of understanding about what's entailed in those reports. Finally, we've been talking since we did our budget and tax primer about the number of exemptions, and this bill really contemplates both those exemptions and those incentives. And I think the Governor really illustrated in LB405 and LB406 that we're spending a lot of money in tax expenditures and we really don't have much dialogue about those. And so this is a really great opportunity, I think, to continue the dialogue that the Governor started that we would have that on a biennial basis and really be treating these expenditures more like appropriations. So thank you for your time and I'd be happy to answer any questions. [LB629]

SENATOR MELLO: Thank you, Ms. Fry. Are there any questions? Senator Kintner. [LB629]

SENATOR KINTNER: Good afternoon, Renee. How you doing? [LB629]

RENEE FRY: Hi. Great, thanks. [LB629]

SENATOR KINTNER: When I saw you sitting out there, I thought you were here a day early to testify against my bills tomorrow, so... [LB629]

RENEE FRY: (Laugh) I don't even know what those are, so... [LB629]

SENATOR KINTNER: You're up early I thought. Okay, maybe I'm wrong. Maybe you're not here to testify against my bills. But what's the purpose of your organization? How did it start and where? [LB629]

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RENEE FRY: Sure. [LB629]

SENATOR KINTNER: Tell me a little about your organization. [LB629]

RENEE FRY: Yeah. So we've been around since September of 2011, so we're still a relatively young organization. Last year was really the first year that we got engaged in policy. And so our purpose is to look at budget and tax policy and really to be a resource and provide data. So everything that we do is data driven. We're really all about process and making sure that we have good processes in place to get information out and have data accessible. [LB629]

SENATOR KINTNER: Yeah. The Platte Institute was here before you, and they are the free-market organization. They support the free market. Quite often you're on the other side of the aisle or of the table testifying against them or, you know, the other side of the issue, let's say. If they are the free-market organization, what's your organization? [LB629]

RENEE FRY: So first of all, I actually don't know if we've ever been on the other side of them. I don't... [LB629]

SENATOR KINTNER: Yeah, you have on my bill, when you testified against my bill, and they supported my bill... [LB629]

RENEE FRY: Oh, Okay. [LB629]

SENATOR KINTNER: ...on the retirement income. [LB629]

RENEE FRY: Okay. So that... [LB629]

SENATOR KINTNER: Yeah. [LB629]

RENEE FRY: ...so that would be the example. [LB629]

SENATOR LARSON: My bill too. [LB629]

SENATOR KINTNER: Yeah, there... [LB629]

RENEE FRY: Right. So really I don't see us as a counterpart at all to them. [LB629]

SENATOR KINTNER: Okay. [LB629]

RENEE FRY: Sometimes...I get that a lot... [LB629]

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SENATOR KINTNER: Okay. All right. [LB629]

RENEE FRY: ...and I don't get that sense at all. I mean I don't feel that way about their organization. But we really support...we want to look at how tax policies impact opportunities for all Nebraskans and that's our mission statement. So we really are very data driven. We want to look and see when there's a new proposal, example, for LB405, LB406, how does that impact Nebraskans. And so we look and look at the numbers and put that information out so people can make an informed decision about policies. [LB629]

SENATOR KINTNER: I don't...so I wasn't trying to put words in your mouth. So if they are the free-market group, what, in just a phrase, who are you? I mean they're free market; you're tax policy? [LB629]

RENEE FRY: We care about how, yeah, about how tax and budget policy impact Nebraskans at large. [LB629]

SENATOR KINTNER: You're the tax policy group. [LB629]

RENEE FRY: Yeah. [LB629]

SENATOR KINTNER: Okay, so I got a phrase for you. I call you the tax policy group. [LB629]

RENEE FRY: Yes. [LB629]

SENATOR KINTNER: Just out of curiosity, just so I know--... [LB629]

RENEE FRY: Yeah. [LB629]

SENATOR KINTNER: ...I haven't had a chance to talk to you, you haven't been in to talk to me yet--where do you get your funding? [LB629]

RENEE FRY: So we have support from family organizations and I think over 50 individuals from across the state, so we have a pretty wide base of funding from Nebraskans. [LB629]

SENATOR KINTNER: Sounds good to me. Thank you very much for coming out. Appreciate it. [LB629]

RENEE FRY: Thank you. Thanks. [LB629]

SENATOR MELLO: Any further questions? Seeing none, thank you, Renee. [LB629]

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RENEE FRY: Thank you. [LB629]

SENATOR MELLO: Any further proponents for LB629? Seeing none, are there any opponents for LB629? Seeing no opponents, are there any testifiers wishing to testify in the neutral capacity? Seeing none, Senator Conrad, would you like to close? [LB629]

SENATOR CONRAD: Thank you. Just to be brief, I did receive some information from Director Oligmueller that in fact the tax expenditure report that we discussed earlier during my opening and as contemplated in the statute does exist on the Budget Division Web site and is currently linked to the Governor's budget. So really, again, what this legislation contemplates is in some ways already a part of existing law, but this would really strengthen and improve that cooperation and data for policymakers' consideration. [LB629]

SENATOR MELLO: Thank you, Senator Conrad. Senator Bolz. [LB629]

SENATOR CONRAD: Yes. [LB629]

SENATOR BOLZ: Just a brief question: I only think the best of Nebraska businesses and of businesses who would utilize our incentive programs. But the economy isn't always predictable and it seems to me that there might be some circumstances in the future in the life of this bill where clawback provisions might be necessary. To your knowledge, is there any other mechanism currently in place that would allow for a clawback if that was appropriate? [LB629]

SENATOR CONRAD: Yes, and this legislation doesn't necessarily implicate those considerations but some of those provisions are already in existing law, which is a unique factor of Nebraska's economic development tools and programs that a lot of other states don't have. I think there is a fair amount of dialogue and discussion about whether or not those mechanisms are working as intended, but it's my understanding that they are already a part of the package and those laws are on the books. But if I'm inaccurate, I'd be happy to correct that. [LB629]

SENATOR BOLZ: And would this bill include such information in the report? [LB629]

SENATOR CONRAD: It could. It's pretty broad. [LB629]

SENATOR BOLZ: Okay. Thank you. [LB629]

SENATOR CONRAD: Yeah. [LB629]

SENATOR MELLO: Seeing no further questions, I only have one, Senator Conrad.

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[LB629]

SENATOR CONRAD: Sure. [LB629]

SENATOR MELLO: It's a follow-up. Maybe you could have...you could follow up with the Department of Administrative Services Budget Division as whether or not prior to this year's budget introduction if they've ever linked to the tax expenditure report and/or produced that information connecting it. I know it's on their Web site now, but I wasn't for certain if it's something that was a new occurrence this year or is it something they have traditionally done over the last four to six years. [LB629]

SENATOR CONRAD: Sure, I'd be happy to get some more information from Director Oligmueller and DAS in that regard. But I can tell you my experience as an individual senator and as a member of the Appropriations for seven...Appropriations Committee for seven years is that I haven't utilized that report. So that's probably a failure on my side, but it's also I think indicative of the fact that we might not know a lot about how that information does currently translate into... [LB629]

SENATOR MELLO: Uh-huh. [LB629]

SENATOR CONRAD: ...the budget process with existing law. And so if this is an opportunity to strengthen that, which we already have come to some agreement and consensus about is a good thing to put these things as...on budget and as part of the budget, then let's improve it and make it work as it was intended. [LB629]

SENATOR MELLO: Great. Thank you so much. That will be the end of LB629. That closes our hearings for the day. I would ask the committee to stay around and go in a brief Exec Session, if possible. [LB629]