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Natural Resources Committee
February 27, 2013

[LB514 LB549]

The Committee on Natural Resources met at 1:30 p.m. on Wednesday, February 27, 2013, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB514 and LB549. Senators present: Tom Carlson, Chairperson; Lydia Brasch, Vice Chairperson; Annette Dubas; Ken Haar; Jerry Johnson; Rick Kolowski; Ken Schilz; and Jim Smith. Senators absent: None.

SENATOR CARLSON: Welcome to the Natural Resources Committee. I'm Tom Carlson, State Senator, District 38, Chair of the committee. And committee members present to my left, Senator Rick Kolowski from Omaha, District 31; next to him, Senator Ken Haar from Malcolm, District 21; and Senator Jim Smith from Papillion, District 14; and next to him in the empty chair will be Senator Ken Schilz from Ogallala, District 47. To my immediate left is Laurie Lage, the legal counsel for the committee; and to my far right is Barb Koehlmoos, the committee clerk. And next to her is Senator Lydia Brasch from Bancroft, District 16; and then Senator Jerry Johnson from Wahoo, District 23. And to my right--she's in another meeting right now, but she'll be joining us--is Senator Annette Dubas from Fullerton, District 34. Our pages are Tobias Grant from Lincoln and David Postier from York, and so they're here to serve us today. If you're going to testify, please make sure you have the green form with you and filled out before you come forward to the table. If you don't want to testify but want your name entered, there's a white sheet back there for you to sign and that would become part of the permanent record that you can sign. When you do come forward to testify, take your seat at the table, and there's no need to move that microphone because it will pick you up even if you back off and whisper, so just leave the microphone where it is and it'll function properly. Give your sign-up sheet to Barb Koehlmoos, our clerk, just before you sit down. If you choose not to testify, but you want to submit something in writing for the permanent record, it will be read into it and that's very permissible to do. If you have copies for the committee, please have 12 copies, and if you don't, the pages can help you with that. Nobody on the committee uses any electronics during the hearing and so we would ask that you turn off your cell phones or put them on silence or vibrate so it doesn't interrupt the hearing. And I don't think we're going to have a problem today, but there are no displays of support or opposition to a bill as they're heard. And yesterday, we had a little bit of that in another committee and it's kind of startling because you're not used to it. So that's part of the rule system. We don't have that many people in here today, we won't use the light system, but try and keep your comments to five minutes and then wrap it up and be available for questions. Any questions before we start? All right, we're ready to open the hearing on LB514. And Laurie Lage, our committee counsel, will introduce that bill.

LAURIE LAGE: Thank you. Thanks, Senator Carlson, members of the committee, my name is Laurie Lage, L-a-u-r-i-e L-a-g-e. I'm committee counsel and here to introduce LB514. Senator Carlson introduced this bill on behalf of the Department of

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

Natural Resources Committee
February 27, 2013

Environmental Quality. It will allow for a linked deposit program to promote projects for improved water quality. As I understand it now, the Department of Environmental Quality cannot make loans to private persons or entities for wastewater treatment facilities. This bill would enable the disbursement of loans to borrowers for pollution-control projects through the program because the state would agree to accept a lower interest rate of return, and a lending institution would agree to provide a loan at a similarly reduced rate, interest rate. Mike...(laugh) sorry. Mike Linder is here with the Department of Environmental Quality. He will explain the bill in more detail and also propose an amendment for the committee to consider that would make it clear that the right...the correct financial institutions are included in the bill. And so with that, I'll close and ask if there are any questions. [LB514]

SENATOR CARLSON: Any questions of Laurie? Okay, thank you. Seeing none, we'll start with Mike, what's his name. (Laughter) [LB514]

MIKE LINDER: I like to be forgotten often. [LB514]

SENATOR CARLSON: Welcome. [LB514]

MIKE LINDER: (Exhibits 1 and 2) Thank you. Good afternoon, Senator Carlson and members of the committee. Thank you, Senator Carlson, for introducing this bill on our behalf. My name is Mike Linder, that's M-i-k-e L-i-n-d-e-r. I'm director of the Nebraska Department of Environmental Quality. I'm here today to express the department's support for LB514. This legislation provides changes to the existing statute to allow the Nebraska Wastewater Treatment Facility Construction Assistance Act, loan fund and administration fund, commonly known as the Clean Water State Revolving Fund, or Clean Water SRF is what it's referred to, would allow that to provide additional options for low-cost financial aid to promote improved water quality. Title VI of the Clean Water Act of 1987 established the Clean Water State Revolving Fund program to replace the wastewater treatment construction grant program. The Clean Water SRF program is established by any state by capitalization grants awarded by the Environmental Protection Agency. The expectation of the program is for each state to create a permanent, revolving fund to provide funds for making loans to construct water pollution control facilities. Each year, Nebraska receives a grant that the state matches at 20 percent for making these types of loans. The DEQ has administered this program now for 22 years. Over that time the department has made loans totaling \$378 million to 183 communities. New facilities are now treating wastewater in Chadron, Sidney, Aurora, and other towns across the state utilizing these subsidized loans. All size communities from Omaha to Lincoln down to Nebraska's smallest communities have participated in this loan program. Each year approximately \$16 million to \$20 million of low-interest loans are provided to municipalities and political subdivisions of the state. The department, I think, has built a very solid program with capacity to fund all projects that are ready to construct each year. But, the DEQ is only issuing loans for limited types of

