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Revenue Committee
February 12, 2014

[LB691 LB787 LB897 LB1092]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 12, 2014, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB897, LB691, LB787, and LB1092. Senators present: Galen Hadley, Chairperson; Paul Schumacher, Vice Chairperson; Tom Hansen; Burke Harr; Charlie Janssen; Beau McCoy; Pete Pirsch; and Kate Sullivan. Senators absent: None.

SENATOR HADLEY: Okay. Welcome to the Revenue Committee. My name is Galen Hadley. I represent the 37th District in Kearney. We have some senators giving other bills and they will be in and out. But eventually to my left will be Senator Schumacher from Columbus; Senator Pirsch from Omaha; and Senator Sullivan from Cedar Rapids. On my far right will be Senator Burke Harr from Omaha; Senator Janssen from Fremont; Senator McCoy from Omaha; Senator Hansen from North Platte. Our committee counsel is Mary Jane Egr Edson, to my right. Bill Lock is our research analyst. And to my far left is our committee clerk, Krissa Delka. Our page is Drew--he does a great job--from Broken Bow. We appreciate all the help of the pages. I'd appreciate it if you'd turn off your cell phones or put on vibrate while in the hearing room. Also, the microphones in front of you are basically not for amplification. They're for the transcribers to pick up your words, and so if you touch them or rattle them it causes them some concerns. So try not to move them around too much. The sign-in sheets for testifiers are on the tables by both doors and need to be completed by everyone wishing to testify. If you are testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify hand your testifier sheet to the committee clerk. We will follow the agenda posted at the door. The introducer or representative will present the bill, followed by proponents, opponents, and neutral. Only the introducer will be allowed the opportunity for closing remarks. As you begin your testimony state your name and spell it for the record. If you have handouts, please bring ten copies for the committee and staff. If you have only the original we will make copies. Give the handouts to the page to circulate to the committee. With that, we were joined by Senator Burke Harr from Omaha; Senator Pete Pirsch from Omaha; and Senator Kate Sullivan from Cedar Rapids. Senator Cook, welcome to the Revenue Committee.
[LB897]

SENATOR COOK: Thank you very much, Senator Hadley, and good afternoon, members of the Revenue Committee. My name is Tanya Cook, T-a-n-y-a C-o-o-k. I appear before you as the state senator representing the 13th Legislative District and as the introducer of LB897. LB897 will create a nonrefundable business tax credit that encourages and rewards investments that Nebraska employers can make in their employees and in our state work force. LB897 will allow Nebraska employers to claim a credit of 20 percent of their annual expenditures made to provide eligible services for their employees who receive public assistance. The credit may not be claimed for more

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than two years with respect to each individual employee. Eligible services means services that are incidental to the employer's business and are included in the following categories. Number one, job training: the provision of job training or basic education for employees receiving public assistance. Two, health and dental insurance: the provision of health and dental insurance for employees receiving public assistance. The health or dental insurance coverage, if less than the coverage provided through Medicaid, will be supplemented by Medicaid to provide full Medicaid benefits to the employee. Third, childcare services: the provision of childcare services or the payment of the cost associated with childcare services for children of employees receiving public assistance. Fourth, transportation: the provision of programs for the transportation of public assistance employees to and from work, not to include mileage reimbursements. The credit is limited to expenditures made on an eligible employee during two tax years of their employment. The expenditures must be specifically for the benefit of the eligible employee. Credits in excess of an employer's expenses may not be carried forward and are nonrefundable; in other words, they cannot result in a tax refund. The tax credits allowed under LB897 are an investment in Nebraska's work force and its families. The bill rewards and encourages Nebraska businesses to make an investment in their employees. The bill provides the kind of support that will create a more upwardly mobile work force. I'd like to make a few observations about the current fiscal note. First, there is no analysis showing how the calculation of the revenue loss of \$15,117,000 in fiscal year '15-16 arises. I'm not necessarily disputing the amount, only expressing curiosity about how the figure was arrived upon. Secondly, I find it unfortunate that the HHS fiscal note shows no cost savings. The intent of the legislation is that this tax credit would offer an incentive for private enterprise to provide transformative investments in the working poor. In theory, this legislation would lessen the state's need to provide Medicaid coverage and childcare subsidy to those Nebraskans currently receiving this assistance from the state. I understand the difficulty in calculating an estimate for these savings but would like to assume that those potential savings would be made...would be referred to in the HHS fiscal note. Members of the Revenue Committee, LB897 will encourage Nebraska employers to play an important role in transitioning families off of public assistance and into the middle class. My intention in introducing this legislation is to help ensure that the needs of low-income, working Nebraskans are included in this year's important discussion about tax reform. The underlying policy advanced by this legislation can play an important role in ensuring broad-based support for any tax reform policies advanced by the committee. I ask that you seriously consider including portions of this legislation in any committee proposals advanced this year. Nebraska does not currently have any job training tax credits. This was pointed out in the Legislative Performance Audit report released last summer. The tax credits included in this bill represent an earnest attempt to make sure that the tax policy in Nebraska encourages the upward mobility of our work force and not the creation of dead-end jobs. Thank you for your sincere consideration of LB897. Thank you very much. I'll take any questions. [LB897]

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SENATOR HADLEY: Are there questions for Senator Cook? Senator Harr. [LB897]

SENATOR HARR: Thank you, Chairman Hadley, and thank you, Senator Cook, for coming here today. I guess my first question is, has this been tried in other states? Do you know? [LB897]

SENATOR COOK: Yes. Thank you very much for the question. The...we have modeled this proposal on policy that exists in the state of Colorado. In fact, I could provide to you or to your staff a copy of the one-pager on Colorado's proposal. This proposal mirrors that. [LB897]

SENATOR HARR: And do you know what the fiscal analysis is from Colorado? [LB897]

SENATOR COOK: I do not because Colorado is so much larger populationwise, and fiscally I wasn't certain if that would...there would be a good way to compare and contrast in this short time frame. [LB897]

SENATOR HARR: Okay. [LB897]

SENATOR COOK: I can get that for you. I'd be happy to. [LB897]

SENATOR HARR: Yeah. Will you just follow up? I just wondered...you know, we take these individuals and turn them from a liability to an asset to the state. Granted, we're putting an investment in them for the first two years and I was just trying to figure out over the long haul if the state is net ahead or net behind by this program. [LB897]

SENATOR COOK: Thank you. That would be a good question to have the answer to. I'll follow up on that... [LB897]

SENATOR HARR: Okay. Thank you very much. [LB897]

SENATOR COOK: ...with you and the rest of the committee if you'd care to have that information. [LB897]

SENATOR HADLEY: Senator Sullivan. [LB897]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Cook. Do employers typically know if their employee is on public assistance? [LB897]

SENATOR COOK: Yes,... [LB897]

SENATOR SULLIVAN: Okay. [LB897]

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SENATOR COOK: ...because they would have to report...people who apply for public assistance have to demonstrate proof of employment. [LB897]

SENATOR SULLIVAN: Okay, and that circles back then to the employer giving verification. [LB897]

SENATOR COOK: And that would circle back, absolutely. And in my conceptualization of the bill proposal, people who are currently on public assistance might seek out this sort...might promote, if you will, this sort of opportunity among their employers, as well, so both sides. [LB897]

SENATOR SULLIVAN: Um-hum. Thank you. [LB897]

SENATOR HADLEY: Senator Schumacher. [LB897]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for introducing this, Senator Cook. In follow-up on Senator Sullivan's question, I mean, I've had employees that bring me a proof-of-employment thing and I have no idea whether they're using it to get a loan or if they're on public assistance. Quite honestly, I'm not sure if I could ask if they're on public assistance. [LB897]

SENATOR COOK: Okay. [LB897]

SENATOR SCHUMACHER: And so I'm not sure how I would know that they're on public assistance. I might sign a verification of employment, but I don't know what they're using it for. [LB897]

SENATOR COOK: But you wouldn't know whether or not. [LB897]

SENATOR SCHUMACHER: Yeah. [LB897]

SENATOR COOK: Well, the bill, the green copy of the bill, does not address promotion but, as I said in my response to Senator Sullivan, my hope is that the people taking advantage...once the bill becomes a law, people taking advantage of it would promote it among their employees and the employees know whether or not they are on public assistance. [LB897]

SENATOR SCHUMACHER: Thank you. [LB897]

SENATOR HADLEY: Senator Cook, when I look at the services, are these not services that most middle-class employees would like to have provided at their workplace? [LB897]

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SENATOR COOK: In my opinion they are. The...if you're speaking about on-site, high-quality early childhood education, absolutely. [LB897]

SENATOR HADLEY: Well,... [LB897]

SENATOR COOK: In addition to the provision of health and dental insurance, the...I'll let you complete your question. [LB897]

SENATOR HADLEY: Well, I guess I just...I know that not every employer gives education, postsecondary, you know, some kind of stipend. [LB897]

SENATOR COOK: Um-hum. [LB897]

SENATOR HADLEY: Or we're finding more and more companies that are doing away with health insurance and dental insurance and childcare. It seems to be not completely common at a lot of companies. So I guess I'm just wondering how this would fit in with...a lot of people in the work force would like to have these provisions. Am I wrong? [LB897]

SENATOR COOK: Absolutely, and I...in my opinion, a smart, forward-thinking, future-oriented business or employer would want to encourage their employee to be healthy, to have good dental health--that's a very important part of health--to have high-quality childcare so that the employee doesn't have to call in sick when the...or call in "no babysitter." I would think that that would be something that a forward-thinking and strategic employer would have, and that's the kind of employer that would be able to take advantage of this kind of tax credit, which brings me to the fiscal note. If that is the case, right now we've got the credit at 20 percent. If the number of employers that are not going...that are going to take advantage is diminished through their lack of strategic planning or thinking, then that would certainly, I would think, have an impact on the fiscal note. [LB897]

SENATOR HADLEY: Thank you, Senator Cook. Any other questions? Seeing none, thank you. [LB897]

SENATOR COOK: Thank you very much. [LB897]

SENATOR HADLEY: Will you be here for close? [LB897]

SENATOR COOK: Yes, sir. [LB897]

SENATOR HADLEY: Okay. Could I see a show of hands of how many people would...are going to testify on this bill? Okay. Let's start first with the proponents. [LB897]

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DAVID PIESTER: (Exhibit 1) Senator Hadley and members of the committee, my name is David Piester, P-i-e-s-t-e-r. I live in Lincoln. I appear here today as a volunteer for the Center for People in Need. That's a nonprofit that offers services to poor and low-income families and people mostly in Lancaster County. It offers food, clothing, educational courses, ESL classes for refugees, computer skills training, job skills training, and direct services to assist people in their day-to-day struggles to self-sufficiency. In 2013 the center was visited over 23,000 times by clients for services of one kind or another. Over 10,000 of those clients were children. To be eligible for services from the center, a client must be living on less than 150 percent of the federal poverty guidelines. At various times during the year the center surveys its clients to learn about their day-to-day issues. The latest results of such surveys as they pertain to employment and income may help this committee consider this bill. It is noteworthy that about 90 percent of the respondents' households included at least one adult who was employed in some fashion when they were surveyed. A majority of those employed were employed at one full-time job and over a third were employed at one part-time job. Even with employment considered, however, a majority of respondents were living on household incomes of less than \$1,000 a month. The two principal ways out of poverty are education and steady employment. Public assistance recipients are required to work or enroll in educational programs. For them to succeed at employment, however, often requires getting a GED and some postsecondary education, as well as having a steady job that pays a decent wage; that is, enough to pay the expenses of working and a little more. That's where LB897 comes in. This bill helps employers invest in low-income employees who have a strong work ethic but lack the formal education, job skills training, or life circumstances to be promoted to a position that would raise them out of poverty. LB897 rewards employers for investing in the lower income members of the work force. Employing welfare recipients is not always easy. It requires an employer's tolerance and patience and not just a little financial help, as well. I have set forth here seven different categories of expenses that employers might incur by employing low-income people, and these are obviously not all of them. I won't go through them in the interest of time, but I ask you to read about those, particularly childcare because that's most important. It can amount to over 35 percent of a family's budget if they're low income. There are other costs in employing public assistance recipients but you get the point. It isn't always easy and it isn't free. It frequently requires employers to go above and beyond what other employers typically do for their employees who don't face logistical or other obstacles in getting and keeping a job. It often requires employers to dip into their own pockets to help those employees succeed at these jobs. When an employer helps a public assistance recipient become a dependable, fully trained employee, that employer is helping that recipient toward long-term self-sufficiency. That is a public good. It ought to be recognized and it ought to be at least partially paid for by the public. By using tax credits as incentives, LB897 helps an employer defray some of the expenses in giving a low-income employee a hand up. That is an investment that should be encouraged and this bill would do just that. As this committee considers the

