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Natural Resources Committee
February 21, 2014

[LB1003]

The Committee on Natural Resources met at 1:30 p.m. on Friday, February 21, 2014, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1003. Senators present: Tom Carlson, Chairperson; Lydia Brasch, Vice Chairperson; Annette Dubas; Ken Haar; Jerry Johnson; Rick Kolowski; and Jim Smith. Senators absent: Ken Schilz.

SENATOR CARLSON: (Recorder malfunction)...Resources Committee hearing. I'm Tom Carlson, Chair of the committee. And committee members present, to my far left: Senator Rick Kolowski from Omaha, District 31; next to him Senator Ken Haar from Malcolm, District 21; Senator Jim Smith from Papillion, District 14; and normally Senator Ken Schilz would be next to him but he won't be with us today. To my immediate left is Laurie Lage, our committee legal counsel; and then to my far right is Barb Koehlmoos, our committee clerk; next to her will be Senator Lydia Brasch from Bancroft, District 16; and then Senator Jerry Johnson from Wahoo, District 23; Senator Annette Dubas from Fullerton, District 34. And our page today is Steven Schubert, senior at UNL. I think that's it today. So if you need something from Steven, he'll be glad to help. We do have LB1003 today, and I'll give some instructions before we start to introduce that bill. How many are planning on testifying today? Okay. We won't use the lights unless it gets too carried away, and then I'll have Barb turn on the red light and the flap door will open up and that will take care of it. (Laughter) If you're going to testify, make sure you've picked up the green form in the back and have that filled out and handed in to the box by Barb before you sit down at the table. There's really no need to adjust the microphone. It will pick you up unless...it'll pick you up fine, so you don't need to mess with the microphone. Speak clearly. State your name and spell it, and if you don't spell it I'll stop you long enough to...and have you spell it. If you don't choose to testify, you can submit comments in writing and have them read into the official record. If you have handouts, hopefully you have 12 of them. They'll be handed out and then it gives us some extra. We need those. If you don't have them and need help, talk to Steven, our page, and he'll try and help you out. The committee doesn't use any electronics during the hearing, and so those of you in the audience if you have cell phones, please either turn them off or put them on silent or vibrate so that it doesn't interfere with the testimony of the hearing. We don't allow any public displays of support or opposition to a bill, and so please abide by that. Any questions before we begin? Okay. Senator Kolowski, you're recognized. [LB1003]

SENATOR KOLOWSKI: Whoa! Excuse me. [LB1003]

SENATOR HAAR: Are you okay? [LB1003]

SENATOR KOLOWSKI: Yeah. Caught my foot. [LB1003]

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SENATOR CARLSON: ...you're recognized to open on LB1003. [LB1003]

SENATOR KOLOWSKI: (Exhibits 1 and 2) Good afternoon, Chairman Carlson and members of the Natural Resources Committee. My name is Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, and I represent District 31. LB1003 gives natural resources districts, NRDs, the power and authority to issue general obligation bonds for the purpose of financing all or part of the cost of non-revenue-producing water projects authorized by law. Issuance of such bonds shall be approved by two-thirds of the members of the board of directors of that particular district, and such bonds shall be retired using the district's tax revenue and other funds available to the district not pledged for another purpose. Currently, the Papio-Missouri River Natural Resources District is the only NRD with bonding authority at this time. Without bonding authority, NRDs do not have the capacity to generate the dollars it takes to pay for a major project in one year. NRDs are then forced to wait on projects until they have saved up enough money or they end up paying as they go and the project goes through many delays. These delays could take a long time and add to the...that adds to the cost of the project, as inflation will make the project cost more. If the project is for flood control, local residents are at risk of property damage and loss of life until the project is completed. The ability to bond for these projects will help spread the cost out over time and allows the districts to take on the projects with the lowest possible tax rate and eliminates many unnecessary delays that could end up costing NRDs significantly more money and putting local residents at risk. Although not related to this bill, the ability of the Republican River Basin NRDs to use the occupation tax for bonding allowed them to move on a project that became available and converted into an augmentation project for the Republican River Basin for compact compliance. In less than two years, the project will be in operation and will keep Nebraska in compliance. The total project cost is \$120 million. Without bonding, the project would never have been started and Nebraska would be at risk for compact compliance. I would like to close by saying that this bill fits perfectly with the major water bills that have been presented to date in this legislative session. You have a state map in front of you, two of them, that identifies all 23 NRDs in Nebraska and another map that identifies some of the given projects that would be looked at with the water bills that have been submitted thus far. This bill provides an individual NRD with the ability to bond for smaller projects within their boundaries that have been identified to assist our plans to work toward water sustainability. They could also provide matching funds for some of the major identified projects that overlap the boundaries of multiple NRDs. These projects and financial decisions are totally under the local control of their elected NRD board. No board is forced to accept a project to tax their residents. All NRDs should and can be part of the planned decisions to move our state to future water sustainability. We need to use all the tools in our toolbox to reach our desired goals concerning water in our state. Our water decisions will determine the future economic success of our state. I hope we can show the courage and vision to move our state forward to an even greater future. You will hear more examples from testifiers about how bonding authority has helped or lack thereof has hurt NRDs across our state. So I

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would ask that you hold questions for me until my closing. With that, I urge you to vote to advance LB1003. Thank you very much. [LB1003]

SENATOR CARLSON: Okay. Thank you, Senator Kolowski. We'll honor your request about questions until closing. [LB1003]

SENATOR KOLOWSKI: Thank you, sir. [LB1003]

SENATOR CARLSON: So we're ready for proponents. Welcome, John. [LB1003]

JOHN WINKLER: (Exhibits 3, 4, 5, 6 and 7) Thank you. Chairman Carlson, members of the committee, my name is John Winkler, J-o-h-n W-i-n-k-l-e-r, and I am the general manager of the Papio-Missouri River Natural Resources District. I am testifying today on behalf of the Nebraska Association of Resources Districts in support of LB1003. In addition, I have submitted letters of support for the record from the city of Omaha, the city of Bellevue, Upper Niobrara White, and the Omaha Chamber of Commerce. Excuse my voice. My daughter had a district basketball game last night and I was trying to help the officials and (laughter) so...we lost. But so that was my help. Nebraska's natural resources districts currently have authority to issue revenue bonds. These bonds must be retired using funds from revenue-producing facilities constructed with the aid of such bonds. And that would be, for example, our rural water systems. In contrast, LB1003 would provide NRDs with the authority to issue general obligation bonds for the purpose of financing non-revenue-producing water projects. These bonds would be retired using the district's existing property tax revenue and other funds available to the district. And please remember, the districts are by statute only allowed to levy a 4.5 cent per \$100 of assessed valuation. The committee may recall that in 2009, the Legislature passed LB160. LB160 authorized limited bonding authority for flood protection and water quality enhancement bonds to the Papio-Missouri River NRD only. These flood control bonds must be funded within the district's existing mill levy limitation. I think it's important to note as the committee considers this bill that the limited bonding authority authorized five years ago has been utilized responsibly and without exceeding our levy limit. In fact, the Papio NRD has either lowered or kept its mill levy the same for the past eight fiscal years. LB160 allowed us to save large sums of money over what the same project would have cost without the bonds as it decreased completion times and leverage historically low interest rates and construction costs. Bonding allows projects to be completed many years faster and at least half the cost. In our experience, we had three major projects that were anticipated to cost \$125 million. Because of the ability to bond, we were able to complete those projects or are in the process of completing them for \$85 million. And it would have been a construction, a projected construction time period of 25 years without bonding authority. We're projecting we'll complete those projects in ten years with bonding authority. The bonding authority granted under LB160 expires in 2019 in five years. Unlike LB160, LB1003 has statewide applicability and has a much broader scope of potential uses. LB1003 is good public policy for several reasons. First,