Natural Resources Committee
February 27, 2013

projects as compared to what is allowed under the Clean Water Act. This bill authorizes a process for working with private lending institutions to have low-interest loans available for private uses such as septic tank repair and replacement, certain livestock waste control facilities, and farm and ranch Best Management Practices, among other things. Lending institutions would administer and disburse loans to borrowers for pollution control projects through a linked deposit loan program. Under this type of program the state would invest funds from the Clean Water SRF at lending institutions and agree to accept the lower rate of return on deposits, so it would be an investment like a certificate of deposit. And then in turn, the lending institution would agree to provide a loan to a borrower for eligible projects at a reduced interest rate. This linked deposit loan program provides benefits for the Clean Water SRF program, for local financial institutions, and for borrowers. Some of those benefits would be the Clean Water SRF program can support high-priority pollution control projects, as well as broaden the number of projects assisted by the Clean Water SRF. Administration and management responsibilities for the individual loans would be with the local lenders. Financial institutions would benefit from linked deposit agreements and be able to provide additional service to their customers. Borrowers would save money with low-interest loans and could affordably work with their local bank. The linked deposit loan model has successfully financed pollution control projects in 13 states across the nation. They're listed in the copy of my testimony. Municipalities, who are traditional customers of the Clean Water SRF loan program, will not see an impact by adopting LB514. The agency's longstanding, conservative management principles have helped to build a very solid program. The department can provide assurance that there will be sufficient cash flow in the Clean Water SRF to make these additional loans. Targeted recipients who could borrow for water quality projects would include homeowners for the replacement of inadequate or failing septic systems; livestock producers could be assisted with manure management plans, structures, and equipment; farmers could address sediment and nutrient control practices on agricultural land. Eligibility for these programs and amounts of Clean Water SRF funding allotted each year would be defined annually, typically in the summertime in the program's Intended Use Plan, which is subject to a public hearing and approval by the Environmental Quality Council. These loans can be combined with additional financial assurance from the Department of Agriculture and our CS programs or the Clean Water Act, what are called 319 funds. Those are grants for nonpoint source projects. LB514 has another important component which provides communities the option of refinancing an existing Clean Water SRF loan. The department anticipates communities will utilize this option when they determine it is advantageous to get lower interest rate on existing loan. Currently, we can't refinance under our program. And finally, after consultation with the Department of Banking, we were made aware that the definition of "eligible lending institution" should be broadened. The current language allows Nebraska charter banks or nationally chartered banks to take part in the new program. The department was informed that there are other category of banks that do business in Nebraska, for example, the Great Western Bank, a South Dakota chartered bank, and Bank of the West, a California

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

Natural Resources Committee
February 27, 2013

chartered bank. These banks are chartered and they would not be included in the definition of the introduced copy. These are banks chartered by another state authorized to do business in our state, Nebraska. I've handed out...there's a proposed amendment for the committee to consider which would broaden the definition. There is a set of handouts I just wanted to go through briefly, except I gave them all out. Do you have an extra copy? (Laughter) On the left side is a copy of the amendment language we would suggest. My testimony, there's a little one page handout of the state revolving fund, a snapshot of the current status. And if you look at the bottom, you can see that we have a strong cash flow. We have a significant amount of funding available for this type of program. I might mention that there's a list of the other states that have a program like this and we looked most closely at Iowa. And I was surprised by how strong their program is. They do a lot of agricultural loans and a lot of septic tank loans each year, so it becomes a very popular program once it builds up over time. The second handout is kind of a flow chart, an example of how...I'm not going to go through it all, but we would establish a relationship with a bank, any eligible lending institution, and they would work directly with the producer or the homeowner, whomever is seeking assistance. And this kind of goes through the steps of pretty typical loan approval for any other type of loan. The next handout is a list of eligible types of projects. It's not an exhaustive list, but it gives you the idea of the type of things that these additional funds could be used for. I then copied off a copy of a recent newspaper article. This is just an example of what we've been seeing as the communities are refinancing. They don't get a better deal with us anymore because...their current deal with us is maybe in the 3 or 4 percent range, an older note that they have with us and they're able to get private financing at a better cost. We think, if we had the ability to refinance, that we could save them additional money by refinancing. Our current interest rate is 1.5 percent plus 1 percent administrative fees, so it's a good competitive interest rate. And then finally, there's a recent article in a journal that I'm not familiar with, the Journal of American Water Resources Association, but they have a published article analyzing the Iowa program and it's...gets very positive reviews. It's somewhat tedious reading, but if you go to the discussion and conclusions at the end, it talks about some of the strengths and highlights of Iowa's program. I was surprised to see when we first started looking into proposing this, I was a little bit surprised to see how many banks in Iowa have signed up for this program and the strength of their loans that they make. It's a very popular program in Iowa. So with that I'd be happy to answer any questions you may have. [LB514]

SENATOR CARLSON: Okay. Thank you for the testimony. Questions? Senator Haar. [LB514]

SENATOR HAAR: Thank you. Just out of curiosity, are there federal funds in this? [LB514]

MIKE LINDER: Yes. As I mentioned, there's a capitalization grant, so every year since

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

Natural Resources Committee
February 27, 2013

1989 the federal government, EPA, makes available a capitalization grant. And our...the last three years, has been about in a \$7 million range for Nebraska. That was based on the formula and we are typically towards the bottom of that formula based on population, but then we match 20 percent. [LB514]

SENATOR HAAR: Okay, that's... [LB514]

MIKE LINDER: So in the early years, we matched by NIFA bond issuance. Right now there's no debt on the Clean Water SRF. We have a very strong program and...but, yes, there is an annual capitalization grant from EPA. [LB514]

SENATOR HAAR: Now because of the \$70 million for future projects, we don't worry in this kind of case about the sequestration...can't hardly say that, sequestration from the federal government with... [LB514]

MIKE LINDER: No, I mean that may impact the amount of capitalization grant that we would get going forward, but it wouldn't impact the current strength of our program. If you look, we have, I think, something like \$175 million in assets, current loans. So, you know, we have a good cash flow, a good repayment stream right now and so future capitalization grants may be impacted by the sequestering, we don't know, but that's one possibility. But it would...I don't think it would affect the strength or the ability to do this program. [LB514]