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several bills before it that would provide tax breaks for various economic groups, it should not be forgotten that those Nebraskans at the lowest end of the income scales need help too. By reimbursing a portion of the expenses employers shoulder in helping low-income Nebraskans stay employed, LB897 encourages employers to hire and keep needy employees and it encourages public assistance recipients to stay in the work force, elevate their job skills, and strive toward self-sufficiency. I would note, with respect to the fiscal note, the fiscal note says that it assumes that the 20 percent expenses considered by the bill would apply to all an employer's employees. That is an incorrect assumption. The bill only applies to public assistance recipients as employees. And if there is any doubt about that, I have suggested an amendment that's on the bottom of the last page of my testimony. In sum, the Center for People in Need urges your favorable support on this bill. Are there questions? [LB897]

SENATOR HADLEY: Are there questions? Senator Hansen. [LB897]

SENATOR HANSEN: I have one, thank you, Senator. Mr. Piester, do you have a problem with the two-year time frame? I mean, can they accomplish anything in two years? [LB897]

DAVID PIESTER: Of course it should be more. [LB897]

SENATOR HANSEN: If they start it out at a...right. [LB897]

DAVID PIESTER: But I think the idea is to be a transition, to help people get the training and education they need to become self-sufficient--that is, taxpaying--employees rather than public assistance recipients. And it's a transitional kind of thing. [LB897]

SENATOR HANSEN: And two years, you think, is enough? [LB897]

DAVID PIESTER: Well,... [LB897]

SENATOR HANSEN: A start? [LB897]

DAVID PIESTER: ...it's enough for a start. [LB897]

SENATOR HANSEN: Yeah. Okay. Thank you. [LB897]

DAVID PIESTER: Yeah. Okay. [LB897]

SENATOR HADLEY: Any other questions? Senator Sullivan. [LB897]

SENATOR SULLIVAN: Thank you, Senator Hadley, and thank you, Mr. Piester. In your experience working with the center and working with the clients and customers you've

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had there, do you have any indication or knowledge of their employers who currently might be providing these services for their employees? [LB897]

DAVID PIESTER: That...I don't. That question was brought up earlier and I think it's probably true that everybody would like to have this sort of benefit. The interesting thing is, with respect to low-income employees, they have additional logistical obstacles, I would say, in getting and keeping a job, and it sometimes takes an employer who is very understanding of those obstacles who is willing to give them a little extra support here and there. Sometimes it does include transportation to and from work. That's been known to happen. Some places do provide childcare, but maybe not sick-childcare facilities. There are various things like that. But if it applies to a low-income person on public assistance, then the employer would get some reimbursement through the tax credit. I think that's an encouragement to offset some of those other obstacles that might make an employer reluctant to hire somebody on public assistance. [LB897]

SENATOR SULLIVAN: Thank you. [LB897]

SENATOR HADLEY: Any other questions? Seeing none, thank you, Mr. Piester. [LB897]

DAVID PIESTER: Thank you. [LB897]

SENATOR HADLEY: Next proponent. [LB897]

MOLLY McCLEERY: (Exhibit 2) Chairman Hadley, members of the committee, my name is Molly McCleery. That's M-o-l-l-y M-c-C-l-e-e-r-y. I'm a staff attorney at Nebraska Appleseed in our economic justice program. Nebraska Appleseed is a nonprofit organization that fights for justice and opportunity for all Nebraskans. I'm here today to testify in support of LB897. The creation of and bolstering of strong work supports is a crucial element in ensuring that Nebraska's low-income working families can meet their basic needs. LB897 has the potential to benefit Nebraska's working families through incentivizing employers to provide such supports and also to create quality jobs. This is certainly an important conversation in which our state's policymakers need to engage. However, Appleseed has questions about how LB897 as written will work in practice, and some of these are questions that you've already brought up in the previous testimony and in the introduction. First, it seems unclear as to when an employee must receive assistance in order to be eligible...in order for an employer to be eligible for the tax credit. The bill specifies that employees must receive public assistance pursuant to the Welfare Reform Act, which would be Medicaid, ADC, or subsidized childcare. If the requirement is that the employee must be receiving assistance during employment, we are concerned that not very many employees would qualify given how low one's income must be to qualify for ADC and Medicaid as an able-bodied adult. Consequently, if an employer were to hire an employee who was

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receiving assistance and then that person no longer received assistance, the employer would no longer be eligible for the tax credit. So we're just sort of concerned about the timing of eligibility. Additionally, we share the concerns about confidentiality of employees and whether employers know that their employees are receiving assistance. The bill doesn't specify whether employees must tell their employer that they are receiving assistance or whether the obligation is on the employer to work with the Department of Health and Human Services to see how many of their employees are receiving assistance. My understanding is from the Employment First program which individuals who are receiving ADC generally must participate to fulfill their work requirement. It's a self-attestation process in which they are providing pay stubs and work hours and they would have to have an employer sign off on that. The Colorado program my understanding is also that the employers have the option to either have the employee voluntarily come forward and say that they're receiving assistance or they could work with...or the employer could work with the Department of Health and Human Services to retrieve that information. I think there are some concerns in terms of requiring that an employee come forward in order to get a tax credit for the employer. One suggestion in order to kind of address these two concerns would be to provide that this tax credit is specifically an incentive for employers to hire employees out of the Employment First program. In that respect they would know that the employee was receiving assistance at the time that they were hired. Additionally, that would get around sort of the confidentiality agreement and the timing issue that we discussed. We would also suggest limiting the services the employer must provide to education, childcare, and transportation, which are not benefits that are generally offered by employers. This would be incentivizing hiring, you know, low-income, working families, but also incentivizing the creation of quality jobs. Finally, our tax system should ensure that we continue to invest in things that boost our economy and on which our families can rely, like safe neighborhoods, good schools, a good healthcare system, and a functioning safety net. Nebraska Appleseed is a member of the Rebuild Nebraska Coalition and shares the view that we need to maintain our revenue to avoid further cuts in these important areas to allow us to reinvest in these programs and infrastructure. Consequently, we must make careful decisions about changes in our tax system that will reduce this revenue base. It appears that the loss of revenue from this bill would be more modest and in return we would incentivize the benefits that would allow workers to maintain their work and to create quality jobs. However, any reduction in revenue must be carefully considered. So we would like to thank Senator Cook for advancing this conversation about creating quality work supports for employees and ask that the committee consider this bill with these issues in mind. I can do my best to answer any questions at this point. [LB897]

SENATOR HADLEY: Thank you, Ms. McCleery. Are there questions? Senator Sullivan. [LB897]

SENATOR SULLIVAN: Thank you, Senator Hadley, and thank you for your testimony.

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Could you tell me just a little bit more about the Employment First program? [LB897]

MOLLY McCLEERY: Yes. So in order to receive ADC's Aid to Dependent Children grant, which is essentially cash welfare, an individual must usually comply with certain work requirements, and those include job training, community service, work hours, and in order to do that an individual must turn in their hours, essentially, and have it ensure that they're meeting those requirements each week. So our concern was that without...the timing issue, I think, in terms of when an employee is receiving assistance, if they are hired out of Employment First and are no longer eligible, then an employer would not know that...whether or not they would be eligible. [LB897]

SENATOR SULLIVAN: Um-hum. [LB897]

MOLLY McCLEERY: It's a really backwards way of kind of getting at your question. [LB897]

SENATOR SULLIVAN: Okay. All right. Thank you. [LB897]

SENATOR HADLEY: Any other questions? Thank you, Ms. McCleery. [LB897]

MOLLY McCLEERY: Thanks. [LB897]

SENATOR HADLEY: Any other proponents? Opponents? Neutral? Senator Cook, would you like to close on your bill? [LB897]

SENATOR COOK: Absolutely, very briefly. Thank you very much for your time and consideration. One of my favorite things about hearings is the listening, and the testifiers and others in the room have been very gracious in supplying feedback on how we might address questions of the committee and make this bill something that can be a part of Nebraska's tax policy. I...it was pointed out to me by a legal eagle that on page 2, line 14, the way the bill is drafted it makes reference to educational services and it doesn't make it specific to public assistance recipients, may be a factor in the fiscal note, something for our consideration as we look forward to amending the bill. Thank you again for your consideration. We've got some action items to follow up on. I would also, of course, knowing the stigma attached to receiving public benefits, particularly in our state, would not want this bill to further stigmatize participants and would take very seriously the idea of starting to offer it through those employers that are current participants in Employment First. So with that I thank you again for your time and consideration. I have an action item to follow up also with the Colorado fiscal information. [LB897]

SENATOR HADLEY: (Exhibit 3) Thank you, Senator Cook. Any other questions? Seeing none. With that, I do want to say that I am going to read into the record Terry

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Werner sent a letter of support from the National Association of Social Workers for this bill. Next we will have LB691. Senator Bolz. Welcome, Senator Bolz. [LB897]

SENATOR BOLZ: Good afternoon. My apologies for keeping you waiting. [LB691]

SENATOR HADLEY: No problem. [LB691]

SENATOR BOLZ: (Exhibits 4-6) Today I bring you LB691 because I believe that a modern tax system should keep up with the cost of living and promote a strong economy. I also believe that our tax system should specifically recognize the cost of the necessities of life. This bill is a strategic adjustment to Nebraska's tax system that recognizes the increase in cost of childcare and recognizes the value that working parents add to our economy and the necessity of childcare for those families. Nebraska ranks highest in the nation for our participation in labor force and third highest for the number of people working more than one job. Nebraska's tax code recognizes other work expenses, and in a modern economy childcare is simply a necessity for many working families but the cost can be daunting. Even for families fortunate enough to have jobs, wages have decreased with everyday costs and everyday costs continue to rise. Real earnings declined in 2011 by about 1 percent, but the cost of living rose by nearly 3 percent during that time. So working parents are caught in a bind. They need childcare to continue to work and support their families but costs keep going up, stretching family budgets to the limit. Just in the last year, the cost of an infant in a childcare center increased 2 percent and the cost of care for a four-year-old in a center increased 4.2 percent. I've provided a handout for you, for those of you who have not had a child in care in recent years, outlining some of the detailed costs specific to Nebraska. Currently families earning less than \$29,000 a year earn a refundable childcare tax credit. Families earning over \$29,000 a year receive a childcare tax credit of 25 percent of their costs, with a federal cap of \$3,000 for one child and \$6,000 for two children. This bill is a modest and strategic adjustment that allows the percentage of a credit families can claim by 3 percent, from 25 percent to 28 percent, a modest but meaningful adjustment. Such credits can save a family with an infant in full-time care about \$154 a year. This modest amount could be used to fill prescriptions, buy diapers, or invest in college savings. So I appreciate your consideration of this piece of legislation. I also have for you a letter of support from the Nebraska Association of Social Workers and a pie chart illustrating that this particular bill will greatly benefit middle-class working Nebraska families. Happy to answer any questions. [LB691]

SENATOR HADLEY: Are there questions for Senator Bolz? Senator Hansen. [LB691]

SENATOR HANSEN: I have one. Thank you for coming out of Appropriations. [LB691]

SENATOR BOLZ: Sure, sure. [LB691]

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SENATOR HANSEN: We haven't had kids in childcare for quite a while. We have some grandkids that, you know, various forms, either in home or day care. I'm not sure where they went, picked them up a couple of times, but they're all in school now so we're beyond that, I think. [LB691]

SENATOR BOLZ: Um-hum. [LB691]

SENATOR HANSEN: I Googled, "What's it cost to raise a child?" Have you ever queried that on Google? [LB691]

SENATOR BOLZ: Yes. Yes, from the USDA. [LB691]

SENATOR HANSEN: I don't know who it was from. [LB691]

SENATOR BOLZ: Yeah. [LB691]

SENATOR HANSEN: But it included childcare, clothing, food from birth to age 18 through high school, not college, didn't include college. Do you have an idea what that would be as an average? You can get it...you can choose Nebraska, where you live in Nebraska. It's about \$365,000. [LB691]

SENATOR BOLZ: Well, I'll have to call my parents and tell them I love them. [LB691]

SENATOR HANSEN: (Laugh) The only raise I ever got was when they left home. (Laugh) But it is expensive having children and you said one child is \$3,000, two is exactly double that, and it...there's no deduction for volume, I guess, so. Childcare is extremely expensive. I know that. [LB691]

SENATOR BOLZ: That's right. [LB691]

SENATOR HANSEN: Thank you. [LB691]