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it is well established that funding water projects with bonds, especially at today's low interest rates, is far less expensive for property taxpayers than funding such projects out of annual property tax revenue. That is because the construction costs of a major project will increase multiple times if funded in a piecemeal, pay-as-you-go fashion over many years instead of issuing bonds up-front. And we have another great experience with this with our western Sarpy/Clear Creek levee project. That project was anticipated to cost \$15 million, and it's still not completed. It's only 70 percent complete, and now the projected cost is \$43 million and rising. With the bonding authority, be able to do this as a project that we're participating with the federal government. And obviously with their funding scenarios we've been delayed in completing that. So this just shows a demonstration of how those projects will increase over time and quickly erode your purchasing power. LB1003 does not alter existing levy limits. Rather, it gives NRDs another tool to maximize the benefit of each dollar invested. Furthermore, LB1003 represents an important step in putting mechanisms in place which will facilitate the implementation of important work of the Water Funding Task Force. NRDs can play a vital role in this process. And it's anticipated that the Water Funding Task Force, if those funds are allocated, will only pay a percentage of water projects throughout the state. This leaves a local share, either NRDs, municipalities, irrigation districts, whatever those participating entities may be. NRDs have publicly-elected boards which are charged with meeting the district's obligations as set forth by the Nebraska Legislature and as mandated by the federal government. These boards are locally elected. They're accountable to electorate for their spending decisions all within their existing levy limits. I urge the committee to advance LB1003, and I'd be happy to answer any questions you may have. [LB1003]

SENATOR CARLSON: Okay. John, thank you for your testimony. Any questions of the committee? Senator Dubas. [LB1003]

SENATOR DUBAS: Thank you, Senator Carlson. You know, one of the concerns, I have a similar bill in another committee to allow bonding for roads. And one of the questions that I'm frequently getting as I talk to my colleagues is, you know, we don't want to end up like other states that are looking at, you know, huge debts and not being able to fulfill their obligations. And, you know, we don't want to overextend ourselves... [LB1003]

JOHN WINKLER: Right. [LB1003]

SENATOR DUBAS: ...I guess is what I'm trying to say. So how do we counter that argument under this scenario? [LB1003]

JOHN WINKLER: You could look at bonding as a risk policy, insurance policy. You're able to get the project completed in today's dollars. And with the current interest environment the way it's been, we've been extremely lucky. We've had projects that

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we've saved \$4 million or \$5 million under an engineer's estimate because the construction industry obviously was hungry for work. You probably have that same kind of scenario in the roads department. We tried to do the pay as you go and we tried to put away, you know, a penny a year. And, you know, you've got a \$50 million projects, roads are even more expensive than that, and you're saving \$5 million a year. Well, you're fighting 15-20 percent costs. So not only is it going to take you ten years to get to your original estimate, but that has nearly doubled or tripled over that time frame. The goal...you never get there. The most important piece of that though is you don't get the protection or the road or whatever structure in place. So not only you're trying to save it to get there, but that particular piece of infrastructure is missing and not available and not utilized. Roads a perfect example. You don't have a paved road. You've had all kinds, but you've got economic development issues, you've got safety issues, you got've all...and to continue to try and save to get there, you can't. You just cannot get there. We've been very fortunate. We had the perfect storm. We had low interest rates. In fact, they're still historically low. And we had a great bidding environment. And so we were able to leverage those funds and take advantage of those projects and get those done. Now those protections are in place or getting there very soon. And so you're going to continue to pay, you either pay 3 percent or 4 percent interest or you pay 15 percent to 20 percent inflation and construction cost. And I'm not an economist, but it doesn't take long to figure that you just will not get there. And we've got great examples of projects that have just skyrocketed because the funds weren't there and we tried to leverage, you know, state funds and federal funds and local funds and you just aren't able to really get...and you're doing a disservice because, one, you're going to spend a lot more money as you try to save to try to complete the project, and that particular project is not in place to serve the people. That's at least my argument for why it's a good idea. [LB1003]

SENATOR DUBAS: I've put some pretty, pretty restrictive parameters around how the bonding would happen in my bill. With what we're looking at here, does it appear that this is just a blanket go out, bond whatever you can bond, and... [LB1003]

JOHN WINKLER: Right. [LB1003]

SENATOR DUBAS: ...you know, there's a lot of concern about the volatility of the economy... [LB1003]

JOHN WINKLER: Sure. [LB1003]

SENATOR DUBAS: ...and, you know, the ups and downs and do we want to get ourselves... [LB1003]

JOHN WINKLER: Right. [LB1003]

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SENATOR DUBAS: ...too far out there and then what happens. [LB1003]

JOHN WINKLER: The one restriction there is we can never...we can't exceed the existing mill levies. And so we have to operate within that 4.5 cent. Now any district or board could right now or next year, fiscal year, go to that 4.5 cents regardless if they have bonding authority or not. So there's one kind of limit. In addition, you need two-thirds vote of your board. So if you've got two-thirds local support for these projects on that particular...who answer to their electorate, then there's another restriction. It's not simply we just need a simple majority and we're going to spend as much as we can. In addition, that 1 cent holds the value of those projects down. Depending on your valuation, whatever your levy brings you, you're controlled because you can't exceed that. And so that limits you. It's not simply you can just go out and spend all the money you want and build up debt as high as you can. You have certain restrictions within that. In ours, we have several more restrictions than this. And so it's good to have some limits. I mean, it's just responsible and I think the federal government is a perfect example of having no limits. But one thing that we've heard when we worked with FEMA on our Sarpy County levees and, you know, and I mentioned this on my testimony in front of the Appropriations Committee, federal mandates are not going to stop but federal funding will. And so it's going to be contingent upon the state and the local entities to not only to meet federal mandates, but also to provide water projects and road projects and all of those type of things. And it's not going to get any easier or less expensive. [LB1003]

SENATOR DUBAS: Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Other questions? Senator Johnson. [LB1003]

SENATOR JOHNSON: I've lived through the ARRA in the last five years when I was mayor, and I know the value of time and the value of the low interest rates and getting things done and when it's all done everybody is happy, but they know there's an obligation out there. What I'm hearing now and I'm totally supportive of the study and the funding and needing that from a statewide perspective, I get from constituents the questions, is this going to lower our NRD's taxing authority. Are we going to be paying double? And I guess that's a concern in some of those and not to...Senator Kolowski said all the tools out there. How many tool...almost to some people it's going to be three tools. We've got our levy ability. Then we've got revenue income things that are going to pay off the bonds. [LB1003]

JOHN WINKLER: Right. [LB1003]

SENATOR JOHNSON: So that's another layer. And then we've got the statewide cost to it. What's your thoughts on how to battle that? [LB1003]