SENATOR HAAR: Thank you. [LB514]

SENATOR CARLSON: Okay. Other questions? I assume we've got some people from the banking industry to testify behind you and I'll ask them the question I was going to ask you. Any other questions? Okay. Thank you for your testimony. [LB514]

MIKE LINDER: If you don't get your banking question answered, we can sure help you with that. [LB514]

SENATOR CARLSON: Okay. All right. Thank you. [LB514]

JERRY STILMOCK: Good afternoon, Senators. [LB514]

SENATOR CARLSON: Welcome, Jerry. [LB514]

JERRY STILMOCK: Thank you, Senator. My name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of my client, the Nebraska Bankers Association, in support of LB514. You know, Senator, law school kind of went the same way. Michael Linder and I were in the same law class and he'd always toss those questions back to me anyway, so some things never change. (Laughter) We're anxious to be a part of the

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

Natural Resources Committee
February 27, 2013

triangle, as committee counsel explained, with the department, the banking industry, and the individual provider that may come on-board if this legislation should be adopted. We've acted with other agencies within the state of Nebraska, the Department of Energy, for example, the financial institutions are involved in making loans through a linked deposit type of format with both residences and commercials on energy loans. And so it's an area that we're willing and anxious to participate in. The...as Mr. Linder explained, the risk would be upon the financial institutions, so it would be, all the underwriting would be by the financial institution. Basically pushes all that over on the responsibility of the financial institution, the creditworthiness of the borrower on down the line for any of the type of loan that would go out the door. The difference, of course, is the linked deposit, the funds coming in at a reduced interest rate on the deposit, as well as then a reduced interest rate on the loan. And we're supportive of it, and I'd try to answer any questions that you might have. Thank you. [LB514]

SENATOR CARLSON: Okay. Thank you. Questions of Jerry? Yes, Senator Dubas. [LB514]

SENATOR DUBAS: Thank you, Senator Carlson. Thank you, Mr. Stilmock. What's the difference between a linked deposit and a secured loan? So, you know, I know in working with FHA in the past we've had secured loans. What's the difference between what this is going to do? [LB514]

JERRY STILMOCK: The way I'd look at it is that the...on a secured loan there would be some type of collateral offered in addition to that finance coming...that money coming over. And so, I...other than that explanation, I don't know what else it would be. A secured loan, there's some other asset out there that's being used as collateral. Whereas, here it's just the deposit coming over by the department...through Mr. Linder's department. [LB514]

SENATOR DUBAS: And then the bank has the discretion to make the loan accordingly then. [LB514]

JERRY STILMOCK: Yes, as I...yes. The part, Senator, that I understand, then, the rules and regulations would further put meat on the bones in terms of what those qualifications, what those parameters of qualifying borrowers may be. [LB514]

SENATOR DUBAS: Very good. Thank you. [LB514]

JERRY STILMOCK: Yes, ma'am. [LB514]

SENATOR CARLSON: Okay. Any other questions? Now, normally, I don't think I need to be too concerned about how the bank comes out on this, but what's in it for the banks, because it's a low interest, so how do you make money? [LB514]

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

Natural Resources Committee
February 27, 2013

JERRY STILMOCK: Well, a part of it is service, the other part of it is to make sure that...what we don't want to have the situation happen is where we're competing with the public sector in making loans. We want to make sure that if loans are happening, that the financial industry is involved in making those loans. So, in order to continue in that relationship we want to make sure that it's our membership, it's our financial institutions that are making those loans. Otherwise, you know, we lose out even more so, sir. So the incentive is, how are we going to make money? We're going to take a hit, but the other part of this is just the nature of the community banks in the first instance. We are there at the front line, we are there in the communities, and we, you know, we want to be able to assist in the communities that need this type of help, as well as not just communities, but as you heard in the testimony, individuals. [LB514]

SENATOR CARLSON: Okay. Now, Director Linder talked about the money is available at a percent and a half, plus 1 percent handling. Do you loan the money at 2.5? [LB514]

JERRY STILMOCK: Ah, I don't know that it would go out at 2.5 the way...and I haven't spoke with any of our membership of what they would do. But the language, of course, spells out that it would be lower than what...the rate used in the legislation would be lower than what one would find in the regular commercial place for a loan, given the parameters of the nonpoint separation for wastewater. So, you know, I don't know what those rates are at right now out in the communities, but it would, as indicated in the legislation, have to be lower than. And we know there's not much margin out there anywhere. You know when the fed keeps consistently staying where they're at, it's keeping money low. There's no doubt about it. [LB514]

SENATOR CARLSON: Well, on a similar project today if this wasn't available, what would be the interest rate through one of your banks, approximate? [LB514]

JERRY STILMOCK: I'd have to let you know. I just don't know, sir. [LB514]

SENATOR CARLSON: You don't know. Okay. Okay. All right. Okay. Thank you. Any other questions? Thank you for your testimony. [LB514]

JERRY STILMOCK: Okay. Thank you, Senators. [LB514]

SENATOR CARLSON: Welcome, Kristen. [LB514]

KRISTEN HASSEBROOK: Thank you, Chairman Carlson, Senators of the Natural Resources Committee. I'm Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k, and I'm here today on behalf of the Nebraska Cattlemen Association in support of LB514. Our membership really sees this as a bill that could benefit our membership in a lot of different ways. This is access to a cash flow that we've never been able to access for

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

Natural Resources Committee
February 27, 2013

these types of projects before, especially for some of our smaller producers, who, you know, aren't really in the CAFO program, but interested in doing something or maybe by doing a project can stay out of that program. I would say other things we really like about it is, it works with a lot of other programs like NRCS and it allows us to work locally with our banks that we have a personal relationship with. With that, I'll answer any questions you might have. [LB514]