SENATOR HADLEY: Other questions? Senator Sullivan. [LB691]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Bolz. You mentioned in your testimony that our tax code recognizes other work-related expenses. What were you...I...what do you include in there? [LB691]

SENATOR BOLZ: I guess it's a general statement. But just this year I have a new job, I work from home, and so some of my business-related expenses can be deducted, you know, farmers' equipment is deducted, other types of expenses that people use to earn a living are reflected in the tax code. [LB691]

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SENATOR SULLIVAN: Okay. You may have mentioned this but I can't remember. There's lots of different options for childcare that range in price. [LB691]

SENATOR BOLZ: Um-hum. [LB691]

SENATOR SULLIVAN: But on average, do we have an amount? [LB691]

SENATOR BOLZ: Um-hum. It's a really good question. Things do vary quite a bit. For an infant the average is over \$7,000 a year; for a school-aged child it's just over \$5,000 per year. But we do have, and if the committee is interested I'd be happy to share it with you, we do have a market-based study that illustrates in greater detail the cost of care for family childcare centers and the different childcare centers across the state. So in your district childcare may be slightly less expensive than in my district. But regardless, if you think about, for example, an entry-level firefighter earns about \$31,000 a year, young person starting their career or starting their family, most likely to have an infant, \$7,000 out of that \$31,000 is significant. [LB691]

SENATOR HADLEY: Any other questions? Thank you, Senator Bolz. [LB691]

SENATOR BOLZ: Sure. [LB691]

SENATOR HADLEY: Will you stay for closing or...? [LB691]

SENATOR BOLZ: Yeah, I'll stay. [LB691]

SENATOR HADLEY: Okay. Again, how many people are planning on testifying on this bill? Okay. Can we have the first proponent, please? [LB691]

KATHLEEN M. UHRMACHER: Senators, my name is Kathy Uhrmacher. I am the president of the Women's Foundation of Lincoln and Lancaster County and I am here testifying on behalf of the Women's Foundation. I'm hoping that I...some of the things that I have to say will answer some of your questions. [LB691]

SENATOR HADLEY: Could we have you spell your name for the record? [LB691]

KATHLEEN M. UHRMACHER: Oh, I'm sorry. That's true because it's a really hard name to spell. [LB691]

SENATOR HADLEY: No problem. No problem. [LB691]

KATHLEEN M. UHRMACHER: Not my fault. Uhrmacher is U-h-r-m-a-c-h-e-r. My first name is Kathleen, with a "K." [LB691]

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SENATOR HADLEY: Okay. Thank you. [LB691]

KATHLEEN M. UHRMACHER: Um-hum. I am testifying on behalf of the Women's Foundation of Lincoln and Lancaster County but I hope to talk not just about the local situation but, as well, the national and particularly the state situation for women, particularly, but obviously childcare is not just a women's issue. The Women's Foundation is a nonprofit organization whose mission is to help women and their families through education, outreach, and advocacy. As the number of women in the labor force increases, so does the cost of childcare, becoming one of the biggest expenses in a family's budget. The recently published Shriver Report: A Woman's Nation Pushes Back from the Brink highlights the importance of quality, affordable childcare and its impact on the economic stability of families in our nation. An essay in the report written by the U.S. Secretaries of Education, Health and Human Services, states: Childcare expenses for families with working mothers can range from 20 percent to nearly 50 percent of the mother's monthly salary. These costs are especially high for single mothers. These statistics are mirrored in Nebraska's...the Kids Count in Nebraska 2013 Report, a publication by Voices for Children in Nebraska. In that report childcare costs range from \$4,000 to \$4,500 for school-age children--this is depending on whether they're in home care or in a center--and \$6,000 to \$7,700 for infants in Nebraska. The median income for all families is \$63,500 but in single-parent households headed by women that income drops to \$28,300. As in the United States, childcare costs in Nebraska represent a significant percentage of family expenses, particularly for low-income households and those headed by women. LB691 would give them additional funds to use for necessities like food, housing, and utilities. Locally, the Mayor's Commission on Women and the Women's Foundation of Lincoln and Lancaster County conducted a survey of 1,250 women to learn of their concerns and challenges. Of those who had children, a top concern was childcare. Sixty-two percent responded that the cost of childcare was their primary concern. Twenty-four percent listed quality of childcare. The Women's Foundation strongly supports LB691 to aid our families and to help them with childcare costs. Thank you. [LB691]

SENATOR HADLEY: Are there any questions for Ms. Uhrmacher? Seeing none, thank you. [LB691]

KATHLEEN M. UHRMACHER: Thank you. [LB691]

SENATOR HADLEY: The next proponent. [LB691]

ANITA BROWN: (Exhibit 7) I'm Anita Lewandowski Brown. It's L-e-w-a-n-d-o-w-s-k-i. If you're really Polish, it's Le-van-dus-kee (phonetic). I say Lewandowski-Brown, B-r-o-w-n. I'm the executive director at the YWCA of Grand Island. I'm in favor of LB691 and I want to bring you two perspectives. One is out of having been a single parent raising my kids on my own with no help, and the other is being the director of a facility

that houses a childcare center. Some of the scenarios that parents have available to them when it comes to childcare I want to share with you. A couple of these I've done and, again, I don't have the facts and figures. I can just tell you my stories and what I've lived and what my parents at the YWCA have lived. The first one is wearing out your family's goodwill and love, and I did this one. My husband left when our kids were two, four, and five. He left us with no support but a house payment, a car payment, and me with a part-time job as a bookkeeper. My children had already left their dad and I was not...was determined that they wouldn't be displaced from our home, the only place they had known as home. So I took on two other part-time jobs and I was able in about a year to secure a better full-time job. Single parents are put in a precarious situation. You have children but you can't not have childcare. Somebody has to be there to watch and care for your children if you decide to work. So one option is to find cheap, but inferior, childcare, and another option is to beg somebody who loves you and cares about you to watch your children for free. I've tried both of these. I begged my mom and my friends to help me out whenever they could, and thank goodness they did. One thing that my mom still brings up, however, is the fact that it forced her into being a second mom instead of enjoying being a grandma to the kids when they were growing up. It also caused some resentment that strained our relationship. I was fortunate to work my way up to a position where I could find affordable and licensed childcare and relieve some of that pressure. It provided for normal relationships with my friends, with my mom again, so I didn't feel indebted to them. And doing that also restored my belief in myself because I was able to provide what was needed for my children and not depend on other people. Another scenario is sometimes one parent doesn't work but stays home to take care of the kids. In some situations one parent has to make the decision to forget their career for awhile, just forgo it for a few years and stay home with the children. If this is a choice freely made, I think this is wonderful. However, if it is not, it can lead to resentment to the children and/or the other parent and also could lead to abuse and neglect of the child or divorce. There are limited options, income options, for parents on public assistance. One situation I had when I was working at an insurance company and I was managing some employees, I had an employee who was a stellar person. I did know she was on public assistance. In fact, I didn't know. I'm sorry. And after about nine months I offered her a promotion. I didn't offer, I told her she got a promotion. I was really perplexed by the expression on her face because it was apparent she was not pleased and I tried to say, you know, this means you're going to get a raise in pay. I knew she was a single parent. And she said no. She said, I can't take an increase in pay because I will lose my public assistance, I can't afford to do that. Unfortunately, at the large corporation that I worked it was not possible for somebody to refuse a promotion and so she quit. I often think about this person and I wonder if her family's life is better. I wonder if there had been some kind of help, even in the way of some kind of increased tax credit, if that would have made a difference for her. At the YWCA we believe not in a handout but a hand up, and that means that we hope you get to that next level, we hope you get to that next level. And to me, this could be an incentive to help some people not just say, no, I can't because I can't afford not to have that money,

but to say, hey, here is some help for you. Another thing is unsafe, unlicensed facilities or providers. Some parents are driven to finding the cheapest childcare available. Not all facilities or providers are licensed. When I talked to my mom or my friends into watching my kids, I resorted...when I couldn't talk them into watching my kids, I resorted to the least expensive childcare I could find and I just want to share two of my stories. One of them I had to call my daughter and say, tell me about that again. She goes, oh, let me tell you. The first one was when I had a child that was just about six weeks old. I was going back to the work force and took the baby to the childcare provider who I had interviewed and found, I thought, to be reliable, took the baby at about 7:45 in the morning. She was in the wintertime. She was all wrapped up. She was in the car seat all bundled up and when I picked her up at 2:00 she was still in that very same state. She had not been taken out of that carrier all day. We never returned there. Another bad story, I guess, is there was this older lady who seemed very, very nice when I interviewed her and she...oh, look at my large yard, it's great, the kids are going to have fun. The kids were probably, I'm going to guess, three, five, six about then, maybe four, six, seven, somewhere in there. I dropped the kids off in the morning and when I picked them up they told me what had happened. She said she kept babies in one room and she said the kitchen was gated off so the kids could only go in the kitchen or be outside. It was the summertime. She said they were left to play outside all day unless they came to the door and asked for a glass of water. And when it was nap time they were given a blanket and told to lay on the tile floor. There were no toys. I said, what did you guys do all day? And they said, we just sat on the porch and talked. And that was a full day. That was an 8:00 to 5:00 these kids had no direction. Unfortunately, many baby-sitters focus on the numbers of kids they can get and the money they can make, not quality care. Facilities could be overcrowded and children don't get the attention they need. There's that thing that I said about, you know, you can't not have childcare. And then I thought, well, yeah, you can, and let me tell you some stories that have happened at our YWCA. I had a mom who has a good job at...for a city department and she had kids that were six, eight, and nine. She pulled them out of our after-school childcare because they had to cut expenses. I said, what are you going to do with them? And she said, you know, my nine-year-old is old enough to watch the eight- and the six-year-old. Nine- and ten-year-olds are not old enough, are not developed enough to discipline siblings. It just creates problems. And with some kind of a tax incentive, perhaps that could have been avoided and she could have rethought that situation. There are childcare resources available, whether they're in home or in a facility in a center that provide an atmosphere of learning and growth for the child. Many of these have age-appropriate development activities that help a child in areas of mental, physical, artistic, speech development. Many people who are childcare providers are not baby-sitters. They are childcare providers. They realize that they're impacting the world anytime they come into contact with a single child. They want to learn new techniques that will help them. They attend trainings and workshops on their own time. They invest in themselves so they can provide the best childcare possible. We need to encourage parents to find these resources and increasing the tax credit may influence them to do so. Some of the things

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that Senator Bolz had already spoken of, people from the Midwest, we're known for our work ethic. Nebraska has one of the lowest unemployment rates in the nation. Parents want to be employed. They want to care for their families. They want to provide for their families. In Nebraska we value our families and safe communities and people choose to raise their families here because of that. The cost of childcare has increased significantly over the last decade, especially for infants and young children. To meet and cover expenses we have had to raise our costs just in the last year. With the cost of food and utilities increasing, these increases are going to occur more often. The cost of raising a child has increased, so not only are the parents faced with rising childcare costs but also all of the other costs that come along with raising a child and taking care of a child. It's a necessity. Women, as we've heard, are particularly impacted by childcare costs because they may be holding down more than one job. Please reference that sheet that you received from Senator Bolz. There was some really good information on there. The fact that childcare costs about \$6,000 a year is significant, is very...it was very much significant. Every day I see parents cutting corners, any corner they can, to lower their childcare costs. Whether that is leaving a child at home--we've even had seven- and eight-year-old kids left at home by themselves because it's only for a few hours--to watching siblings to taking them to a dangerous environment, one where it's not looked over by any kind of entity such as the state childcare group. Parents want to make the best choices for their children. Please, let's do what we can to help them. Increasing the childcare tax credit could help parents search out and invest in quality care for Nebraska's future for our children. [LB691]

SENATOR HADLEY: Thank you, Ms. Brown. [LB691]

ANITA BROWN: Yes. [LB691]

SENATOR HADLEY: Are there questions? Seeing none, thank you. [LB691]

ANITA BROWN: Thank you. [LB691]

SENATOR HADLEY: Next proponent. Seeing none, are those in the opposition? Those in the neutral? Senator Bolz, would you like to close? [LB691]

SENATOR BOLZ: Colleagues on the Revenue Committee, I appreciate the heavy lifting you do in this room. I know you have complex, multifaceted bills that you address and address thoughtfully and carefully. This bill is maybe a little bit different. It's a simple and direct bill that has a real impact on family budgets for working people in Nebraska and I appreciate your consideration. [LB691]

SENATOR HADLEY: Other questions for Senator Bolz? Seeing none. [LB691]

SENATOR BOLZ: Thank you. [LB691]