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JOHN WINKLER: We...I think the NRDs pride themselves in establishing partnerships with other agencies and other entities to help pay for projects. And when you spread that out, it's much less burden on your, you know, local property, either if it's a state or a municipality or a county. The money in the...that's proposed for the task force, if you look at just from, say, the Papió NRD and say, you know, we've got a project and the state will kick in 60 percent, well, that's 40 percent less or that's 60 percent less than my taxpayers have to come up with, at least from their property tax revenue. Now they are paying into that fund as well. But I would have to, for example, a \$10 million project that we maybe would receive from the Water Funding Task Force. That's 2 cents that I would have to add to the Papió's levy to get that same amount of revenue. And, you know, our levy right now is about \$34, \$35 on a \$100,000 house. So I'm kicking that up almost doubling my tax burden on our property taxpayers to offset that cost or price that I would have got from the state or it could be from the federal government or any time you get that additional revenue streams, that's less of a burden on your budget, less of a burden on the taxpayers in your district. And the argument goes, you know, everybody pays into that. I quickly learned at the federal level that when you have an opportunity to get outside funding, you better take advantage of it because there's somebody in another part of the state or another part of the country that will take those funds and utilize for their projects. And, you know, that's just the nature of the process as it is. Right or wrong, that's how it is. And so when you have those opportunities and you have that ability, then you need to build those relationships and you need to get that where you can spread that cost around to different entities. And Department of Roads and any government entity has the same issue. How do we get these vital projects or the infrastructure in place and how to best pay for it? And if that's three sources or two sources or one, it's much more efficient and effective to spread that out. And I don't know if that answered your question, but from my position as a general manager, the more money you can get in from other sources, the better off your agency is and the better off your taxpayers are. [LB1003]

SENATOR JOHNSON: That's a little hard to sell to the taxpayers because it's all tax money. No, I... [LB1003]

JOHN WINKLER: I understand. I understand, and I'm speaking from the...that is responsible and charged with getting projects done in the most efficient, effective way we can. And I think this goes a long way to help that. [LB1003]

SENATOR JOHNSON: That's fine. Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Any other questions? I'll ask you one, John, because I assume we're going to have an opponent or some opponents to the bill. What do you think will be their opposition and how would you answer that? [LB1003]

JOHN WINKLER: Well, you know, we get... [LB1003]

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SENATOR CARLSON: What's the downside in other words? [LB1003]

JOHN WINKLER: Well, the issues that we hear is your budget increased by, I don't know, 200-250 percent and, you know, actually you're bringing in more taxes because even though your levy is the same, you're bringing in more revenue. We don't have control over the valuation process. The county assessor does that. And I know my board is very cognizant of taking only exactly what we need. So that's why we've kept our mill levy the same or dropped it over the last eight years. So they're very sensitive to that. The issue of if your budget increased, well, of course because you're doing very capital intensive projects in a short period of time because bonding allows you to do that. When I first started with the district, we tried...before we got bonding authority, we tried to put away a cent of our levy just to save to do these projects. And our, you know, general cash balance was sitting at \$20 million and we were getting crucified because, jeez, you have \$20 million sitting here and you're not using it. Well, then the idea was, okay, well, if we can't save for projects, if that's not acceptable, then we have to get another way to finance them. So then we went and said, okay, we'll do bonding authority. We'll be able to pay for projects up-front. We'll get the money up-front, and then we'll pay over the years to pay that back. So now we don't have huge cash reserves. Now maybe we may have a rollover of \$4 million or \$5 million a year just because projects don't get done. But then now, you know, you're still getting criticized because, well, you know, you still have all this debt and then you're paying this debt off. Well, you can't have it both ways. If you want to get the projects done, you either try to save or you try to pay for them up-front. We thought it most efficient and effective, at least the majority of the board, to do it that way. And we've been very fortunate. We've...not saying that we control the economy or we control the construction industry, but we've been very fortunate to have 3 percent money, a little over 3 percent money, and great, great construction costs. So thus far it's worked great. We're limited. You know, we only have about \$10 million or a little less of authority left and then we're done until we pay down and we can implement maybe additional bonds. But so far in our experience, it's worked. [LB1003]

SENATOR CARLSON: Okay. All right. Any other questions? Thank you for your testimony. [LB1003]

JOHN WINKLER: Okay. Thank you. [LB1003]

SENATOR CARLSON: Next proponent. Welcome. [LB1003]

PAUL ZILLIG: (Exhibit 8) Chairman Carlson, members of the Natural Resource Committee, I am Paul Zillig, P-a-u-l Z-i-l-l-i-g. I am assistant manager for the Lower Platte South NRD in Lincoln, presenting testimony today in support of LB1003 on behalf of the Lower Platte South NRD. The Lower Platte South NRD has completed hundreds

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of projects to address primarily flooding and bank stabilization problems that are common in our area. Most of these projects are small enough that they can be completed over several years and funded utilizing the NRD's current taxing authority. The NRD has completed a few large projects where the ability to issue general obligation bonds would have been beneficial to the NRD and taxpayers of the district. We anticipate that there will be future projects where the ability to issue general obligation bonds would be an option that our board of directors would like to consider. Having this bonding authority would enable us to complete the project in a timely manner and, in some cases, would be a much better option than borrowing money to complete the project. The Lower Platte South NRD supports granting the NRDs the power and authority to issue general obligation bonds as provided in LB1003, and we support the passage of LB1003. That completes my testimony. [LB1003]

SENATOR CARLSON: Okay. Thank you for your testimony. Any questions of Mr. Zillig? Is there...I'll ask you this, do you think there's a tendency or could be a tendency to overuse these? And what's kind of the safety valve to try and see that that doesn't occur? [LB1003]

PAUL ZILLIG: I don't see where our board would look at that. I mean, our board is a pretty conservative board. They don't go out and borrow money now. Basically live within our means. I think we've borrowed money one time for the Antelope Valley project. And, you know, I don't see this as something that would be abused or used very often. But basically as one option for a certain situation if it was a big enough project and, you know, for our board probably if we got into either borrowing money or going to the bonding route, then they would really look seriously at that route. [LB1003]

SENATOR CARLSON: Okay. All right. Thank you. Senator Haar. [LB1003]

SENATOR HAAR: Yes, thank you. We had a hearing the other day on my bill with rural acreage owners worried about running out of water. And then the discussion came up about maybe building a rural water system or something like that. This would be the sort of thing that could be applied to that, couldn't it? [LB1003]

PAUL ZILLIG: Well, the...I think the one thing with the rural water system, that would be a revenue-generating project. [LB1003]

SENATOR HAAR: Oh, okay. Gotcha. [LB1003]

PAUL ZILLIG: So, yeah, that wouldn't fit in here. But, you know, so if it's revenue generating, we couldn't use this bonding authority, but. [LB1003]

SENATOR HAAR: Okay. Well, thanks. Yeah. [LB1003]

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SENATOR CARLSON: Okay. Any other questions? Senator Johnson. [LB1003]

SENATOR JOHNSON: Yeah, thank you. Thank you, Paul, for coming in. Since your...part of your district is in my district, what project would you have that would fit under this that would be beneficial to not only the urban, but to the rural sector of your district? [LB1003]