SENATOR CARLSON: (Exhibits 3, 4, and 5) Okay. Thank you. Any questions of Kristen? Okay. Thank you. Next proponent. All right, do we have anybody as a...we do have three letters of support. One from Mayor William McLarty of South Sioux City, one from Lee Orton of the Water Coalition, and one from Dean Edson of the Nebraska Association of Natural Resources Districts, three letters in support. Do we have any opponents? Anyone testifying in a neutral position? Okay. With that, we'll close the hearing on LB514. Thank you for coming. We'll open the hearing on LB549. Senator Schilz, welcome, and you are recognized. [LB514]

SENATOR SCHILZ: (Exhibits 6, 7, 8, and 9.) Thank you, Senator Carlson and members of the Natural Resources Committee. Good afternoon. My name is Ken Schilz. It's spelled K-e-n S-c-h-i-l-z, and I represent the 47th Legislative District. Today, I bring LB549 before you on behalf of the West Central Nebraska Economic Development District and Keep Alliance Beautiful. LB549 as drafted would extend the sunset for the scrap tire management program, which is administered by the Department of Environmental Quality. The funds for the scrap tire program are provided through grants from the Waste Reduction and Recycling Incentives grants program to assist in financing scrap tire projects in Nebraska. One of the funding mechanisms to this fund comes from a \$1 per tire fee collected on the sale of the tires. Back in 2010 and 2011, the Legislature took money from the Waste Reduction and Recycling Incentives grants program in the amounts of \$1,608,863 and \$1,517,501 respectively for those two years. In the information I've provided you, you'll see that the amount of the grants awarded in those two years was substantially less when compared to the amount of funds that were requested due to the fact that the Legislature has swept those accounts. After talking with the respective parties, we came to a solution that we believe is better than what was presented in the green copy. I have provided you with AM427 which eliminates a 50 cent tire fee increase and increases the minimum amount to be spent on actual tire programs through grants of the scrap tire management program from \$1 million to \$1.5 million. AM427 still extends the sunset an additional five years. The Department of Economic Quality has done a commendable job of administering this program and I thank them for their continued support of it. I have a letter of support from the West Central Nebraska Development District and the University of Nebraska which have been provided to you. I ask for your support of AM427 and with that, LB549. Thank you and I'd be happy to answer any questions. [LB549]

SENATOR CARLSON: Okay. Thank you, Senator Schilz. Any questions on LB549?

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

Natural Resources Committee
February 27, 2013

Seeing none, thank you. All right, proponents. Welcome. [LB549]

DEBRA DOPHEIDE: Hi. My name is Deb Dopheide, or Debra Dopheide, and I'm director for Keep Alliance Beautiful. The way you spell my name is... [LB549]

SENATOR CARLSON: Could you spell your last name? Oh, I'm sorry. I'm sorry. [LB549]

DEBRA DOPHEIDE: ...Debra, D-e-b-r-a, Dopheide, D-o-p-h-e-i-d-e. Okay. Do you need me to respell that or anything? [LB549]

SENATOR CARLSON: I don't think so. Thank you. [LB549]

DEBRA DOPHEIDE: Okay. I'm director for Keep Alliance Beautiful and the reason I came all the way from Alliance was because I wanted to talk to you about how important I believe this legislation is. Without this legislation, the programs that NDEQ runs through the scrap tire management program will die because it will be over. Okay. The other thing that I wanted to do was talk to you about two of those programs that Keep Alliance Beautiful has been involved with. One has been the tire amnesty program and we do that not only...we...it has to be a subdivision that submits that grant to NDEQ. We write it for our city and also for our county. It's one of the times when I can join Alliance and the county together for something that's been very beneficial to us. So it's something that I feel pretty strong about because I think it's just a real building event between cities and counties. In my case, Keep Alliance Beautiful, what we do for that program is provide volunteers. The other program that we do, and you'll see the little things that are getting passed around, the little bags, that's tire mulch. And one of the things we do is a program where we get a number of people and a number of entities together and we purchase whatever they're needing in terms of tire mulch, and then we're able to get a 50 percent reimbursement from NDEQ for that tire mulch. The point is, is that the tire mulch is made out of recycled rubber. It's a very useful product. It lasts much longer than wood mulch. If I needed to sell you guys on this, I would, but I don't think I need to sell you on this unless you have specific questions about why I believe in tire mulch. But that's why I'm here. We're using two of those programs that NDEQ has and we believe that the continuation of this legislation is important. Thank you. [LB549]

SENATOR CARLSON: Okay. [LB549]

DEBRA DOPHEIDE: By the way, I want to thank you guys. You're awesome because of the fact that you're willing to be senators in the state of Nebraska for your specific areas and that's a hard job. Nobody is ever happy, and I want to thank you very much for doing that because I can just imagine just trying to get this going has been...and Senator Schilz has been great to work with, and I want to thank him as well. But this is a hard job and I want to thank you for the service that you're giving Nebraska. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR CARLSON: Okay. Thank you. Now...no, we're not done with you, so. (Laugh) Do we have questions of the committee? Yes, Senator Brasch. [LB549]

SENATOR BRASCH: Thank you, Mr. Chairman, and thank you for coming here to testify and thank you for your kind words. And I'm not trying to be unkind here, but I do have a question. I think it's wonderful and I think so much recycling, playground materials and...does the funding need to make it successful? Does the sunset...is there any point where there's going to be a profit or something that...or, well, I'm just looking at where you have here that it all goes into recycling or maybe we can put it into... [LB549]

DEBRA DOPHEIDE: Somewhere else? [LB549]

SENATOR BRASCH: Exactly. I'm just wondering where it could pay into another, that you give it a hand up and it...pay it forward. Is there another area that you think needs... [LB549]