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SENATOR HADLEY: (Exhibits 8 and 9) With that we will close the hearing. I do say that we received letters of support from Jen Goettemoeller from First Five of Nebraska and Aubrey Mancuso, Voices for Children in Nebraska. Now we sill start with LB787. Senator Schumacher. [LB691]

SENATOR SCHUMACHER: Senator Hadley, members of the Revenue Committee, I'm Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature. And I'm here today to introduce LB787. LB787 had its origins in a conversation I had with a young woman who had no idea she was about to inspire a bill. And she was telling me how she came from a family of modest means, how she worked hard to go through high school and get into a good college program, eventually ended up in a nationally recognized law school, did well, wanted to come back to Nebraska, in fact, came back to Nebraska to a not-so-hot-paying job with a six-figure student loan, and she was struggling to pay that student loan down. She had done all the right things and we were taxing her on the money she made to pay that student loan down. It occurred to me, you know, had she spent that six figures of debt R&Ding some computer program, we'd have let her write it off. Had she gone to Disney World or Vegas for a week-long convention and run up a \$10,000 bill at a convention, we'd have let her write it off, we'd have called it economic development. But because the computer she was programmed was the one in her head, because she was doing everything right, because she was being responsible and not having children she couldn't afford, because she was hardworking, we were going to tax her as soon as we could. Let's think about the situation we've been hearing here in Revenue Committee over the last several, oh, actually several months, maybe longer than that, I guess. We draw half of our income tax revenue from the top eighth of our earning population, of the people filing returns, half from the top eighth. If we are going to generate revenue, we need to increase that top eighth. Those are the high-paying jobs. Those are the dedicated people. Those are the people who have done it right. Granted, there's some in that group that's inherited a pot of money, but they'll soon have blasted it away or moved out of state with it. Those people are the people that have got to carry the burden for all the other good ideas we hear in this committee and hear coming in from other committees. You can't have money for childcare and for helping people on public assistance and for better education and for this, that, and the other thing, all of which are good ideas, unless you have that segment of the population kicking in a lion's share of our revenue. So what can we do to attract and develop that segment of the population--those kids who have done it right and are now struggling to put their roots down here, making them far less likely to skedaddle to some other state or chase the sunshine or lower tax rates, they're here--and get them here? And one thing that we can do...and I'll just diverge for just a second here. Also crossing my mind in this argument is last year we patted ourselves on the back, almost broke our arms patting ourselves on the back with our College Savings Plan deduction. Great deal. Okay. You're coming from a little wealthier situation. Grandma and grandpa on dad's side can kick in \$5,000 a year tax free, fully

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deducted. Grandma and grandpa on the other side can kick in \$5,000 a year tax free, fully deducted. Mom and dad can kick in \$5,000 a year tax free, fully deducted, \$15,000 a year, plus interest, no tax, and you've got a kitty of \$300,000 that you can go skating off to any school you want. So this is not a new principle of tax-deducted education. What it is, is applying it to the average person, the one not fortunate enough to have grandma and grandpa that can sack that money away or parents that can sack that money away. What this does is enable those individuals to pay off that debt and encourages them to do it in a rather short period of time. There's a ten-year max. I was arguing making that a five-year max so they really have to work and pay down debt and couldn't enjoy their education very much until they really paid off their debt. But ten years is about half of what the federal government apparently lets them pay it off in, so probably a pretty good amount of time. It encourages them to stay here because basically if they do use their excess income above their rent and car payment or whatnot, it'll make them nearly tax free for the first couple, three years while they're paying down their debt on Nebraska income taxes. It may also attract some kids in from other parts of the country because it'll take, to the extent there is a tax influence on a young person where they live or where they move to, it'll take that factor out of it. It is exactly what we heard, in somewhat persuasive terms, from some of the proponents of last year that we need to do to attract highly skilled, highly paying jobs to this state. The only way I know that the average person can break a cycle of poverty that can get themselves in a position to contribute 6.84 percent of their income--and if they do it in corporate form, another 7.81 percent of their income--to all these nice programs we dream up is to get a good education, work hard, come back to this state, and put down roots in business, in private enterprise, in the law profession, a medical profession, a nursing education profession that can pull down a solid, six-figure income. They are the persons we are looking for to carry all the load to pay for the...when we hear the old folks come in and complain that they don't...they can't afford to pay taxes on their retirement income, all that, who are we looking to pay this? We've got to have that element, that strata of population, or the system isn't going to work. We're not going to be able to afford the things that we need to afford to do and so this simple proposal. And I, quite frankly, was delighted that the fiscal note was only \$10 million. The bang for the buck of this \$10 million swamps any other bang for the buck on income generation that we've got on the table. And I'd be happy to take any questions. [LB787]

SENATOR HADLEY: Are there questions for Senator Schumacher? Senator Hansen. [LB787]

SENATOR HANSEN: I've got one. Thank you, Senator Schumacher. That was a great opening to your bill. Half the revenue comes from the top 8 percent, I assume, 8 percent? [LB787]

SENATOR SCHUMACHER: Roughly. That's, yeah, those aren't perfect figures, but they're close enough for government work. [LB787]

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SENATOR HANSEN: Well, you did give out a lot of numbers and I assume that most of them are pretty accurate. Does the federal government have a deduction for education expenses? [LB787]

SENATOR SCHUMACHER: I think they do for interest but not for principal. [LB787]

SENATOR HANSEN: Not for principal. [LB787]

SENATOR SCHUMACHER: And I think there's also some other education expenses but it's not...nothing like this. [LB787]

SENATOR HANSEN: So a young person comes to you, say, a junior or senior in high school, what do you tell them to do for their education? I mean, what would you suggest? They're a, you know, not an extremely high scholarship. They don't have a regent's scholarship, but they're really good in academics. What would you recommend they do? [LB787]

SENATOR SCHUMACHER: I'd recommend that they make sure they don't have any high school deficiencies; if they do, to probably hit an intermediate-level school, like a junior college. A lot of our schools when compared to national schools, particularly in areas of sciences in rural areas, are a little bit short. And then I'd tell them to broaden their wings, to get a good, solid education maybe in a...not necessarily in Nebraska, and then bring those talents back here. [LB787]

SENATOR HANSEN: I've had several students from one particular high school in my district ask me that very same question--you know, is the federal government going to help me go to college? I wouldn't count on that, I tell them, you know. And the Governor when he talks to young people he says, go out and get the best education you possibly can get; and I recommend to them, go get the best education you can afford and you're not...going into debt in college is not a goal. I really don't believe that. I mean, if you have to stretch your education over ten years, don't go into debt. That's my suggestion to the young people. I think we disagree. [LB787]

SENATOR SCHUMACHER: We might on that, on the area, but I also think that sometimes the...on an educational thing, it's the connections as much as the content of education that are important. We live in a world in which it...those relationships are tremendously important and, I mean, I...if you've got to borrow money to go to school and that's the only way you can get a really good education, really good contacts, go borrow it. [LB787]

SENATOR HANSEN: Evidently, the young lady that you talked to did borrow it or got... [LB787]

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SENATOR SCHUMACHER: She earned some. She worked through school, then she also borrowed it. [LB787]

SENATOR HANSEN: What degree did she end up with? [LB787]

SENATOR SCHUMACHER: She's a lawyer. [LB787]

SENATOR HANSEN: Yeah, that's probably...there's your problem. Okay. There... [LB787]

SENATOR HADLEY: Just hope she isn't a lobbyist too. Senator Schumacher, you know, I think your bill has some merit. A couple questions, and I'm asking from ignorance. You talked about our College Savings Plan. [LB787]

SENATOR SCHUMACHER: Um-hum. [LB787]

SENATOR HADLEY: Could there be something like that available for graduate students? You know, the same kind of concept... [LB787]

SENATOR SCHUMACHER: Well, if you got wealthy enough somebodies to make donations to you, I think maybe it is even available, isn't it? [LB787]

SENATOR HADLEY: I don't know. I... [LB787]

SENATOR SCHUMACHER: I think it may be available all the way through as long as you've got wealthy...but it's my understanding that, as a practical matter, that program is being mostly used by people of solid means. This is available or this...idea of this is kids that don't have those means but who have got gumption and for some reason want to come back or might be enticed to come to Nebraska and help pay the bills because we don't want...nobody wants to pay the bills but we've got to stick somebody in these. These are the best candidates out there. [LB787]

SENATOR HADLEY: Senator Harr. [LB787]

SENATOR HARR: Thank you, Chairman Hadley. First of all, I think, thanks to Chairman Hadley's bill, it's \$10,000 a year, not \$5,000, under the College Savings Plan. [LB787]

SENATOR SCHUMACHER: Well, it's \$600,000. That will put us in...all the way over in Oxford or someplace expensive, maybe some tours. [LB787]

SENATOR HARR: Maybe Georgetown. [LB787]

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SENATOR SCHUMACHER: No, that's cheap. (Laugh) [LB787]

SENATOR HARR: I am the youngest person on this committee and I understand there are a lot of people my age and younger who, to use a phrase, have a home, they just can't live in it with their student loans being as large as they are, and I think this is a growing problem, especially as education costs continue to outpace inflation. And so I see a real need for something like this. My question is, do we need to maybe...now compared to a bill that may be coming tomorrow, this fiscal note is tiny, but it is rather large at \$10 million. Do we need to think maybe about phasing out as graduates earn more income? They do that right now on your federal tax returns. So for instance, if someone goes and works...let's say two brothers happen to go to the same law school. One goes to work for a county attorney and the other one goes to work for the largest firm in the state. Do you think they should get the same tax deduction or do you think we want to... [LB787]

SENATOR SCHUMACHER: If, they both borrowed the same amount of money and we're going to zap them if they make any money down the road, yeah, let them...I mean, the \$10 million compared to this deal we're going to look at tomorrow is just nothing. [LB787]

SENATOR HARR: County attorney went on to make \$12,000 a year, by the way, the deputy county attorney, so he didn't make the same amount of money. [LB787]

SENATOR SCHUMACHER: Been there, done that. They're learning things there that will enable them to get rich later. [LB787]

SENATOR HARR: Okay. Would you be open to amendment though to phase it out, to make it more financially viable? [LB787]

SENATOR SCHUMACHER: Well, I think it's viable right now but I...you know, if that would be the desire of the committee, that's fine, but it...this is not a big tab. In fact, if you run the math on it, \$225,000 a year income capacity by folks that hopefully are in this category, it only is going to take 600 of them at 6.84 percent taxation of their income in order to pull out ahead--not bad. Put that times 40 years of earned income, this is profitable. [LB787]

SENATOR HARR: So if we lowered the income rate, would that lower the fiscal note on this? [LB787]

SENATOR SCHUMACHER: You mean the income taxes? [LB787]

SENATOR HARR: Income taxes, yeah. [LB787]

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SENATOR SCHUMACHER: Yeah. In fact, if we get rid of income taxes altogether, we won't even have to worry about this. [LB787]

SENATOR HARR: There you go. All right. Thank you. [LB787]

SENATOR HADLEY: Any other questions for Senator Schumacher? Thank you. Could I see a show of hands how many proponents? Three? Okay. We'll start with the first proponent. [LB787]

CARYN VINCENT: (Exhibit 10) Good afternoon, Chairman Hadley and members of the Revenue Committee. My name is Caryn Vincent, that's C-a-r-y-n V-i-n-c-e-n-t. I am a graduate student at the University of Nebraska Medical Center College of Public Health but I'm here speaking as an individual in support of LB787. I believe that LB787 will help Nebraska retain and attract the best and brightest in the healthcare field and other important professional sectors. Job creation and the work force are inseparable. For Nebraska's economy to flourish in the future we have to be able to recruit the kinds of talent necessary to grow Nebraska's future economy. This talent is highly skilled and highly educated professionals. As Nebraska's work force ages and begins to retire, attracting highly skilled and educated professionals will not only add to Nebraska's economy but will also help to replace retirees in the work force. The tax incentive provided by this bill will help to incent young professionals to come to the state and encourage them to stay and make Nebraska their home. As a graduate student, I am investing considerable time and money into my graduate education to become a highly skilled young professional with great potential to participate and contribute to society but I haven't been able to finance my education on my own. It is only through student loans that I have been able to participate in and be successful in a graduate degree program. When I graduate this December, it will be with great pride and excitement to enter the work force as a well-educated professional but also a significant debt. The income tax incentive provided by LB787 would be a great benefit to me as a student and to all graduate students who are primed to enter the work force in Nebraska. Thank you for your time and consideration and I'm happy to answer any questions. [LB787]

SENATOR HADLEY: Thank you, Ms. Vincent. Are there questions? What do...are...your degree that you're seeking is...? [LB787]

CARYN VINCENT: A master of public health. [LB787]