PAUL ZILLIG: Well, as far as in Saunders County, you know, I can't think of one off the top of my head. Obviously for Lower Platte South the Antelope Valley project.. [LB1003]

SENATOR JOHNSON: Right. [LB1003]

PAUL ZILLIG: ...one was a \$50 million, \$60 million project with \$25 million of federal funds. So that still left a lot of local funding yet. So that would have been one that we would have considered. You know, we have another Dead Mans Run project here in Lincoln that's in some ways similar to Antelope Valley. But those...that would be the only one that's kind of on the radar screen now. You know, I don't...a lot of the times this would take a pretty big, massive project, and we don't have anything proposed or planned as far as flood control would be, you know, impacting your portion of Lower Platte South NRD. [LB1003]

SENATOR JOHNSON: Thank you. It gives me some assurance and we're aware a little bit of the, you know, Papio-Missouri and the Omaha and extension on north. Lower Platte South is not that extreme, but a lot of it is in the Lincoln area and I do hear a little bit from the rural area not of the big extent. But at least right now you don't see it being a big issue in Lower Platte South. [LB1003]

PAUL ZILLIG: No. No, I don't, and a lot of the projects we would be doing with Saunders County or in that area or part of Butler County are ones that we could probably fund through our existing authority. [LB1003]

SENATOR JOHNSON: Existing. Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Any other questions? Thank you for your testimony. Next proponent. Welcome. [LB1003]

MARK STURSMA: (Exhibit 9) Thank you. Chairman Carlson, members of the committee, my name is Mark Stursma, and that's spelled M-a-r-k S-t-u-r-s-m-a, and I am here representing the city of Papillion. I am the planning director for that municipality. And we are here to support this bill, LB1003. I've distributed a letter signed by our mayor outlining four what we consider simple reasons why we think this bill would be appropriate. Number one, the NRDs are responsible for water quality and flood protection. And bonding authority would allow them to build those projects more

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quickly and, thus, provide immediate protection. You know, whether that's of natural resources or of the built environment from either pollution or flooding, having those projects in place and having that protection in place is very important. The second is that it would allow the NRDs to more accurately predict the schedule of those projects, making it much easier for them to either partner with or just be in support of private development. And I have an example of that that I'll share in a moment. The third is that, as it was said before, it would allow the NRDs to take advantage of market conditions, whether that's low interest rates or favorable pricing for projects. And then, lastly, municipalities use general obligation bonds to a great effect. We have obligations, the NRD has obligations. We see no reason why they shouldn't have some of the same financial tools that we have. And then the example I wanted to share is in the Papillion jurisdiction if you're not aware, we have tremendous private growth right now. We have development occurring at a very fast rate. We have two regional detention basins that are in the watershed master plan. The...just simply the price of the land is increasing at a very rapid rate. So the longer these projects get delayed, the more costs there will be just in land prices. If we could get those projects in place earlier, not only would it support that development, but obviously the price of the water project would be much less. So with that, I would answer any questions. [LB1003]

SENATOR CARLSON: All right. Thank you for your testimony. Question of Mark?
Senator Johnson. [LB1003]

SENATOR JOHNSON: I'm close to this area again. Wahoo is Saunders County. Wahoo is where I live. This summer, the senators that were inside this loop between Fremont, most of Omaha area, down around and through Lincoln were invited in and we listened to the concerns of the communities dealing with the low end of the water line and how to resolve that. And I'm sure you're aware of where we're at with the task force funding. Do you see this...these types of funds helping you in this...in your recharge I guess or use of water for municipality excluding flooding as you've indicated there? Do you see...will this help you in that area? [LB1003]

MARK STURSMA: When you say in terms of water, are you talking about potable water or... [LB1003]

SENATOR JOHNSON: Yeah, potable water for drinking, the recharge there. [LB1003]

MARK STURSMA: Yeah. You know, I don't know that I can answer that. You know, the NRD is involved in a lot of projects, a lot of types of projects related to water. And I know at least for the city of Papillion, we use wells along the Platte River. We don't use reservoirs but I know that there are other communities that use surface water for potable water. It has to be treated, obviously. So it would certainly be possible that the NRD could partner with a municipality or another agency that would use surface water to create potable water. Yeah. [LB1003]

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SENATOR JOHNSON: I mean, it was the cities that came to us. Papillion and I don't remember if Bellevue was there but Lincoln and Fremont, Omaha, and there was letters of support for that. So I just wondered if there would be a yoking between the cities of metropolitan areas and the NRD and this would help on some of those projects. [LB1003]

MARK STURSMA: Well, we've enjoyed a great relationship with the Papio NRD and have collaborated on projects. And so if there was an opportunity for that, I think this would be a benefit. [LB1003]

SENATOR JOHNSON: Okay. Thank you. [LB1003]

SENATOR CARLSON: Okay. Other questions? Kind of tell us a little bit what's caused the rapid expansion. [LB1003]

MARK STURSMA: In Papillion? I think it's a combination of a number of things. I think location is as with any real estate venture is a prime reason. Papillion is well situated in the metro area for development right now. If you look at drive times and access to infrastructure, we are more favorable than the remaining areas for new development in Douglas County. You know, if you were to locate in northwest Omaha, you're further away from the interstate, you're further away from downtown, you're further away, therefore, from Lincoln. And I think that has been a big reason why you've seen so much development in Papillion. I know some other reasons that I've been told by developers is that it's not just the market but it's, you know, time is money and we have really focused on streamlining our development review process and helping developers save time. And if you're, you know, making a large investment and you can avoid that risk of long delays, you know, that can make Papillion look very favorable. And I think another reason is that we were early adopters of design standards and requiring high-quality development. And that may be counter intuitive in terms of promoting development, but I've had a number...you know, countless developers tell me that they know that their investment would be protected because their neighbors will be held to the same high standard. And so we've built some momentum and we have just had, you know, a really significant amount of development over the last ten years as long as I've been in Papillion. We probably have a thousand residential lots under consideration right now. [LB1003]

SENATOR CARLSON: A thousand you say? Explain a little bit what you mean by high standards. [LB1003]

MARK STURSMA: We were early adopters of commercial design standards and we followed that up with other design standards for industrial and residential type of development. Simply having building standards in place, requiring quality materials,

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requiring good integration and compatibility with the neighborhood and the project surroundings, requiring pedestrian facilities and things that generally raise the quality of a development project. [LB1003]

SENATOR CARLSON: Would you say in general that as a prospect looks at Papillion, that is it important to them to understand that you've got these high standards in place? Important in a positive way. [LB1003]

MARK STURSMA: I think it is well known that we have those standards in place. I think a lot of other communities have over time adopted similar standards as us. I know that we work very closely with our neighbors in Sarpy County and a lot of us will even share specific language in our code so that there's consistency. And that's something that we talked about, the importance of consistency, not having our standards affect the market. We want developers to...what we wouldn't want is for a community to try to attract development from another community because their standards are lower. We've all agreed that it's important for us to all have high standards so that we aren't, you know, creating low-quality development. You know, we all want the high-quality development. [LB1003]

SENATOR CARLSON: Okay. All right. Thank you. Other questions? Senator Smith. [LB1003]