DEBRA DOPHEIDE: Not that...at this point, not that I'm aware of. Here's the thing with the amnesties. If we don't have amnesties, that leaves it to the counties and the cities to try to take care of these scrap tires. Our problem is, is that most of them are, you know, their budgets are stretched very, very tight. I don't know how they would do that. In the case of Alliance, Alliance does charge a landfill fee for their tires. So any tires they take in during that process, they cannot use for this amnesty. This is for people who have not turned in tires. So many of our counties do not have a landfill or they have a landfill but it's, you know, several thousand miles away (laugh) or several hundred miles away, whatever. And that creates a problem for them. We also have a problem with tires showing up out along the roadsides. And they're hideous. They're basically littered or dumped. I'm not sure what the answer to that is. I wish I did. But how do I tell whether it was Senator Johnson who threw that out or Senator Smith over here. (Laughter) I mean, they both have very common names and so I'm not sure I can trace that tire down, you know. You see the point, though. [LB549]

SENATOR BRASCH: Do you think we even need a sunset? In a way...do you think it's human nature and it will be ongoing and then we'll need to come back again and... [LB549]

DEBRA DOPHEIDE: You know, I know that where I'm from, from Box Butte County, I know that our Department of Roads goes out. I know that if they see something laying, they pick it up and they bring it in. Okay. They've got to have some place to get rid of that at a point. And they use this to get rid of those tires that they're collecting. All right. They're not charging anything. You know, they do that just to get it off the road and so it doesn't look so horrible out there in the countryside. So that's what I know. I don't know

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

Natural Resources Committee
February 27, 2013

whether we can go without a sunset on this or not. I wish we could, but I also know there are people who are irresponsible and will throw their tires out alongside the roads. [LB549]

SENATOR BRASCH: Okay. I have no other questions and thank you again for coming all this way and... [LB549]

DEBRA DOPHEIDE: Oh, you know, you all say, all this way. It's not that far. I mean, please, you know. [LB549]

SENATOR BRASCH: It's down the road a throw. [LB549]

DEBRA DOPHEIDE: Well, my daughter is with me too and, you know, so, never mind. (Laugh) [LB549]

SENATOR CARLSON: Okay. Thank you. Senator Johnson. [LB549]

SENATOR JOHNSON: Thank you, Senator Carlson. Thanks for coming in. You commented landfills a thousand miles away, I'm not... [LB549]

DEBRA DOPHEIDE: I know. [LB549]

SENATOR JOHNSON: It's a little extreme. I don't think Nebraska is quite that big but it is a long distance I know, you know, when...being a former mayor of a community and seeing the value of cleanup programs and things like that, we just seem, at least in Saunders County whenever they have it, I mean, that's the longest lines I've ever seen of old tires. Whether we can do it more often with some more funding or something, if that would help the people from littering because it's a long time, sometimes it's two years between recycling programs. I didn't realize that the tires piled up that much, but it just seems like that happens and the closer we get to the two years the more littering we have. [LB549]

DEBRA DOPHEIDE: Right. [LB549]

SENATOR JOHNSON: So if there's a way to spend some of this money and have a frequency change, is that a possibility? [LB549]

DEBRA DOPHEIDE: I...the thing is, is because again you've got the state of Nebraska, which is a fairly big state, one of your problems you get into is they have X amount of money that they can give out. And that's it. Once that amount has been expended, it's done. In our case, I will not write these grants for the city of Alliance or for Box Butte County except for once every three years. Why? Because I know I have a good opportunity of getting that grant if I wait for three years. All right. In the meantime, I do

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

Natural Resources Committee
February 27, 2013

have tires that are getting piled up and whatnot. There's not too much I can do about that except for encourage people not to dump their tires, or to give them back to whoever that was...sold them those tires. And I think we see more of that going on. I'm not hopeless that people will not be responsible for their tires, but I do know there are people who are not. And I do know that when we have one of these...and by the way, you would never see me dressed like this or looking like this at a tire amnesty. (Laughter) It's blue jeans and a T-shirt. But I've been out on the line watching these tires coming in and visiting with my volunteers and keeping them up and whatnot, and I can tell you, I have seen some of the hugest tires I have ever...I didn't know they made tires that big, honestly, and they come in. And it's, what do you do with this thing, you know? I like the fact that this also allows us to collect those tires and then also buy materials that are made out of those tires. That's the thing that I love the most about this program is that I can take them in, and then I've got to pay somebody which just seems ridiculous, but I've got to pay somebody to take them away. But then I've got to pay to bring them back in with the mulch program. But it is the way it is and I would much rather be doing that. A tire never goes away. If I take that tire and I bury it, it will work its way back up. It never goes away. So I would much rather have a program like this going on and a tire amnesty program, than to let them...than to not do anything. I don't know what the answer is. I just keep trying to educate people and trying to get them not to do that. [LB549]

SENATOR JOHNSON: A little bit of a follow-up. It's kind of tied to that and the change to \$2. Will we have more people keep their tires instead of paying the \$2, and lack of funding, and more piled up at home and waiting for this? [LB549]

DEBRA DOPHEIDE: I don't believe so. I think that what will happen is...first up, I think they were making an amendment to...or making a change to keep it at the \$1, if I remember right. And I don't believe...in my case, you know, okay, Deb, you can take the tires home with you and you can stuff them in your garage and you can hang on to them, no, I wouldn't do that. What for? It's a waste of my space. [LB549]

SENATOR JOHNSON: Thank you. [LB549]

SENATOR CARLSON: Okay. Senator Dubas. [LB549]

SENATOR DUBAS: Thank you, Senator Carlson. Thank you for coming. I've been on this committee going on seven years now and we've had the opportunity to come out to Alliance and it seems like whenever there's recycling programs talked about, Alliance is always in that conversation. So I applaud you for your efforts. [LB549]

DEBRA DOPHEIDE: Thank you. [LB549]

SENATOR DUBAS: You sort of answered my question with Senator Johnson, but those

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

Natural Resources Committee
February 27, 2013

little bags of mulch that were passed around, has Alliance considered a business that would actually take the tires that you have and turn it into that mulch rather than... [LB549]