SENATOR HADLEY: Master of public health--oh, so you could help us with Medicaid expansion, you could help us with a lot of different things, huh? [LB787]

CARYN VINCENT: I can sure try. [LB787]

SENATOR HADLEY: Thank you. We appreciate your coming. [LB787]

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CARYN VINCENT: Thank you. [LB787]

SENATOR HADLEY: Next proponent. [LB787]

JANELLE SHEERAN: Good afternoon, Senators and committee members. My name is Janelle Sheeran. I am a student at UNMC and I was kind of suckered into this bill when I met Senator Schumacher earlier today and I was immediately kind of captivated by his passion. [LB787]

SENATOR HADLEY: Would you spell your name for us? [LB787]

JANELLE SHEERAN: Yes. Janelle, J-a-n-e-l-l-e, and Sheeran, S-h-e-e-r-a-n. [LB787]

SENATOR HADLEY: Okay. [LB787]

JANELLE SHEERAN: I am here to testify in support of this bill. As I mentioned, I'm a nurse practicing student at UNMC and I am specializing in psychiatric care. I am one of the first in my immediate family to obtain a bachelor's degree and I am the first in my family lineage to pursue a graduate degree. Coming from a low-income family, my parents were unable to support me in any way to go to college, and so I was lucky enough to get a sports scholarship, which definitely helped pay, and I sold my plasma, as well, to help pay for my undergraduate. So luckily I'm a healthy individual. But for many low-income families and middle-class families, accruing the graduate loans is enough to prevent many students from pursuing a graduate degree and knowing that a tax deduction will be available after graduation will encourage undergraduate students to pursue a graduate degree. This bill is another opportunity for Nebraska to retain young professionals that are motivated and eager to impact our communities. Young professionals that could benefit from this tax deduction will be paying a lot of taxes to Nebraska as we advance and develop our careers. I just want to briefly say that I am definitely in support of this bill and I hope that the committee will seriously consider supporting the bill also and passing it. Thank you. [LB787]

SENATOR HADLEY: Thank you. Senator Harr. [LB787]

SENATOR HARR: Thank you, Chairman Hadley. Are you originally from Nebraska? [LB787]

JANELLE SHEERAN: No, I'm from Montana. [LB787]

SENATOR HARR: And you're here for education, correct? [LB787]

JANELLE SHEERAN: Um-hum. [LB787]

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SENATOR HARR: And if we were to pass something like this, would you be more likely to stay in Nebraska? [LB787]

JANELLE SHEERAN: I definitely would be. [LB787]

SENATOR HARR: Okay. Thank you. [LB787]

JANELLE SHEERAN: Um-hum. [LB787]

SENATOR HADLEY: Any other questions? Seeing none, thank you. [LB787]

JANELLE SHEERAN: Thank you. [LB787]

SENATOR HADLEY: Appreciate it. Next proponent. [LB787]

ELIZABETH NEELEY: (Exhibit 11) Good afternoon, members of the Revenue Committee. My name is Liz Neeley, L-i-z N-e-e-l-e-y, and I am the executive director of the Nebraska State Bar Association. I'm here today to testify in support of LB787. In the last ten years the amount of law school debt that students graduate with has nearly doubled. The American Bar Association now predicts that the average law student graduates with between \$150,000 and \$200,000 in debt upon graduation. In effect, students today are graduating with a loan payment exceeding \$1,200 a month and, as Senator Harr pointed out, they're referring to it as the "loan payment for the house I'll never live in." Another important but less talked about shift in law schools is from a philosophy of need-based merit...need-based aid to merit-based aid, and this shift means that the financially disadvantaged students are the ones graduating with even more debt. This major increase in student loan debt hinders Nebraska's, and especially rural Nebraska's, ability to attract lawyers to work in their communities. New lawyers are pressed to look instead to jobs in larger cities that have the possibility of higher pay. The map that I've handed out to you is 2012 information from Nebraska. There are 12 counties in Nebraska without access to attorneys and 22 others with three or fewer practitioners. The bar association has established a rural practice initiative to encourage new graduates to consider locating in and serving in rural communities. And the bar association views LB787 as an important tool to attract new graduates to rural areas, to ensure access to legal services across the state. It helps keep courthouses and rural communities open and invests in the future of our rural communities. Thank you for your consideration. [LB787]

SENATOR HADLEY: Are there questions? Ms. Neeley, I'll ask the same question that Senator Harr...do you think that this should somehow be graduated because, obviously, an attorney that goes to work, I would guess, for a big, large firm in Omaha is going to go to significantly larger income than someone who goes out to Frontier County and

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goes to work and is...does the ability to repay make a difference? [LB787]

ELIZABETH NEELEY: To be honest, I guess I'd think about it in a little bit different terms. Attorneys, we hear from a lot of attorneys that they can't afford to practice in rural Nebraska because their debt is so high that the salaries offered in rural areas of the state aren't competitive with metropolitan areas. It seems to me though that it's really those first five years that are crucial for an attorney to get into a practice, get established, and maybe gain promotion. And so I'm not sure that it's a necessarily income, but maybe the length of time that the deduction is available might be another option to think about. [LB787]

SENATOR HADLEY: Okay. And the second question I guess I have is...I guess it does disturb me a little if we were going to more to merit and doing away with need. It seems to make it harder for lower-income, potentially, students to go because the costs remain the same, whether you're very wealthy or very poor, to go to law school. [LB787]

ELIZABETH NEELEY: Yep. That is a fair statement. [LB787]

SENATOR HADLEY: Thank you. Any other questions for Ms. Neeley? Thank you. [LB787]

ELIZABETH NEELEY: Yep. Thank you. [LB787]

SENATOR HADLEY: Next proponent. Mr. O'Neill. [LB787]

THOMAS O'NEILL: Senator Hadley, members of the Revenue Committee, I'm Tip O'Neill, that's T-i-p O-'-N-e-i-l-l. I'm the president of the Association of Independent Colleges and Universities in Nebraska. I think I confessed to you once, Senator Hadley, that not only am I attorney, but when I was in law school I also worked for an accounting firm and... [LB787]

SENATOR HADLEY: Doubly blessed. [LB787]

THOMAS O'NEILL: ...Touche Ross. And in my career with the independent colleges actually I was the chairman of the Commission on Tax Policy for the National Association of Independent Colleges and Universities back in the 1990s and the two issues that I worked on most during my tenure in that capacity were on Section 529 plans, of course, the College Savings Plan, and also on interest deductibility for student loans. And Senator Schumacher's proposal here is extremely unique because I have never seen a proposal for deduction of principal payments for loans for students and I think that's good. I think that gives...would give Nebraska a competitive advantage maybe for competing for students over some other states because we are...we do tend to be a lower wage state than many other states. And when you're talking about

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graduate and professional people, people with degrees, graduate and professional degrees, that may be a way that we can capture some of those citizens who will have higher wages in the future and perhaps will be able to recruit some of those citizens for Nebraska in the future. So we support it, the...and as you know, student loans are amortized in the same way as a home mortgage, and so when you're talking principal payments as deductions, those principal payments would be...you get the higher deduction at...toward the end of the time when you're at the ten-year period, as we're talking about here in this bill. So it does give you an opportunity to keep those people around in their careers for a longer time in the state, too, so...and I think that's important. It actually allows you to have them build their careers here in Nebraska. So we see a lot of benefits in this bill and I hope this committee can support it. Be happy to answer any of your questions. [LB787]

SENATOR HADLEY: Questions for Mr. O'Neill? Mr. O'Neill, I...do you think we might need it...if we move forward on this and explore it more that we might want to tighten up the definition of what an institution of higher education...I know that at the undergraduate level we've had some real concerns on the national level of... [LB787]

THOMAS O'NEILL: Um-hum. [LB787]

SENATOR HADLEY: ...some less-than-reputable institutions allowing students... [LB787]

THOMAS O'NEILL: Well, we're talking graduate degrees here. We really...I don't think...there aren't that huge a number. I mean, I wouldn't be as concerned about it because we're talking about graduate degrees here. We don't certainly limit this to Nebraska institutions. I mean, we're talking about... [LB787]

SENATOR HADLEY: It's...that's what I was thinking, that a person...that's right. We don't... [LB787]

THOMAS O'NEILL: We're talking about a student who comes in from any state in the nation with a graduate degree, so we are not particularly concerned about that so. [LB787]

SENATOR HADLEY: Okay. Seeing no other questions, thank you, Mr. O'Neill. [LB787]

THOMAS O'NEILL: Thank you. [LB787]

SENATOR HADLEY: Any other proponents? Those in opposition to LB787? Those in the neutral? Seeing none, Senator Schumacher, would you like to close? [LB787]

SENATOR SCHUMACHER: Thank you, Senator Hadley, members of the committee.

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And I sit in the chair and I often say, well, how are we going to get the money to pay these bills, who is going to pay them? Today the committee had the privilege of getting a sample of who we expect to pay the bills and it's really important that we have a large number of those six-figure earners to carry that load. Let's help them put their roots down here and then let's tax them. Thank you. [LB787]

SENATOR HADLEY: (Exhibits 12-14) Thank you. Any questions for Senator Schumacher? Thank you. With...I do have two letters: Dr. Carna Pfeil, the Nebraska Coordinating Commission for Postsecondary Education, in support; Bruce Rieker, vice president, Nebraska Hospital Association; and Sarah Brower, self. With that, we'll close LB787. We also...I had forgot to introduce Senator Janssen and Senator McCoy. Next we will go to LB1092. Senator Dubas, you're free to open. [LB787]

SENATOR DUBAS: (Exhibit 15) Good afternoon, Senator Hadley and members of the Revenue Committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s. I represent Legislative District 34. In 2009 the Transportation and Telecommunications Committee conducted a series of interim hearings across the state to analyze the existing funding structure and examine alternative methods for highway financing. Those hearings demonstrated nearly unanimous support for some type of tax or fee increases to support our highway infrastructure. From those hearings, along with the transportation summit held in Omaha, the Build Nebraska Act, commonly known as LB84, was ultimately passed by the Legislature, diverting a quarter cent of our sales tax revenue to specific capital improvement projects. Nebraska's highway system plays a critical role in our citizens' quality of life and our potential for economic development. Nebraska's economy is ag based and we are a transportation hub, both of which rely heavily on safe and sound roads. Prior to Build Nebraska, we were in a maintenance-only mode with few opportunities for capital improvements. We have operated as a pay-as-you-go state for many decades. The bulk of those funds, approximately 65 percent, come from our fuel tax, but because of changes in travel habits and more fuel-efficient vehicles, those revenues are steadily declining. As many other states have done, Nebraska now utilizes sales tax revenues, an increasing and stable revenue stream, to make up that difference. We are now just beginning to see the benefit of Build Nebraska Act dollars going to work with projects such as the Highway 133 Blair to Omaha, Highway 77 bypass at Wahoo, and the first phase of the Kearney east bypass. While the Build Nebraska Act is giving us a good start by moving capital improvement projects forward, we still have not fully addressed our roads funding needs. The intent language of LB1092 clearly states the importance of safe and modern highway infrastructure to our economy and our future economic growth. The language further points out the advantage of leveraging historically low interest rates which will help offset construction inflation and the uncertainty of federal funding. In the 2013 State Highway Needs Assessment compiled by the Department of Roads, current needs for the next 20 years are estimated to cost \$9.8 billion in today's dollars. With inflation at 5 percent for fiscal year 2015 and 2016 and 3 percent for the remaining 18 years, over the next 20 years