SENATOR SMITH: Thank you, Mr. Chairman. And Mr. Stursma and I had the opportunity of serving on the planning commission with you in Papillion for a number of years, and I think you're being a bit modest, too, because what we're talking about, some of the growth that you're seeing in Papillion has a lot to do with the proactive role of your department and working with businesses and being proactive in some of those developments. Can you expand a little bit for us, because as we sit around this committee we hear a lot of different roles and relationships that the communities have with their NRDs. And can you speak to the relationship that Papillion has with our NRD and the role that that plays in economic development as well? [LB1003]

MARK STURSMA: Certainly. Well, thank you for the kind words. The city of Papillion works very closely with the NRD on a number of issues. First, and this is directly related to development, is we actually have in our code a requirement that we consult the NRD on anything that is flood plain related. So any development permit that we see, if it has any flood plain associated with it we, by code, are required to get a formal recommendation from the NRD. And that's tremendously helpful to us. You know, we are responsible at the end of the day for enforcing those regulations, but having access to the expertise of the NRD, getting their counsel helps us ensure that we're following those rules correctly. And those rules come directly from FEMA. So it's important to us that we do follow those rules correctly because otherwise we are at risk of falling out of the flood insurance program. The Papillion Creek Watershed Partnership has been a

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great tool for Papillion and for the entire metro area, in my opinion. That has enabled us to again, really consolidate all of our storm water requirements so that there's consistency. Again, you...I think we've all agreed that it's inappropriate to affect the market by requiring fewer standards. You don't want to attract development because your standards are lower or you're not going to end up with quality development. That's not good for your community. And the NRD is obviously a critical part of that partnership functioning. The projects that were part of that partnership, there are many but the focus has been the regional detention basins. We started, you know, we ranked those on priority based on biggest effect or best effect on the watershed, both in terms of water quality and flood protection. We've built the most critical projects or have started to build those and we're actually in the process of updating that plan to make sure that we're ranking those...we continue to rank those correctly. Those projects are vitally important to Papillion. We're a downstream community. And so if there's going to be a flood in the Papio system, it's most likely going to affect our community. And especially when you look back several years when the...when FEMA remapped those firms, those flood plain maps, the area flood plain was greatly increased. And so we have areas that developed appropriately, followed the flood plain regulations, but now they are in the flood plain because those maps were changed. And so the sooner we can put those projects in place to create that protection from flooding, the sooner those properties will enjoy that protection and the less likely we'll have, you know, a catastrophic flood and millions or even billions of dollars in damage. So, again, we really value our partnership with the NRD both on a daily basis with our permit reviews, but on a long-range basis for guaranteeing flood protection and meeting those water quality standards that we are also held to by the federal government. I don't know that we could do it without the NRD. [LB1003]

SENATOR SMITH: Great. Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Any other questions? Seeing none, thank you for your testimony. [LB1003]

MARK STURSMA: Thank you very much. [LB1003]

SENATOR CARLSON: Next testifier or proponent. All right. (Exhibits 10, 11, and 12) We have letters of support from Mark Wayne of Sarpy County Board of Commissioners; from Dennis Strauch, North Platte Valley Water Association; from John Berge, North Platte Natural Resources District; and Marty Grate of the city of Omaha. Okay. We're ready for opponents. Welcome, Senator Mines. [LB1003]

MICK MINES: Thank you, Mr. Chairman. Thank you, members of the committee. My name is Mick Mines, M-i-c-k M-i-n-e-s. I'm a registered lobbyist, today representing the Papio Valley Preservation Association. In listening to testimony, a lot was said about projects. Everyone has projects. Every elected body in the state has projects for their

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city, county, school, NRD. I might remind the committee that all projects aren't worthy and all projects aren't necessary and all elected boards are not fiscally responsible. And I say that because LB1003, as Senator Dubas pointed out, has very few protections for taxpayers. In 2009 when LB160 was adopted, and granted the Papio-Missouri NRD authority to issue general obligation bonds, the Papio Valley Preservation Association worked very hard to help ensure that there were some protections inserted in that language. Certainly we don't believe it's a perfect bill. Certainly we believe there is much that was not included. But LB1003 is silent on many of those protections. And we're also concerned that once the conditions of LB160 and the sunset go away in five years, that then the Papio-Missouri NRD will also be unrestricted in their ability to bond. A few things that I think this committee needs to ask themselves before advancing legislation like this, and these are fiduciary responsibilities that any board should have and oversight that they should conform to. You know, first of all, should there be a reasonable limit on the general obligation bonding authority? And, for instance, Papio-Missouri NRD has a 1 cent limit on what the board of directors can bond. Beyond that, it's a vote of the people. That's not present in LB1003. Should general obligation bonds be allowed to pay the costs of a number of items, including design right of way acquisition and construction projects and practices for storm water management and for water quality. I realize there are huge differences between the testifiers' districts that you heard today, largely metropolitan, and Senator Dubas' district or districts out in greater Nebraska. They are different. Recreation is a large portion of the concerns of the Papio-Missouri NRD. And while these GO bonds are not used for recreation, they are intertwined anyway. So a project, for instance, to build a dam would...could be...GO bonds could be used for that, but largely there is recreation associated with it. Should they be...should bonds be used for projects in cities and counties that have not adopted zoning regulations or ordinances that comply with state, federal flood plain management rules and regulation? Should general obligation bonds be used to build a reservoir in a city or county where the city or county objects and in turn passes resolution in opposition? Who has authority? Should they be used for enhanced streamflow? Wetland protection? Recreational purposes? Flood plain buy out? Trails and sewer? The authority to issue GO bonds granted to the Papio-Missouri NRD terminates in December 31, 2019. And there's no sunset provision in LB1002 (sic--LB1003). And should general obligation bonds like other elected or other public entities, should there be a restriction in the term of those bonds, the length of the bonds, the...and should they be allowed to reauthorize the bonds more than once or twice? I think there is an awful lot missing and not said in this legislation. I understand the reason for it and obviously we oppose that. But I believe there are too many unanswered questions and potential for great risk to those NRDs that are not Omaha, Lincoln, metropolitan areas. Shawn Melotz from Papio Valley Preservation is behind me, and she's going to talk about the impact that from the taxpayers' perspective that we've seen in that district. And with that, I appreciate your time and be glad to answer any questions. [LB1003]

SENATOR CARLSON: Okay. Thank you. Questions? Yes, Senator Smith. [LB1003]

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SENATOR SMITH: Thank you, Mr. Chair. Mr. Mines, so are there any conditions or modifications that you see that could change your concerns with this bill or is it...I'll just leave it open? [LB1003]

MICK MINES: Well, I think a good start would be a model after LB160. And certainly any other conditions that are going to protect taxpayers, and I say protect taxpayers because every NRD has their own mission and their own...and I don't know that this one brush is good for all natural resources districts. It's authority to bond. And at first blush you might say, well, why not? Everybody likes to have more authority to raise tax money, and it is tax money. But I don't know that the same conditions that apply to, for instance, the Papio-Missouri NRD would apply to any other NRD out in greater Nebraska. So I think this committee, and I defer to your judgment, but I think it's more than just let's allow bonding authority. I think it's more let's tailor whatever we're going to do so that different districts have the ability to utilize that authority differently. And I guess that's where...I'm not giving you great answers, but I think LB160 is a good start. It's not a good finish, but it's a good start. [LB1003]

SENATOR SMITH: All right. Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Any...yes, Senator Brasch. [LB1003]