DEBRA DOPHEIDE: My problem is with our recycling center...and I'm sorry I interrupted you. [LB549]

SENATOR DUBAS: That's okay. [LB549]

DEBRA DOPHEIDE: But my problem with my recycling center is that it is not as big as this building right here, as this room is. (Laugh) I have a very small recycling center. But it would be great if at some point I could turn my business...turn KAB into being able to recycle those tires and whatnot. I would love to be able to do that, but I've got to have space. And right now, we've been just lucky enough that our community has decided to pay us for the recycling services that we do and it's not a huge amount of money, but it helps so much when you're a grant oriented organization such as we are. [LB549]

SENATOR DUBAS: Very good. Well, maybe that opportunity will present itself sooner rather than later. Thank you, again. [LB549]

DEBRA DOPHEIDE: I hope so. [LB549]

SENATOR CARLSON: Okay. Thank you. Any other questions? Senator Haar. [LB549]

SENATOR HAAR: Yes. Thanks for doing this. [LB549]

DEBRA DOPHEIDE: You're welcome. [LB549]

SENATOR HAAR: I've seen, too, the huge piles of tires that come in. Can...is it legal to put tires into a landfill in Nebraska? [LB549]

DEBRA DOPHEIDE: No, it's not. But landfills can collect them, to a certain degree. They can have so many, and I cannot tell you how many that is, but they can have so many before they have to get them moved off. But they can collect them, they just cannot keep them there. And you cannot...if you build anything, you know, you use wire to wrap it up with and so and so forth, and if those wires break, those tires will still come to the top. Tires are incredibly interesting things because they will not stay buried. They just don't. You know, honestly, it's amazing, I was supposed to teach government, and it's amazing to me what I have discovered about tires in my job. (Laugh) [LB549]

SENATOR HAAR: Mosquitoes love them. [LB549]

DEBRA DOPHEIDE: Yes, they do. They're quite happy with them. And again, another

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

Natural Resources Committee
February 27, 2013

good reason for this legislation to go on, and with the West Nile virus and whatnot that...I don't like mosquitoes at all, happily would kill any one of them that came around. [LB549]

SENATOR CARLSON: Okay. Any further questions? [LB549]

DEBRA DOPHEIDE: Thank you. [LB549]

SENATOR CARLSON: Well, I would say that... [LB549]

DEBRA DOPHEIDE: I keep trying to get out of here. (Laugh) [LB549]

SENATOR CARLSON: Yeah, I know, you came so far. You need to stay here as long as we're going to keep you. (Laughter) I don't mind a sunset provision because it causes us to revisit and I think had we not had this bill, most of us on the committee would have forgotten all about the tire exchange program. So I think...I think just for that reason alone, it's not bad to have a sunset provision. Then you're reevaluating all the time how good it is and making the request to continue it, so I think that's good. On the fee that's paid when I bring in a tire, the dollar, doesn't matter the size of the tire, because you talked about some of those, you didn't know they made tires that big. Is that a dollar as well? [LB549]

DEBRA DOPHEIDE: It's different on farm tires. I'm not certain how much they have to pay in order to bring like a...if they have a huge tractor tire or they have a large irrigation tire, those kinds of tires, I'm not certain what, you know, how much that would cost. If I said to one of my local companies out in Alliance, one of my local implement companies or something, now take the thing back, I don't want it. I don't know how much that would cost them. [LB549]

SENATOR CARLSON: No, but they bring them to you, don't they? [LB549]

DEBRA DOPHEIDE: Oh, they bring them in during the amnesties, oh sure. Yeah. [LB549]

SENATOR CARLSON: Yes. Well, is that the dollar regardless of the size? [LB549]

DEBRA DOPHEIDE: They're not going to pay me anything, no, sir. No, sir. [LB549]

SENATOR CARLSON: Okay. Okay. [LB549]

DEBRA DOPHEIDE: The amnesty is they just can bring in their tires so that we can get them taken and used for better purposes. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR CARLSON: Okay. Good. Any other questions? Okay, thank you for coming. Thank you for your testimony. [LB549]

DEBRA DOPHEIDE: I can go now, right? [LB549]

SENATOR CARLSON: You can go. (Laughter) You're excused. Okay. Another proponent. Welcome, Andy. [LB549]

ANDY POLLOCK: Thank you, Senator Carlson and members of the Natural Resources Committee. My name is Andy Pollock, that's A-n-d-y, Pollock is P-o-l-l-o-c-k. I appear here before you today on behalf of Waste Connections. I'm a registered lobbyist for Waste Connections, which does business waste disposal business all across the state. I'll keep my remarks very brief. We support the extension of this program. It's been a great program to encourage and promote recycling of scrap tires. From the experience of Waste Connections, it's been very beneficial to communities. You've just heard from Alliance. It's been beneficial to communities across the state in terms of dealing with scrap tires. And also, just so you know, Waste Connections, I think, in the past has received grants from this program. I think it's been quite a while since they have, so we're not here advocating for additional money or anything like that. We work with the cities. We recycle the tires. We shred them and use them. Actually one of the uses which I find kind of interesting is to place it on the trash in lieu of dirt to keep the trash in place in the landfill. They use shredded tires for that purpose. And we also do quite a bit of transportation of the tires for municipalities. With that I'd be glad to try to answer any questions. [LB549]

SENATOR CARLSON: Okay. Thank you for your testimony. Any questions of Andy? Okay. Thank you. [LB549]

ANDY POLLOCK: Thank you. [LB549]