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the total costs of 2013 needs are estimated at \$14.1 billion. As these numbers show, Nebraska's existing funding structure is inadequate for our transportation needs. LB1092 will allow the issuance of bonds for highway construction projects which are identified under the Build Nebraska Act. No bonds will be issued after June 30, 2020, and bonds will be repaid by June 30, 2033. Those bonds may be issued in amounts to be determined by the Highway Commission, not to exceed \$400 million. Twenty-five percent of the bond proceeds will be used as determined by the department for the expressway system and federally designated high-priority corridors. The remaining proceeds shall be used for projects already prioritized by the department, and in those handouts that I gave you shows the list of those priority projects. As amended by AM1848--and I'm hoping that you have a copy of that amendment; I sent it around to everybody last week--the bill would pledge the Highway Cash Fund with the proceeds of the bonds appropriated to the State Highway Capital Improvement Fund. The bonds would then be repaid from that same fund where the Build Nebraska Act funds are deposited. This amendment comes from further research and vetting of the idea after the bill was originally introduced. As originally drafted in your green copy, the bill pledged the Highway Trust Fund. That was done to ensure compliance with Article XIII of our constitution which allows the Legislature to bond for construction of highways if the funds pledged are closely related to the use of highways. However, upon further review, pledging the Highway Cash Fund makes more sense and further protects those dollars that go to the counties and cities. So the question is, why should we bond? There are several very compelling reasons in my mind. We now have a stable, dedicated funding stream from the Build Nebraska Act. We do not touch the 15 percent of those funds that go to our local governments through the Highway Allocation Fund and we'll only use 50 percent of the quarter-cent sales tax revenue. That dedicated funding stream answers the constitutional question of using funds that are closely related to the use of highways. By capping the bonding at \$400 million, as sales tax revenues grow, our pay-as-you-go power increases. That projected revenue growth is not promised to debt service or new bonds. Furthermore, the uncertainty of federal funding grows more and more every day. Federal funds are neither adequate nor dependable. Interest rates are at historic lows and Nebraska enjoys a very favorable credit rating, which will enable us to capture those favorable low interest rates. Bonding will allow us to accelerate projects and get more bang for our buck. Accelerating these projects means less time with orange cones on the road and more time driving on safe roads. It also means jobs for those in construction and related industries. States who invest in their infrastructure have strong economies. In today's global economy, first-class jobs gravitate to first-class infrastructure. When you visit with businesses and ask what are they looking for when planning to expand an existing business or locate a new business, they will almost always look for states that place the importance of modern, safe, and sound transportation infrastructure among their top priorities. Colleagues, I know we are very proud to be a state that maintains a balanced budget. We don't spend money we don't have. We have also been very proud of funding our infrastructure projects with a pay-as-you-go mind-set. But when circumstances change

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that don't allow you to achieve the same results under existing operations, then it's time to look for other options. Bonding is certainly not a new concept. We bond at the local level on a regular basis. We've done it in some respects for other capital improvement projects at the state level. We did something similar with the Vet Diagnostic Lab, allowing the money that's appropriated by the Legislature to be used should borrowing need to take place to complete that project. Forty-eight states across our nation bond for roads. LB1092 will allow us to leverage Build Nebraska Act monies and wisely invest in our infrastructure. This bill is a very conservative approach and one with the best interest of Nebraskans at heart. As I look at the other bills introduced this session, LB1092 is the only bill proposing solutions to our highway infrastructure needs. In my view, we can either work with this bill or do nothing, and I hope the choice is not to do nothing. So with that, I will attempt to answer any questions you may have. And I know there are some true experts in regards to bonding and can answer those kinds of more in-depth questions coming behind me. [LB1092]

SENATOR HADLEY: Are there questions? Senator Hansen. [LB1092]

SENATOR HANSEN: I've got one. Thank you, Senator Dubas, for coming today. To me, bonding is borrowing money. And there is a debt service to this, and at the price of \$30 million a year for 19 years it could be as much as \$570 million to do \$400 million dollars' worth of work. If you had to go buy a pickup for your farm and ranch operation right now, would you borrow the money or would you...if you have a...you know, you sold cattle. I know you have some money in the bank right now. Would you pay the money or would you go borrow the money to pay and buy that pickup? [LB1092]

SENATOR DUBAS: Depending on where I was at in my financials, if I had the money, I would... [LB1092]

SENATOR HANSEN: Yeah, that's what I mean, right now. [LB1092]

SENATOR DUBAS: If I had the money to go pay for it, I would. But if it was something that the farm needed and I didn't have the money, we would likely borrow it. [LB1092]

SENATOR HANSEN: And LB84 gives us \$60 million to \$70 million a year to use for roads and, I mean, that should be there for quite a while I would assume. So I'm real interested in the rest of the testimony, but I've got some real questions about it. Thank you. [LB1092]

SENATOR DUBAS: You bet. [LB1092]

SENATOR HADLEY: Senator Harr. [LB1092]

SENATOR HARR: Thank you, Chairman Hadley. I have some questions. And maybe

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it's more of a technical matter, but this is one question I do have: Why is there...if the goal is to take advantage of current interest rates, why is there not a requirement to have fixed-rate bonds? As a matter of fact, it looks like it anticipates that this would be variable-rate bonds. [LB1092]

SENATOR DUBAS: And I know that was something that we did talk about, the fixed rate versus the variable, and I'm going to let the expert give you the reasons why we're going...we decided to go this way because I want to make sure the answer is accurate. So I'm not evading your questions, but I just want to make sure... [LB1092]

SENATOR HARR: Okay. Who is going to answer that question? [LB1092]

SENATOR DUBAS: There will be some bond experts that will be coming up after me to be able to explain that. [LB1092]

SENATOR HARR: Okay. I see a head shaking so I think I know who will answer. [LB1092]

SENATOR DUBAS: So, yes, I want to make sure the answers are accurate. So as I said, I'm not evading, and if you don't feel like you're getting your question answered, I'll make sure that you do. [LB1092]

SENATOR HARR: Okay. And why did we decide to go with a specific versus a general obligation bond? [LB1092]

SENATOR DUBAS: We can't pledge...they can't be general obligation bonds I guess is what I'm trying to say. [LB1092]

SENATOR HARR: Under the constitution? [LB1092]

SENATOR DUBAS: Yes, yes. [LB1092]

SENATOR HARR: Okay. On page 2 of the amendment, line 4, this talks about...it starts out with: No bonds shall be issued after June 30, 2020, except for refunding bonds issued in accordance with the Nebraska Highway Bond Act. I...what does that mean? [LB1092]

SENATOR DUBAS: And again, I'm going to let the expert give you the exact on...we do have a Highway Bond...excuse me. I thought I was going to sneeze. [LB1092]

SENATOR HARR: Okay. [LB1092]

SENATOR DUBAS: We do have a Highway Bond Act. (Laughter) Excuse me. But

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I...again, these are technical questions that I want to make sure the answers are accurate, so I'm going to let those experts give you that answer. [LB1092]

SENATOR HARR: Okay, and one last one. The 25/75 expressway versus surface transportation projects of the highest priority as determined by the department... [LB1092]

SENATOR DUBAS: Where? [LB1092]

SENATOR HARR: That's on page 11, lines...well, it's dealt with in two different areas. But it says: The proceeds of the bond...25 percent of the proceeds, on line 7, shall be used as determined by the department for construction of expressway systems and federally designated high-priority corridors, and the remaining shall be used to pay for surface transportation projects of the highest priority as determined by the department. And then if you go down to line 19, it crosses out some language that had the same breakdown. [LB1092]

SENATOR DUBAS: I think it was... [LB1092]

SENATOR HARR: So that's obviously current that we do a 25/75? [LB1092]

SENATOR DUBAS: Yes. [LB1092]

SENATOR HARR: How is that number come at and what does...I guess my first question is, how was that number come at, if you know? [LB1092]

SENATOR DUBAS: Again, I'm going to refer to more expert testimony and want to make sure that...I sound like I'm evading all your questions. I'm really not. [LB1092]

SENATOR HARR: Oh, no, no, yeah, yeah. [LB1092]

SENATOR DUBAS: But this is technical and it's so important. [LB1092]

SENATOR HARR: Yeah. [LB1092]

SENATOR DUBAS: And I want to make sure that what goes into the record, make sure that it is accurate and you are getting the accurate answers. [LB1092]

SENATOR HARR: Okay. No, I appreciate what you're doing. [LB1092]

SENATOR DUBAS: So should they don't get...should they not be answered to your satisfaction, I will make sure when I come up in my closing that they are either answered or I'll get you those answers. [LB1092]

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SENATOR HARR: All right. Thank you very much. I appreciate it. [LB1092]

SENATOR DUBAS: Yep. [LB1092]

SENATOR HADLEY: Senator Sullivan. [LB1092]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Senator Dubas. And you alluded to this a little bit in terms of your rationale in going the route of pledging the Highway Cash Fund. Can you elaborate on that a little bit more in terms of why you went that route? [LB1092]

SENATOR DUBAS: Those are the funds that the Build Nebraska Act dollars go into. [LB1092]

SENATOR SULLIVAN: Okay, but then...all right. Okay. But then the other thing is making sure you're preserving the funds that are supposed to go directly to counties and cities. [LB1092]

SENATOR DUBAS: And again, those...that's where that money is going into. We want to make sure that that money is preserved so only those dollars...the Build Nebraska Act dollars that are going in there, those...that 15 percent is going to come out of there, so keeping all those funds in the same place will preserve that. [LB1092]

SENATOR SULLIVAN: Okay, okay. [LB1092]

SENATOR HADLEY: Senator Dubas, let me follow up on Senator Sullivan's question. So the money would go into the Highway Cash Fund? [LB1092]

SENATOR DUBAS: Yes. [LB1092]

SENATOR HADLEY: And this would be...this is where the LB84 money goes? [LB1092]

SENATOR DUBAS: And the Build Nebraska Act money goes into that, and so that's what would pay back the bonds. [LB1092]

SENATOR HADLEY: What else goes into that? [LB1092]

SENATOR DUBAS: There's quite a bit of different...there's quite a different flow of monies that go into that pot, as well. [LB1092]

SENATOR HADLEY: Okay. You know, I have to ask the question because I was looking at the sponsors of the bill and there were seven people that were here when we

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voted on LB84. Four of them voted against LB84 and three voted for it. And part of the arguments I heard from the opponents of LB84 was it was kids versus concrete and how could we take a quarter cent of sales tax money and put it to roads when it might be needed for education. And I got up on the floor and said I would always make sure that if it was kids versus concrete, kids would come first. But are we now not in a situation where we're saying in the future it's going to be concrete because we're...basically, we need that LB84 to make the payments. [LB1092]

SENATOR DUBAS: You know, I was one of those people who voted against LB84. I didn't necessarily use that argument. My argument was, well, now we're going down a different road. We're taking what money comes into General Funds now, which I guess you can kind of make the connection between those are dollars that go to state aid, as well, and putting them into roads. So that's where my struggle was that we were diverting General Fund dollars. But I guess I believe now we haven't come up with any other options to provide funding for roads. Build Nebraska Act is in place. We're starting to see good things happen from that. Unless we are able to come up with another viable financial resource to replace that, you know, it's in place, and so now I believe personally that we need to take those dollars that are in there and use them to the maximum. [LB1092]

SENATOR HADLEY: Just to accelerate, because if LB84 goes on, we've got 20 years of \$60 million plus, so all we're doing is accelerating. [LB1092]

SENATOR DUBAS: Right. This allows us to move those projects forward in a quicker fashion. It allows us to take advantage of those low interest rates and kind of beat against the inflation rates that we are struggling with, as I stated in my testimony. So it's just, you know, it just allows us to take advantage of a lot of positives that are out there. [LB1092]

SENATOR HADLEY: Could you see any situations where LB84...first of all, could it be voted out by a future Legislature? [LB1092]

SENATOR DUBAS: Twenty-five votes can do a lot, yes, but... [LB1092]

SENATOR HADLEY: Is it twenty-five or is this considered an appropriation that the Appropriations Committee could leave out the appropriation? And five members of the Appropriations Committee, then it's a fight on the floor again? [LB1092]

SENATOR DUBAS: You know, there's probably different ways that it could go about. But I would see that being so, so difficult because not only are senators seeing the benefits of what's happening with Build Nebraska Act, but their constituents are seeing the benefits, their constituents are seeing the roads. So there...I would have to think that there would be some pretty compelling reasons for people to come and say... [LB1092]

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SENATOR HADLEY: How much did TEEOSA go down in 2009? And do you think if we wouldn't have had a...if we'd have had a \$60 million highway fund there when we were dropping TEEOSA by \$130 million or whatever it was, that there might have been some pressure to discontinue it for a year or two? [LB1092]

SENATOR DUBAS: You know, there's certainly been attempts in the past to go after Highway Trust Fund dollars and what have you when we're looking to make up dollars. But we haven't historically gone that way, so. [LB1092]

SENATOR HADLEY: Okay. Thank you. Senator Harr. [LB1092]

SENATOR HARR: So are we in essence monetizing and/or securitizing LB84? [LB1092]

SENATOR DUBAS: Yes, we are. That would...I mean, this will put...this will make it...certainly make it more difficult to make changes to that in the future because we're taking at least a portion of those dollars. We're not taking all of them, but we're taking a portion of those dollars to pay back the bonds. [LB1092]

SENATOR HARR: So if we're accelerating now, is there going to be a period down the road probably 20 years down the road where there's going to be a lot less construction then? [LB1092]

SENATOR DUBAS: I wouldn't see that because, I mean, the projections are showing that the revenues are going to continue to come in at least at the same pace if not more. So those remaining, that other 50 percent of the Build Nebraska Act dollars, are there to use for other construction projects. So those dollars wouldn't be committed to bonds or paying back bonds. [LB1092]