SENATOR BRASCH: Thank you, Chairman Carlson, and thank you, Mr. Mines. [LB1003]

MICK MINES: Thank you. [LB1003]

SENATOR BRASCH: I think you have brought some important factors to mind on modeling it after LB160. Has this been brought before the...at public hearings at all, this bill, this model? What has the reaction been? [LB1003]

MICK MINES: There...thank you for the question. There's been no...it's below the radar. I mean, you know most bills that fly here, if they don't get out of committee, they're under the radar. So, no, outside of our association, there's little talk about it. No one really pays attention to it. And certainly any time you authorize a public body to have more authority, whether it's bonding or tax authority, I think that deserves public discussion. And this hasn't. And even in the condition it is today, we don't support this. [LB1003]

SENATOR BRASCH: Very good. I appreciate your... [LB1003]

MICK MINES: Thank you. [LB1003]

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SENATOR BRASCH: ...testimony today and excellent questions raised. [LB1003]

MICK MINES: Thanks. [LB1003]

SENATOR CARLSON: Okay. Any other questions? Well, I'm going to ask you one. It's kind of a difficult one. Because it does make a difference in I think how the committee might look at it. You mentioned that maybe LB1003 should be tailored after LB160 and be designed that way. If it were, are you in support of it? [LB1003]

MICK MINES: No. As I mentioned to Senator Smith, I think LB160 is a good start. It's not a good finish. There are provisions in LB160 that we don't agree with that we fought. And I believe it's a good start. The...you know, some of the projects, again, the projects are worthy but they change. For instance, in 1970 when PVPA first started, there were two dams that were projects. The important, critical projects in Washington County that would flood 5,000 acres and take 5,000 acres and flood one community. Now over time, that well-meaning project, we understand is on the back burner, but we're still here. We're not convinced. And at the time, I think there were something like 19 dams proposed and identified as worthy projects. Today, there are 29. I think that's the number. They change. And so authorizing additional revenue for worthy projects today may not be the right solution and maybe the boards in place aren't necessarily making a right decision, whether it's a city or a county or in this case an NRD. I think as a taxpayer group, we're not convinced that just allowing bonding authority with no restrictions is going to solve any problem other than it's going to cost more money. [LB1003]

SENATOR CARLSON: Okay. And I'll ask that a little further because you know that in your experience here we run into circumstances frequently that somebody is opposed to a bill. And then you try and cooperate with that individual or group to see if you can't come up with a compromise that's satisfactory to both and you never get there because it'd be helpful to begin with if the intent was it doesn't matter what you do with LB1003, we're going to be opposed to it. [LB1003]

MICK MINES: Oh, I don't...you know, I think that that would be a part of a negotiation or a discussion. You know, there...we don't hate bonding for bonding sake. But we are concerned about the use of bonding when the need hasn't...needs haven't been identified, I mean, really haven't...the projects, excuse me, the projects haven't been identified and the needs haven't been identified. It's just, hey, one NRD has got bonding authority, let's all go have bonding authority. That's the way it feels from our perspective. And if there are...if we have an opportunity to work with whomever you decide to try and come up with a solution that is reasonable and fair to everybody, yeah, we're wide open for that. [LB1003]

SENATOR CARLSON: Okay, okay. Thank you. [LB1003]

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MICK MINES: Thank you. [LB1003]

SENATOR CARLSON: Any other questions? Okay. Thanks for your testimony. [LB1003]

MICK MINES: Thank you. [LB1003]

SENATOR CARLSON: Next opposition, opponent. Welcome. [LB1003]

SHAWN MELOTZ: (Exhibit 13) Good afternoon, Senator or Chairman Carlson and members of the Natural Resources Committee. My name is Shawn Melotz, S-h-a-w-n M-e-l-o-t-z. I am testifying as president of the Papio Valley Preservation Association, a grass-roots organization with over 600 members. On behalf of the PVPA, I want to express our group's opposition to LB1003. Our rationale for opposing this bill is quite simple. Granting natural resources districts the authority to issue general obligation bonds leads to an unlimited spending using an open checkbook or, in today's current society, an unlimited credit card. This open credit minimizes, in my opinion, vital checks and balances. NRD boards will no longer be forced to consider less costly alternatives for projects. Government debt through bonding places property tax burdens on future generations. To understand the potential hazards of LB1033 (sic--LB1003), I'd like to compare it to LB160--a legislative bill heard by this committee and signed into law in May 2009. LB160 granted to the Papio-Missouri River Natural Resources District general obligation bonding authority. While taxpayers within the Papio NRD were grateful for this committee and the legislative body's amendments to add controls to the use of bonding, the Papio NRD has been able to work around these protective measures. As we understand LB1031 (sic--LB1003), it will provide all NRDs, including the Papio NRD, the means to increase their debt loads, paid using property taxes. Since passing LB160, the Papio NRD has issued \$71.5 million in bonds, has increased their annual budget expenditures from \$67 million to \$93 million, and has increased their property tax requirement by \$1 million from \$16.6 million to \$17.6 million. While the Papio NRD's Web site and General Manager Winkler today's testimony, they tout that the property taxes remain the same for the eighth consecutive year. As a taxpayer and a CPA, I challenge that statement. Papio NRD's property tax requirements have increased, period. The Papio NRD hides behind their unchanged tax levy. The truth is property taxes are increasing due to valuation increases in our area. For example, the assessed property value on my home has increased 10 percent since 2009 when in fact the market value has probably either remained stagnant or gone down. Further, the current \$71.5 million of Papio NRD bonds burdens generations of taxpayers. I have enclosed a chart to let everybody on this committee know how much the bonding principal and interest payments are to the taxpayers of our district over the next 24 years. To date, LB160 has allowed our NRD to saddle taxpayers a 20-year, \$109 million property tax liability. Imagine the resulting property tax effect of additional debt

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payments if the Papio NRD is granted even more bonding authority through LB1003. In conclusion, the Papio Valley Preservation Association is asking this committee to say no to property tax increases by not advancing it to the floor. I would like to add a couple of comments regarding the testimony that I heard before me. The Papio NRD currently has, according to their budgets, over \$17 million in their bank account, which is no different to some extent what they started with on...before LB160. I believe that boards, if they're allowed the ability to bond, there will be less discussion on alternatives and better cost measures. The theory of paying for it as you go, we're doing that with bonding. It's doing the same thing. But it's doing it for more years, in my opinion, by extending debt out 24 years. Keep in mind, the \$71 million is not the maximum that this NRD can bond. They can bond I believe another \$10 million without the vote of the people and then another \$80 million with the vote of the people. So couple that with the fact that they will be able to use LB1003 today if it was passed, not after their sunset in four years, five years. So it is very dangerous to me because you have eight individuals on our board making decisions for over 700,000 people in our NRD. And with that, I'm available for questions and would like to thank this board for allowing me to speak. [LB1003]

SENATOR CARLSON: Okay. Thank you for your testimony. Questions of the committee? One of your statements would indicate that there are more economic...I think this is it, there are more economical ways of completing a project than bonding. In so many words that's what you said, didn't you? [LB1003]

SHAWN MELOTZ: Correct. [LB1003]

SENATOR CARLSON: Give me an example, would you? [LB1003]