SENATOR CARLSON: (Exhibits 10, 11, 12 and 13.) Any other positive testifiers? Any opponents? Whoops, we have four letters of support for LB549 from Mayor William McLarty of South Sioux City, from Mike Onnen of the Little Blue NRD, from Justin Glasgow and Shawn Herrick of Mid-America Tire Dealers Association, and from Dean Edson of the NRD, so, four letters of support. Any opposition? Anyone in the neutral position? Okay. Seeing none, Senator Schilz, I don't want you to waive closing, I want to ask you some questions, so. (Laughter) [LB549]

SENATOR SCHILZ: I guess I'll close then. Thank you, Senators, and if I could answer some questions. [LB549]

SENATOR CARLSON: Well, I'm going to ask you one because I really plead ignorance here. Tell me how the dollar works. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR SCHILZ: Okay. As far as I understand and here's what happens. When you buy a new tire, right, whether it's for a car, a truck, a semi, or a tractor, you pay the dollar fee. Those dollars go into a fund and then that fund is used to fund grant applications that come into DEQ, and DEQ decides which grants are worth funding and which ones aren't. [LB549]

SENATOR CARLSON: Okay. But there...where does...the big tires, they're the same? Do you know? Same thing, it's just a dollar. [LB549]

SENATOR SCHILZ: That's right. [LB549]

SENATOR CARLSON: It might weigh a ton but it's a dollar. [LB549]

SENATOR SCHILZ: That's right. [LB549]

SENATOR CARLSON: Okay. All right. Senator Haar. See what you opened yourself up to here? [LB549]

SENATOR SCHILZ: I didn't have much choice, did I? [LB549]

SENATOR HAAR: The years the Legislature withdrew money from the fund, was this fund robbery, I mean... [LB549]

SENATOR SCHILZ: Well, it's back when the budget issues were going on and the Legislature was looking for money anywhere they could find it. And that's one of the reasons why we go...one of the reasons why we took it from \$1 million to \$1.5 because that money then can only be used for these grant programs to...you know, the amnesty with the tires. It can't go to any other thing and so when Senator Brasch asked, you know, do we want to...do we want to see if there's anything else that this money can go towards, it was my intention to be able to make sure that, as much as possible, we keep this money here because there's always a need for it. I mean, tires don't like...I mean, everybody needs four on a car. So as you see this, what I wanted to do was make it so that we didn't have to raise the rate that you pay, but yet there was still more money protected to go for this single purpose. And I like to have the idea of knowing exactly where our money is going. If it's a fee for a tire or whatever, we know that it's going for tires. And I think that's...I think that's a positive step. [LB549]

SENATOR HAAR: Now in truth, unless it's in the constitution or something like that, you can't really have money that can't be used in any other way, right? I mean... [LB549]

SENATOR SCHILZ: Sure. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR HAAR: ...so it's still available but it's just a little bit tighter. [LB549]

SENATOR SCHILZ: You would have to get...if anything, anything under that \$1.5 million marks, you'd have to have legislation to go back and change that, yeah. As far as I understand it. [LB549]

SENATOR CARLSON: Okay. Any other questions? Yes, Senator Johnson. [LB549]

SENATOR JOHNSON: One of my earlier questions and maybe I heard it wrong. Are we looking at changing it to \$2? [LB549]

SENATOR SCHILZ: Yeah, and let me explain that. In my introduction, we've been through so many iterations on the amendments that the green copy says we're going to change it to \$2. In our exploration and our looking at what the true needs are of the fund, we found out that the protection of those dollars were more important than just getting more dollars into it. [LB549]

SENATOR JOHNSON: Okay. [LB549]

SENATOR SCHILZ: And so we're going to keep it at the dollar. We're not going to raise that fee, but we're going to protect more of that money for tire programs specifically. [LB549]

SENATOR JOHNSON: So we're not changing the fee. Thank you. [LB549]

SENATOR SCHILZ: Correct. [LB549]

SENATOR CARLSON: Okay. Thank you. Yes, Senator Brasch. [LB549]

SENATOR BRASCH: Thank you, Chairman and thank you for clarifying that... [LB549]

SENATOR SCHILZ: Sure. [LB549]

SENATOR BRASCH: ...because my question was based on looking at the revenues it brought in and I'm wondering and looking at these products, I'm, you know, nice labeling, nice packaging, I'm sure you probably, just guessing, pay more for rubber mulch than cedar mulch. And so it's great for the economy for someone, somewhere, and for us, hopefully, here in Nebraska. But could that money go into our roads or into the lagoon projects or, you know, or these grants are focused on just DEQ or just rubber tires? [LB549]

SENATOR SCHILZ: Just rubber tires. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR BRASCH: That's what I thought. [LB549]

SENATOR SCHILZ: But when you address both of those issues, if you're talking about roads, some of these products can be used for your road materials. [LB549]

SENATOR BRASCH: Absolutely. [LB549]

SENATOR SCHILZ: Some of the products could probably be used for liners and stuff like that on things, so. But I think that as you look at this and the reason for...and when...I guess, let me back up. When we talked to all the interested parties, when we talked with the new car dealers said, hey, look, we like this program. We like the fact that we can take care of these tires because they're an issue out there in places, a real issue. What they don't want see happen is people that are buying tires paying the dollar and then that dollar going to do something else than what it was intended for, which was the dollar paid to take care of tires and provide it to this amnesty program. And so that's where we came up with the idea of just increasing the amount of money that has to be spent on tires itself. Now, you may not get to that point some years where you have that much money there, but if you do, then everything that's a million and a half or less, would have to be spent on tire programs. So that could make it available to more grant applicants. [LB549]

SENATOR CARLSON: Okay. [LB549]

SENATOR BRASCH: And then back to the sunset, seeing that Debra likes to come to Lincoln, maybe we should have a sooner sunset. (Laugh) I'm joking. Strike that. [LB549]

SENATOR SCHILZ: I do like the ideas of sunset, though, especially like... [LB549]

SENATOR BRASCH: No, I see, it's a good... [LB549]