SENATOR HARR: But we're spending money today that we won't have tomorrow then. [LB1092]

SENATOR DUBAS: I'm not quite following you. [LB1092]

SENATOR HARR: Well, if we spend the money today, we have to repay it sometime and we'll repay it with future dollars. So that's future dollars we won't have to spend. It'll be used to pay off the debt, right? [LB1092]

SENATOR DUBAS: Well, that portion is already...that 50 percent of the fund, that's what would be used to pay back those bonds. The other 50 percent would remain in that fund to use for projects. So we're really allowing that other 50 percent to grow and to be used for other projects. [LB1092]

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SENATOR HARR: Okay. [LB1092]

SENATOR DUBAS: So those dollars would be on hand. [LB1092]

SENATOR HARR: All right. Thank you. [LB1092]

SENATOR HADLEY: Thank you, Senator Dubas, and I assume you'll stay for closing. [LB1092]

SENATOR DUBAS: Yes, I will. [LB1092]

SENATOR HADLEY: Can I see a show of hands of how many are going to testify today, please? I'm going to use the light system. We will...at four minutes...you'll start with the green. Four minutes will give you an amber. And when the red comes on we won't shut you off in midsentence, but we will expect you to finish up your thought and move on. So first proponent, please. [LB1092]

NATE ECKLOFF: (Exhibit 16) Senator Hadley, committee members, my name is Nate Eckloff. That's N-a-t-e E-c-k-l-o-f-f. I am a managing director with RBC Capital Markets in Denver. To get started, RBC Capital Markets, just to give you a quick background, we have offices here in Omaha and Lincoln, although I'm based in the Denver office. I'm a regional investment banker. I've been in the profession about 30 years, been involved with \$16 billion of financings over those 30 years. One of those projects was a \$1.7 billion project for the Colorado Department of Transportation T-REX Program (sic--Project). Our company this past year was the fifth-ranked firm in the United States in terms of bond underwriting. We underwrote over 500 bond issues totaling over \$16 billion. Some of the transportation issues that we've been involved with involve states like Colorado, New Mexico, Arizona, Pennsylvania, Texas, Oklahoma, and other states. We have a handout that's here and I will go through that. By way of personal background, because I think it's important to reflect upon where I come from in all of this, I'm a native of Nebraska. I was actually born in Holdrege, Nebraska, grew up in Minden, Nebraska, had a UNL degree in ag econ and was president of the alumni association here in Lincoln from '06 to '08. I'm...have a J.D. and an MBA from the University of Denver and currently have farming interests along with my brother who farms north of Minden, Nebraska, just by way of personal background. I'd like to start by saying that bonding is important because it gives the option of the state of Nebraska to bond against a portion of an already existing revenue stream for already identified critical projects in the state of Nebraska in a low interest rate environment. From my perspective as a businessman, that's a good approach. What I'd like to do is start on page 2 of my handout and some of these are every page and some are over. But if you look at what...lower left-hand corner, it says page 2, we give you a list of the various states in the union that bond, or all 50 states actually in the United States, and you'll see

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that we've identified, at least in the recent years, at least 46 of 50 states have issued bonds to finance roads. Nebraska actually in its past has issued bonds, and the last issue was in 1969. Page 3 we talk about why bond now. Well, I want to give you an idea of what interest rates look like in today's market. If you look at page 3, you'll see a history of the bond buyer index, which is revenue bonds, since 1979. And you'll see in the far right hand, part of that graph on lower...on page 3 that we're in one of the lowest interest rate environments we've been in, in the last 30 years. And in fact, it's the lowest rates have been since the 1960s. I would point out now that in 1969 when the state of Nebraska last borrowed for roads, the interest rate was almost 6 percent. In today's environment, you would be less than 4 percent, and I'll get into that in more detail later. So you could actually borrow at a lower interest rate now than we did here in the state 45 years ago. Why bond now? Well, there's economic benefits, as well, that we've identified on page 4. The first, you have improved safety. That's been a very critical consideration here in the state of Nebraska. We've been following this now for 12 years, and safety is at the foremost of a lot of people's minds in the state. Second, bonding allows projects to be done which would then improve traffic flow and save people time and money in terms of transport...of traffic flow. Third, bonding for highways enhances the economy because it enhances construction. There's a strong multiplier effect for putting money into the economy through highway construction. And last I'd point out, on page 4, highway construction creates jobs. Interpolating from federal highway information, for every billion dollars spent, creates 30,000 jobs. For a \$400 million project, theoretically, in Nebraska that would amount to 12,000 jobs. It has a strong, strong impact on the economy. On pages 5 and 6 we point out what a bond issue would look like in today's market. And I think, Senator Harr, this might get to one of your questions actually from earlier. We'd be looking at a fixed-rate bond issue. In today's market, it would be rated AA and it would have an interest rate of about 3.4 percent. You can see on page 6 what the annual debt service is like, and that's less than \$30 million a year, less than originally projected. So we can get into that during the Q&A. Most importantly, on page 7, I want to talk about the cost of inflation in bonding. And you'll see that we've compared, on pages 7 and 8, inflation versus the cost of bonding on a 3.61 rate, as well as a 5 percent rate. The 5 percent is the rate that the Nebraska's Department of Roads has used for '15 and '16, followed by 3 percent thereafter. The strong point to make on page 8 is that at a 3.61 percent inflation rate, the cost of bonding is about equal to pay as you go. But if there's an inflation rate above that approaching 5 percent, the state of Nebraska is \$40 million to the good by bonding now and getting projects done now, rather than wait for inflation to increase those costs of construction and make bonding...make those projects more expensive over the course of time. So there's an inflationary point that's very important. But in summary, and I see I have a yellow light here, the bonding allows Nebraska to catch up on its infrastructure needs. It basically allows the state of Nebraska to get the cost of construction done now and not wait for inflation to make that cost too great. We're in a historically low interest rate environment. It creates large efficiencies for a large...for capital projects in the state and, importantly, it improves public safety, it improves mobility, and it creates jobs in the

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state of Nebraska. Giving the state the option to bond for roads is a good business decision and it's good for Nebraskans. I'm available for questions and we have...oh. [LB1092]

SENATOR HADLEY: Thank you, Mr. Eckloff. Are there questions? Senator Harr. [LB1092]

SENATOR HARR: Yeah. You have in here the assumption that we use fixed rates. [LB1092]

NATE ECKLOFF: Yes. [LB1092]

SENATOR HARR: This bill allows us to use variable rate. [LB1092]

NATE ECKLOFF: Correct. You wouldn't have to use variable rate. We would suggest an... [LB1092]

SENATOR HARR: Should we put that into the law then? [LB1092]

NATE ECKLOFF: It's...we did not. It's... [LB1092]

SENATOR HARR: I said, should we,... [LB1092]

NATE ECKLOFF: Should you put fixed rate? [LB1092]

SENATOR HARR: ...that it should be a fixed rate. [LB1092]

NATE ECKLOFF: Well, it's the option of using variable or fixed in the current law, yeah. [LB1092]

SENATOR HARR: I know, but I'm asking for your... [LB1092]

NATE ECKLOFF: Oh, if you wanted to amend it and do fixed rate only, that's your option, but we'd suggest leaving the bill at least as flexible as possible so that that option would be available. But clearly in a historical low-rate environment, like today, we'd strongly recommend fixed rate be used. [LB1092]

SENATOR HARR: Okay. I think I would want to stay with a fixed rate. I mean, we've talked about... [LB1092]

NATE ECKLOFF: That's clearly up to you. [LB1092]

SENATOR HARR: The feds right now are keeping the interest rates artificially low. I

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think we all agree with that. [LB1092]

NATE ECKLOFF: Right. [LB1092]

SENATOR HARR: In the future that may not be true, so we'd probably want to lock in while the rates are a little lower. [LB1092]

NATE ECKLOFF: Right. [LB1092]

SENATOR HARR: On page 2 of the bill it says, no bonds shall be issued after June 30, 2020, except for refunding bonds issued in accordance with the Nebraska Highway Bond Act. What does that mean? [LB1092]

NATE ECKLOFF: Right. Well, that means if bonds would have been issued up sometime before 2020 and the interest rate would be lower in, say, 2022, the state would then have the option to refinance those bonds under the act. [LB1092]

SENATOR HARR: So all bonds would be paid off by July 1, 2033? [LB1092]

NATE ECKLOFF: Twenty thirty-three, correct. [LB1092]

SENATOR HARR: Okay. This next question is kind of a delicate question and I don't want you to take offense at it. [LB1092]

NATE ECKLOFF: Okay. I won't. [LB1092]

SENATOR HARR: You get paid to do bond transactions, correct? [LB1092]

NATE ECKLOFF: Yes. [LB1092]

SENATOR HARR: So if we had \$400 million over time, we wouldn't be paying your salary if we didn't bond. What is the cost of bonding generally? What percentage of a transaction is the cost of bonding? [LB1092]

NATE ECKLOFF: This...a transaction like this or a series of transactions for the state of Nebraska would generate very small costs on a percentage basis. We're generally paid as a percent of a bond issue. But this one would be highly rated, probably close to AAA rated, so you'd be at the very strongest credits in the country. Percentagewise, you'd probably be at a percent or less is what it would cost the state of Nebraska to issue bonds in today's market. [LB1092]

SENATOR HARR: So that would eat up the \$4 million though. [LB1092]

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NATE ECKLOFF: It would eat up maybe...as...yeah, we used a percent for purposes of our numbers here. A firm like ours would be actually less than a half a percent, but then you'll have legal costs and other associated costs, as well. [LB1092]

SENATOR HARR: Does that 1 percent include the cost of bond insurance? [LB1092]

NATE ECKLOFF: You probably won't need bond insurance because of the high rating the state would get. [LB1092]

SENATOR HARR: If we get to AAA. [LB1092]

NATE ECKLOFF: Yeah, well, you'll even be a double...at worst you'll be a AA. [LB1092]

SENATOR HARR: What is Nebraska? I don't even know. What are we currently rated? [LB1092]

NATE ECKLOFF: Well, the state has no outstanding debt, per se, on a general obligation bond basis. I believe your underlying rating is either A1, if they were to look at you...AA1, I should say, or AA+, but it could be AAA actually, but you're...clearly, the state of Nebraska is considered as one of the best credits in the United States. [LB1092]

SENATOR HARR: And, yeah, I saw where George Mason University recently ranked us number one. [LB1092]

NATE ECKLOFF: Right. [LB1092]

SENATOR HARR: Would this...because we're tying dollars, future dollars, would this affect our rating? [LB1092]

NATE ECKLOFF: No, I... [LB1092]

SENATOR HARR: Small enough? [LB1092]

NATE ECKLOFF: In fact, it's a small amount of...frankly, it's a small amount of bonds in light of the total budget and it's a small amount of bonds in the bond world in general. I think if it's done for critical projects that meet the needs of the state, it would be looked upon favorably by the rating agencies and clearly investors would be very, very interested in owning state of Nebraska bonds. You'd get the very best interest rates. [LB1092]

SENATOR HARR: Okay. Thank you. [LB1092]

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NATE ECKLOFF: You're welcome. [LB1092]

SENATOR HADLEY: Further questions? Senator Schumacher. [LB1092]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you for your testimony today. [LB1092]

NATE ECKLOFF: Thank you. [LB1092]

SENATOR SCHUMACHER: The notion of pay as you go and no debt has served the state well. [LB1092]

NATE ECKLOFF: Correct. [LB1092]

SENATOR SCHUMACHER: It is...and generally serves things well unless there's some unusual circumstances that make debt desirable. If we were to believe that the unusual circumstance which makes bonding compelling in this case... [LB1092]

NATE ECKLOFF: Um-hum. [LB1092]

SENATOR SCHUMACHER: ...where a temporary and unprecedentedly low interest rates as a result of the federal act...Federal Reserve action following the Great Recession, coupled with a period of deflation, very low inflation that we're in now which will probably swing around at some point into substantial inflationary pressures, what could we build into the bill as triggers to suspend the authority for further bonds when interest rates hit somewhere near market, rather than...and the suppression is over and when the mileage we get out of doing it in a low inflation period is over and we are beginning to feel inflation? And what triggers can we say, okay, we'll play this game because it's an awful good game to play, but only so far? [LB1092]

NATE ECKLOFF: One thing we've seen in some other settings is what you might do, for example, with a local government, which would be to impose a maximum interest rate not to exceed. It's currently not in the bill now, but I'll just pull a number out of the air. Maybe you'd say at an interest rate not to exceed, say, 8 percent or some amount. The bonds could be issued but at a rate not to exceed, so that would be a cap that you would impose in the bill. We'd recommend not doing that because one would think that if bond rates have gone up, then the inflation rate has probably gone up correspondingly, as well. But if you were to put a trigger in, I would put some interest rate in that there would be some general comfort that if you wanted to do projects, they could still get done. But again, if, you know, at some rate, if you don't want to do it any longer, then pick a rate. I'd probably say eight, just off the top of my head. [LB1092]