SHAWN MELOTZ: That would be easy. Under the current plan for flood protection in our area is the building of multipurpose reservoirs at the cost of up to \$980 million based on current studies. There is a little or well-known alternative called low-impact development, that is you develop the area, you control the flooding as the development comes into the area. The...and it's simple. You find other alternative means to do the projects that are wanted, not necessarily needed. [LB1003]

SENATOR CARLSON: All right. Let me ask, this is a question and this isn't a catch because I'm not smart enough for that, but how would low-impact development have been helpful in 2011 with all the water that came down, had there been a flood in your area? [LB1003]

SHAWN MELOTZ: If the houses are not built next to the creek beds and they are built higher on the hills, if the pavement is not next to the creek beds the water is not going to rush into the creek beds. They are going to naturally flow into the land side no different than the farmers have. I mean, we watch it. A terrace catches water. The waterways,

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we have waterways so that the water runs down the waterway, not down the rows of corn, down the field. [LB1003]

SENATOR CARLSON: Okay. All right. Thank you. Other questions? Seeing none, thank you for your testimony. Any other opponents? (Exhibit 14) We do have a letter of opposition from Jay Rempe of Nebraska Farm Bureau Federation to be read into the records. Anyone testifying in a neutral position? Seeing none, Senator Kolowski, you're recognized to close. [LB1003]

SENATOR KOLOWSKI: Thank you, again, Chairman Carlson and members of the committee. I appreciate the opportunity to have this hearing today and have these presentations made from everyone that was here. One of the things that we're facing in the country right now if you've been keeping up with the national news is the shape that California is in. And I was reading something that came off of the computers today from one of the news sources, and California politicians, Republicans and Democrats, are both going through their plans of how they want to now save water in California. And I want to take a second just to read some of the comments that are being made here because I don't want to see Nebraska in this same shape in our very, very near future. California's painful drought conditions are hurting families, farmers, and business owners, says assembly Republican leader Connie Conway from Tulare. Real people are suffering through higher water rates, mandatory rationing orders, and reduced water deliveries in part because the legislature has failed to act for too long. The legislature has failed to act for too long. Assembly of Water, Parks and Wildlife Committee Vice Chairman Frank Bigelow says it's time for action from Sacramento to get us off this roller coaster of water uncertainty. Solving our short and long term water problems are key to protecting California's economic well-being. Just take California and insert Nebraska on all that, all those statements, and you can see the things that we're looking at that they're already facing. And in Texas, much of the same, some parts of Oklahoma much of the same. States that fail to act because they were tapping out their water and not making the selections they needed to make and decisions they needed to make to make water sustainable in their situation in their states. Again, I want to point out what the role the NRDs could play in the larger picture of the committee Senator Carlson led us through as we put together a plan, and you have one of those sheets of the map of some of the projects, just some of the projects that are being examined, looked at, as we look at the sustainability projects throughout the state of Nebraska. And they are north, south, east, and west throughout our state. And I think that's very important. The numbers on this map are not in priority order. They're just for identification purposes, so please keep that in mind as you look at that. This was put together as samples and examples of the many things that we could do. I want to take a second just in closing also to point out on the NRD map, we are the only state with NRDs just to make sure you know that. And that is an unfortunate situation with many of the states because having gone back to D.C. a couple of times for a national conference that we hold back there to lobby with our congress...congressional delegation, we're always praised for the

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way that Nebraska has set up the NRDs because they work on the watershed, not on man-made, human-made boundaries like counties and cities and all the rest. And that makes things so much more practical when you're working on the complete drainage of a particular watershed compared to human-made boundaries. And that makes great sense and it's a pleasure, Washington officials tell us what a pleasure it is to work with Nebraska on Nebraska issues and for different grants and different things that have happened over the decades because we are set up in this particular way. It's a tremendous advantage and has great results over these decades. I think it's extremely important that we again remember we're trying to give bonding authority to the NRDs so they can work on smaller projects within their boundaries as the larger projects are worked on as funding becomes available through the other bills that have been brought forward during this session and we're anticipating a positive acceptance of those as we move on. We have...we can't wait for tomorrow because if we're sitting here in two years or three years and the drought hits again and again, we're going to be wondering why we didn't take action in doing the things that we need to do. And this gives us another set of players with authority to make a difference in their own territories by elected boards that their population has brought forward to impact the full set of plans, the overlapping plans that will be available for the major projects and the smaller projects within our entire state. This ties so many things together in such a great way that will give us the power to be more direct and more impactful upon each of the decisions we make as to what project and how long that's going to take. I thank you very much for your time today and I sit for any questions you might have. [LB1003]

SENATOR CARLSON: Okay. Thank you, Senator Kolowski. Questions? Senator Brasch. [LB1003]

SENATOR BRASCH: Thank you, Mr. Chairman, and thank you, Senator Kolowski. I was in another committee presenting a bill. I missed your opening. [LB1003]

SENATOR KOLOWSKI: Okay. [LB1003]

SENATOR BRASCH: To catch me up just a little bit, with the funding that your water task force and everything, that's not enough, that you still believe you need some additional funds, bonds above and beyond... [LB1003]

SENATOR KOLOWSKI: Yes. [LB1003]

SENATOR BRASCH: ...what tax dollars already being projected into water. [LB1003]

SENATOR KOLOWSKI: Correct. It gives a local entity the ability to make gains faster for all the reasons, for example, that Mr. Winkler mentioned, the very low interest rates right now, the hunger for construction companies to give you a very great bid right now on projects. It helps you to get a lot more done at a cheaper dollar rate right now than it

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would by waiting and dragging that out over time. And so we're being more efficient, more effective with our tax dollar by doing that. And that is a better deal all around for everyone, paying taxes as well as completing the projects earlier to give the...to give us more power toward the sustainability we want to develop as far as water resources. [LB1003]

SENATOR BRASCH: And my second and last question would be, as the Tax Modernization Committee went across the state, the number one concern is property tax relief, and bonds potentially negatively impact that as well. And so after that study, this is still something above and beyond the request of a majority of taxpayers. [LB1003]

SENATOR KOLOWSKI: Agreed upon by a local board who's been hired and needs two-thirds of their majority to put a particular project in place, yes. And I think the important piece of what you're asking, without water, what are they going to grow on that land? Everything dries up. Without water, Senator Dubas' desire potentially for bonding for roads, what are you going to take to harvest? Where? From where? Nothing is being produced because it's all dried up and blown away in the fields. As we were driving back from one of our meetings in Education this last summer, we drove from the Halsey forest area down to Grand Island and we got behind more corn trucks delivering to...Ken was with us, and delivering more and more produce to storage. It was just unbelievable. And I said to myself at that time, with this committee's work and other things we were doing I thought, you know, if we...we really blew it. We needed a drought this year. I don't mean that sincerely, but if we had a drought, what would the message be and who would be asking us is \$50 million enough? Is \$100 million enough? How about \$150 million? Because you had nothing to take to harvest if you didn't have the water that we were fortunate to have this last year. So I use that as an example. Why would you need roads? Why would you need anything if there's nothing being produced on the land? And the taxes would...ask a farmer or a rancher how they feel about that issue compared to producing nothing. [LB1003]

SENATOR BRASCH: Very good. I have no other questions. [LB1003]