SENATOR SCHILZ: Yeah, like Senator Carlson said, it gives us an opportunity to take a look at it. It gives us an opportunity to look at what we saw here before and adjust it to make sure that the program is working as efficiently and as cost effectively as possible. And that's where we get the changes in where we increase the level to the \$500,000 or half a million, and...but we don't necessarily have to increase the rate, which I think is a win on all sides. [LB549]

SENATOR BRASCH: Curious. Is our rubber tire rate increasing over time? Is it...do we see it growing... [LB549]

SENATOR SCHILZ: If you look back, and I can't say it's growing as a trend over time, but if you look back at the last five or six years, and seeing the issues that the economy was having in new car sales or car sales themselves were down, we're starting now to

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

Natural Resources Committee
February 27, 2013

see an uptick in that again, which means every car that comes out has got to have four tires on it, so the need is there all the time. [LB549]

SENATOR BRASCH: Very good. Thank you. [LB549]

SENATOR CARLSON: Okay. Senator Haar. [LB549]

SENATOR HAAR: Just since the sunset idea came up, the only problem with the sunset is using a priority or, you know, we put it into the category of bills that just all sail through without, you know. But there could be years where this would have to be...some senator would have to use their priority bill. And we're just all thinking about that right now, so it's something that popped in my head. [LB549]

SENATOR SCHILZ: Yeah, well, I mean, the nice thing is that we've got a little time left and so we can, hopefully, not have to do that. But to me, this is one of those bills that look like it should move on consent calendar... [LB549]

SENATOR HAAR: Yeah. [LB549]

SENATOR SCHILZ: ...or something like that. So unless you really want to prioritize this, Senator Haar, we can talk about that. (Laughter) And I shouldn't say as we sit there, there is more money that's collected at times in this and any...and like I said before, anything over 1.5 can be used for other projects. And so, it's just that parameter there. But the million dollars, the reason we put that up there is because we just have more need out there than what we were using it for before. So, clean that up, be ready to go. [LB549]

SENATOR CARLSON: Okay. I think that's it. Thanks for coming back up. [LB549]

SENATOR SCHILZ: Thank you. [LB549]

SENATOR CARLSON: And before I'm closing the hearing on LB549, I'm going to take a Chairman's prerogative and I don't want the rest of the committee to think this needs to be a habit, but I'm going to ask Deb to come forward again and I have another question that I meant to ask and I didn't get it asked. Thank you. [LB549]

DEBRA DOPHEIDE: Back into the hot seat. [LB549]

SENATOR CARLSON: You passed those little packages around, and one of them was blue and the other one was brown... [LB549]

DEBRA DOPHEIDE: Uh-huh. [LB549]

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

Natural Resources Committee
February 27, 2013

SENATOR CARLSON: ...so obviously there's been a dye that's...and I don't know how much knowledge you have about this, will they fade...will they fade on clothes? [LB549]

DEBRA DOPHEIDE: No. [LB549]

SENATOR CARLSON: Okay. [LB549]

DEBRA DOPHEIDE: They will not fade like if...here's the thing, one of the things that our city is using them for...using this stuff for. You notice there were two types of rubber in there. There was a crumb rubber and the other one looked more like wood mulch. Okay. The crumb rubber is actually less expensive. Okay. That's why most of the time, what we go with on this program that we run, is the crumb rubber, not the one that looks like the nice wood mulch. The wood mulch probably looks better, but hey, you know what? Money is an issue, right? So we buy the crumb rubber. If you put that in a playground, it's according to...you have to put it in deep enough for the highest piece of equipment that you have on the playground. That's generally a slide. Okay. I want you all to think back to when you were little boys and little girls (laughter) and when you fell off of the slide, or you fell out of the swings when you were trying to jump out of them like you weren't supposed to, what happened to your knees? Okay, you just had bloody knees, right? I mean, they were really scraped up. This rubber doesn't do that. You're going to land on that rubber and you're not going to exactly bounce, but it's going to be a lot easier on your knees. And the other thing is, is when you get up and dust your little knees off, you're not going to have any color onto your skin or anything like that. [LB549]

SENATOR CARLSON: Okay. The other question was, when I have the mulch that's next to our sidewalk and then I get irritated because the birds come along and they take it out of there and put it out in the grass, and then I'm ready to mow the lawn and I've got to either toss it back in where it belongs or even rake it back in... [LB549]

DEBRA DOPHEIDE: Uh-huh. [LB549]

SENATOR CARLSON: ...but I can imagine this brown stuff wouldn't be too good through the lawn mower. [LB549]

DEBRA DOPHEIDE: It's actually not your lawn mower. The chances are good your lawn mower is not going to pick it up. It may pick up some of it, but it's not going to hurt your lawn mower. And the other thing about it is, it can be used as a water stabilization. You can put this in your lawn and it will actually help keep more water if it rains--dear God, please--if it rains, it will help keep the moisture in too. [LB549]

SENATOR CARLSON: So that's no-till lawn work. (Laughter) [LB549]

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

Natural Resources Committee
February 27, 2013

DEBRA DOPHEIDE: It helps. [LB549]

SENATOR CARLSON: Okay. [LB549]

DEBRA DOPHEIDE: The other thing we always tell people is, you know, it's just like any other mulch. Make sure you put a barrier around it, you know, a fence or whatever. But put a barrier around it, so it can't work its way out. Okay. [LB549]

SENATOR CARLSON: Okay. All right. Well, thanks for coming back up and... [LB549]

DEBRA DOPHEIDE: Okay. And anytime you're interested, you know, Senator, if you just lived in Box Butte County, I would sell you some mulch. [LB549]

SENATOR CARLSON: Okay. (Laughter) Appreciate that. Thank you. And with that, we'll close the hearing on LB549. Thanks to you who came. And in a moment the committee will go into Executive Session, so we do ask you to leave. [LB549]