SENATOR CARLSON: Thank you. Senator Johnson. [LB1003]

SENATOR JOHNSON: Thank you, Chairman Carlson. Thank you for coming in. [LB1003]

SENATOR KOLOWSKI: Yes, sir. [LB1003]

SENATOR JOHNSON: I've gone through bonding through the city and whatnot. Some downsides to it, but I understand the value to that. I've cosigned onto Senator Dubas' bill for roads and I think it's got a mechanism there to fund it and a funding mechanism that's already in place. I guess as you sat on the task force this summer and I sat in on

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some of those meetings, didn't catch them all but I did happen to be there, and you maybe...you must have talked several times different ways to fund projects. And we talked...I think it was a revolving fund at one time, and now we've settled in on the two bills that are out there which I support. Why would it work better for or why is it okay for NRDs to bond and that's not part of a statewide bonding proposal? Why did not statewide bonding of water funding come to the top? [LB1003]

SENATOR KOLOWSKI: I would turn to our Chairman for that (laughter) answer. How's that for a deflection? [LB1003]

SENATOR CARLSON: And he can't ask questions from that spot. [LB1003]

SENATOR JOHNSON: Well, no, I mean it's not a hypothetical but it...I mean... [LB1003]

SENATOR KOLOWSKI: Sure. [LB1003]

SENATOR JOHNSON: I'm just trying to figure out how to support it from this stand...I do support bonding. [LB1003]

SENATOR KOLOWSKI: Yep. [LB1003]

SENATOR JOHNSON: But I have some of the same concerns of, you know, the openness of it and whatnot. The other thing that I might comment and as another senator on the floor will say for the record, we talked about working together with the communities and we had a situation where three communities, the NRD, the county, and the city, were involved in a project. And so we all had a expense in it or we all had dollars in it. And what happened was the NRD had their tax, the county had their tax, and the municipality had their tax. Taxing authority was the biggest in the NRD. They could raise a lot of money. But the people in the municipality were paying three taxes. We paid the NRD tax because that was higher. We paid county taxes, and then we had to pay the city taxes. So we got hit three times within the municipality. [LB1003]

SENATOR KOLOWSKI: Sure. [LB1003]

SENATOR JOHNSON: And that's still a little bit of a sore spot. [LB1003]

SENATOR KOLOWSKI: I understand. [LB1003]

SENATOR JOHNSON: But...and I don't...you know, bonding would have fit into that from the standpoint of the extra expense of covering a higher NRD tax. Thank you. [LB1003]

SENATOR KOLOWSKI: Thank you, Senator Johnson. And I think it's...if you look at that

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taxing bill like I look at mine when it arrives, the NRD is probably the lowest one that you're paying on that entire taxing bill. Check that out next time you have a chance. I think that will stand the test of time. [LB1003]

SENATOR JOHNSON: Well, we can discuss that off the mike. (Laughter) [LB1003]

SENATOR KOLOWSKI: Yes, sir. [LB1003]

SENATOR CARLSON: Any other questions? Senator Smith. [LB1003]

SENATOR SMITH: Thank you, Mr. Chair. And, Senator Kolowski, can you respond to Mr. Mines's comments and his concerns about the risk of having fiscally irresponsible boards? Is that a concern? And how do you get around that? I know you spent a number of years on the NRD board. [LB1003]

SENATOR KOLOWSKI: Eight years, yes. I think it behooves the makeup of that board to make the balanced decisions concerning the funding and expenditures within that establishment of a budget going through a very particular process every year to put their budget together and then to hold to that budget as they're executing it in the following year. I don't think we need any more oversight with them than we do with the school board, with the county board, with the city council, or any other group. I think it fits very nicely within the elected responsibility and the duties that they have to their particular public, and they would be held responsible to that. [LB1003]

SENATOR SMITH: And then Ms. Melotz had made a statement or she was saying there's alternatives to seeing these developments follow through, like low-impact developments. Would you see that having a chilling effect on some of the development we're seeing in the Sarpy County area or any other particular thoughts on that? [LB1003]

SENATOR KOLOWSKI: Yes, sir. I think the challenge would be particularly difficult with a lot of different water retention devices that you can build and hold back water. And I come from the northern Illinois area and I've seen a lot of those in the Chicagoland area. Some of them are very well kept and others look like a sewer because they're not maintained. They're water retention drainage off of certain areas and it really makes for a hodgepodge for a county to regulate what they have as far as the number of retention devices or areas that would hold back water during an excessive rain and difficult times like that. We're not even talking, when we talk about this in this way, we're not even talking about the recreational value that the dam sites produce for families within a residential area. I live very close to Lake Zorinsky. We chose to build there 30 years ago, one of the first homes on the north side of the...excuse me, on the south side of the lake as...before the lake was even formed, before the creek was even dammed up and all that was done. But we knew the plan. We knew where it was going to be. And for the

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residents in that area or any area around us or anywhere, I think of the lake over by Werner Park that's going in right now. And as our gentleman from Papillion was talking about, there's the large lake that's there now, number 5, number 6 and 7 will be smaller lakes to the east of that, and that's going to make that whole multiple square miles of development fill in very rapidly. When he talks about a thousand homes ready to go, you can understand why because it's prime property. It's prime recreational area. It's prime parkland, and all of the other developments that we have put together into parks, ball fields, and soccer fields, and everything else to add to the pleasure of the community that lives there. And I also have to say we have a lot of wildlife. I rarely ride my bike around Zorinsky without seeing deer and you hear turkeys, and I have them walking through my yard plenty of times, and also pheasant throughout that area. So it's a preserve for lots of different things and lots of different reasons and it's a great resource to have in that particular area. Now the city of Omaha now maintains that. Their challenged by their park budget, and it needs some updating and upkeeping to make it a safe and healthy park as a whole, especially with the trail, as far as all the traffic that's on those trails everyday. So it's a great recreational addition to a community no matter how close or far you might live from that as far as recreational use as well, and the fishing and other things that go on in the lake itself. It's more than just a retention pond. [LB1003]

SENATOR SMITH: Thank you. [LB1003]

SENATOR KOLOWSKI: Thank you. [LB1003]

SENATOR CARLSON: Okay. Thank you. Any other questions? Okay. Thank you. [LB1003]

SENATOR KOLOWSKI: Mr. Carlson, can I make... [LB1003]

SENATOR CARLSON: Yes. [LB1003]

SENATOR KOLOWSKI: ...Senator Carlson, one more comment? There was a comment made about \$109 million would be the potential aspect of total dollars being looked at with the Papio at this current time. I want to put that in the perspective that I'm very familiar with and you are also familiar with but you don't usually think about it. In the metro area, \$109 million, if you had a school district that had extremely fast-growing student population, \$109 million would probably get you one metro area high school and one middle school. That's all. Keep that in mind as far as the context. Sixty, seventy million for a high school. Today, of a...anywhere from 1,500 to 2,000 students and an 800-student middle school, easily \$40 million to \$45 million. It's another context to think in as far as the bonding authority. We don't sometimes think a second time about that because that's what school districts do every day of their lives. Thank you very much. [LB1003]

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SENATOR CARLSON: Okay. Thank you. (See also Exhibit 15) And with that, we conclude the hearing on LB1003, and we thank you for coming. [LB1003]