SENATOR SCHUMACHER: Eight is awful high. [LB1092]

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NATE ECKLOFF: It is, no doubt. [LB1092]

SENATOR SCHUMACHER: And why would you want to even mess with that? [LB1092]

NATE ECKLOFF: Yeah, yeah. [LB1092]

SENATOR SCHUMACHER: But I don't... [LB1092]

NATE ECKLOFF: But it's not unprecedented. [LB1092]

SENATOR SCHUMACHER: No, but it's also got California and a lot of other people into trouble. But it looks as though, their guesstimate, that we're going to see these unusual interest rates and deflationary pressures for probably two years, reasonably safe. Beyond that, who knows? Would it be wise to put a two-year review in here, do what you can for two years and then we come back and revisit it? [LB1092]

NATE ECKLOFF: I guess I would leave that up to the committee and to the sponsor of the bill and others, because it's...I think that's really beyond what I should be speaking to in terms of financial terms. But I guess that...I'm not comfortable answering that question, I guess. [LB1092]

SENATOR SCHUMACHER: I guess I'm just trying to get your impression. This is an extremely safe game to play. [LB1092]

NATE ECKLOFF: Yes. [LB1092]

SENATOR SCHUMACHER: And it looks like it's an extremely safe game to play for at least two years but after that it's anybody's guess. [LB1092]

NATE ECKLOFF: Yeah. You know, I... [LB1092]

SENATOR SCHUMACHER: Is that a fair statement? [LB1092]

NATE ECKLOFF: Well, I think in the short term, clearly people are comfortable that interest rates will be low but don't want to have a crystal ball here and estimate as to where they're going to be. But if you're going to do this, there's a couple of reasons why you'd want to do it sooner rather than later anyway. Over the course of time as you get closer to 2033, there's less impetus to issue bonds because there's not much time for repayment and so you don't get as much bang for your buck, if you will. And so you want the length of time to work to your advantage, I guess, in terms of having low annual debt repayment so the money you don't use for the repayment of debt can be used for other projects. So, you know, I don't really want to call it a game. But I think if

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you're going to do it, do it now when rates are low. And if rates go higher, clearly, then you have to look at it again, but you may not choose to do so. [LB1092]

SENATOR SCHUMACHER: Thank you. [LB1092]

NATE ECKLOFF: You're welcome. [LB1092]

SENATOR HADLEY: Mr. Eckloff, in the last recession, downturn, whatever it is, have there been states that have had problems meeting their bond obligations on highways? [LB1092]

NATE ECKLOFF: On highways I'm not aware of any. I mean, you've had some pension problems obviously in Illinois and other places like that. But on the highway side of things, they've generally been done very conservatively in most of the states we've worked in. So the repayment, the ability to repay is generally very strong. And you'll find most of the issues, like Arizona, New Mexico, others, don't have a large amount of debt in terms of their overall program, and so they have plenty of money to make those debt repayments and meet ongoing maintenance obligations, as well. [LB1092]

SENATOR HADLEY: Do most states obligate their general fund? Is that a common...? [LB1092]

NATE ECKLOFF: No. Typically it comes out of their department of transportation--or their Department of Roads, in this case. In some places, states will supplement their highway program with general fund revenues. But, you know, generally, it's money that's flowing through their department of transportation. [LB1092]

SENATOR HADLEY: Okay. Any other questions for Mr. Eckloff? Thank you. [LB1092]

NATE ECKLOFF: Did I get to Senator Hansen's question, too, about the borrowing for the pickup truck? I...hopefully the inflation...the answer on the inflation would maybe explain that to some degree where, you know, the...if the cost of the pickup is going to be...you see it being a lot higher, you know, two years or three years down the road, it may make more sense to borrow and pay for it now than it would to let the price get out of hand down the road. I just wanted to make sure that was covered. [LB1092]

SENATOR HANSEN: But right now we have...we do have a considerable size of a Cash Reserve. [LB1092]

NATE ECKLOFF: Yes. [LB1092]

SENATOR HADLEY: Thank you, sir. [LB1092]

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NATE ECKLOFF: Thank you. Thank you very much, Senator. Thank you, committee members. [LB1092]

SENATOR HADLEY: Anybody from Minden is a really good person. (Laughter) So I have...read that into the record. Would the next proponent... [LB1092]

NATE ECKLOFF: I'll tell my brother. [LB1092]

RODNEY P. VANDEBERG: (Exhibit 17) Good afternoon, Chairman Hadley and members of the Revenue Committee. My name is Rodney P. Vandenberg, R-o-d-n-e-y V-a-n-d-e-b-e-r-g. I reside in Falls City and spent 51.5 years as a banker and 4 years as mayor of Falls City. And I am testifying today as the chairman of the State Highway Commission in modest support of LB1092. And the word "modest" has made my testimony a little bit harder to write. At our January 24 meeting of the Highway Commission, the seven members present actively discussed LB1092 and the department's potential usage of such a bill. While we appreciate this to possibly be a positive supplement to the Build Nebraska Act, our discussion did include some concerns. First, we did not know what the commission's authority would be in advancing projects under the terms of the bill. However, I believe we now...we are now satisfied with the department's and commission's authority regarding issuance of the bonds. Secondly, we discussed the concern of federal funding beyond September 30 of this year, which is when the current federal bill expires. One commissioner noted that tying Build Nebraska Act revenues to repaying bonds could reduce the Department of Roads flexibility if federal funding should be dramatically reduced or even discontinued, which certainly is a valid concern. And third, I believe the cash flow being provided by the Build Nebraska Act is matching up very nicely with the Build Nebraska Act projects the department has started, which makes me wonder about the need for this bill from the point of view of just how much the department can deliver. This reminds me of an old cliché of: If it ain't broke, why fix it? In the end, however, the commissioners voted 6 to 1 to support the bill as a possible financing tool with a caveat that the bill may not be used because of the huge process and time which goes into the delivery of most road and bridge projects. And finally, as you are all aware, we do have in place the only once-used Highway Bond Act with a repayment mechanism increasing the gas tax to generate principal and interest payments. And frankly, as I alluded to above, I wonder whether we really need this second standby mechanism. Thank you for this opportunity to testify and I would be glad to attempt to answer any questions you may have. [LB1092]

SENATOR HADLEY: Questions for Mr. Vandenberg? Senator Hansen. [LB1092]

SENATOR HANSEN: I have a comment. Mr. Vandenberg, you walked a very tight line there being for and against, for and against. But I do appreciate your coming today and that input. [LB1092]

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RODNEY P. VANDEBERG: Thank you. [LB1092]

SENATOR HADLEY: Senator Schumacher. [LB1092]

SENATOR SCHUMACHER: Yes, thank you, Senator Hadley. Thank you for your testimony. You indicated that if this money were available, as a practical matter, the roads could not be built that fast anyway because of regulatory or other concerns. [LB1092]

RODNEY P. VANDEBERG: Well, I don't mean regulatory. I mean the department's ability to...for..."deliverability" would be the word I would use. I think the Build Nebraska Act is a beautiful act. I think it was a home run when the Legislature passed it. The \$600 million which has been scheduled for the first ten years and in three tiers, with Tier 1 being nicely started now, I think it's going to handle...I think the cash flow is going to be there very nicely to handle those projects. Whether or not the department can suddenly receive \$400 million and increase those projects, I'm just not sure, Senator, that that can happen without an immense change in maybe the number of personnel in the department and so forth. I just think that the Build Nebraska Act is working, is working very well. And I sound like I'm opposed to LB1092 and I'm really not. I'm really not. If you want to pass it, I think it's a fine possible tool in case we ever need it for an emergency or something like that. But I really don't see it being used because I think the cash flow from LB84, Build Nebraska, is working fine, and I believe it's going to continue to work well without any interest payments. [LB1092]

SENATOR SCHUMACHER: Do you anticipate there would be an offset somewhat if we hit a period of inflation and the cost of road construction 4 or 5 years from now is substantially higher, or 15 years from now, than it would be if we just bonded it and got it done with? I mean, if the cost of a road...building a road doubles in the next 15 years, then we come out ahead doing it now. [LB1092]

RODNEY P. VANDEBERG: Well, I suppose if you know that to be the case, if we're going to get back into an inflationary period, I suppose the possibility that if we could speed the deliverability of projects up, that might be okay. Maybe that's why I say I'm not really against the passage of the bill because it's there for us to use when...if and when the department and the commissioners decide it's in our best benefit to do so. [LB1092]

SENATOR SCHUMACHER: Thank you for your testimony. [LB1092]

RODNEY P. VANDEBERG: Sure. [LB1092]

SENATOR HADLEY: I have just, Mr. Vandenberg, a quick question. If I'm reading the bill

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right, would this in any way alter your relationship to the Department of Roads, because basically now you just recommend to them on which projects should be undertaken? Is that a correct statement? [LB1092]

RODNEY P. VANDEBERG: Yeah, we're an advisory group, Senator, yes. [LB1092]

SENATOR HADLEY: You're an advisory committee, but this bill puts you in the position of authorizing the issuance of the bonds. [LB1092]

RODNEY P. VANDEBERG: Yes, it does. Yes, it does. [LB1092]

SENATOR HADLEY: So... [LB1092]

RODNEY VANDEBERG: We could...the department could say, we want to issue the bonds, and the Highway Commission could say no or yes. [LB1092]

SENATOR HADLEY: So you're...you would now be involved in issuing the bonds and the department would be the one picking the projects that the bonds would be... [LB1092]

RODNEY P. VANDEBERG: Well, the department would come to us with a recommendation of issuing the bonds and why it would be of benefit at this particular time to do so, yes, and then the commission would have the authority to say yes or no, as I understand the bill. [LB1092]

SENATOR HADLEY: And as I...that's the way I understand it also, that you would be involved in that. Okay, thank you. We appreciate it very much. [LB1092]

RODNEY P. VANDEBERG: Thank you very much, Senators. [LB1092]

SENATOR HADLEY: Next proponent. [LB1092]

KRISTEN GOTTSCHALK: Senator Hadley and members of the Revenue Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural Electric Association and I'm happy to be here today to speak in support of LB1092. We also were supportive of LB84 when it passed and for primarily the same reasons, although I can expand on that a little bit. Roads, of course, are critical to the economic viability of rural Nebraska. Priority projects by the Department of Roads which will be funded through this bonding process were a commitment made to those rural communities and, in fact, you know, it's a balance of those rural communities being able to expand in other areas of economic development based on whether or not those roads projects are completed. And many of those projects stalled. Projects that were on the five-year plan ended up being on the

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five-year plan for more than 20 years. LB84 is...has done a lot for that. I'm a resident of the Wahoo area and when the bypass...this final little leg of the bypass around Wahoo finally started as a result of those LB84 funds. The historic low interest rates makes this even more appealing. You know our industry, the rural electric industry, is a capital-intensive industry, and they do depend on bonding authority in order to fund those projects. But the economic development and the benefits that come back from those projects make that bonding authority negligible. Just as when the bonds were used to complete the promise of the highway interstate system, you know, the bonds are going to be used now to fulfill the promises made by the state with respect to priority roads projects. Pay as you go is the best way to do things, obviously. Everybody would like to have the cash in hand to be able to do these things. But even listening to the bond expert that testified, it appears that bonding still puts the state ahead economically with respect to this. With that, that's...concludes my testimony. We do strongly encourage you to advance LB1092. [LB1092]

SENATOR HADLEY: Thank you, Ms. Gottschalk. Are there questions? Senator Hansen. [LB1092]

SENATOR HANSEN: I have one question. Thank you for coming today, Kristen. I know you were accurate, but I just had a question about the Department of Roads, economic development, and a bypass used in the same sentence. It doesn't fit together. The bypass at Wahoo, we'll no longer get to go through Wahoo and stop and buy corn at the corner when they sell the sweet corn there. The bypass at Kimball will bypass the downtown area. So expressways have become, in this document anyway, have become bypasses, and that's what they should have been called all along. [LB1092]

KRISTEN GOTTSCHALK: Yeah. And I do understand that concept. Speaking for the bypass around Wahoo, it's a high-safety measure that's been needed for a long time... [LB1092]

SENATOR HANSEN: Yeah. [LB1092]

KRISTEN GOTTSCHALK: ...because of the danger of coming through that community. And the community has used the plan of the road going around as a way to expand its boundaries and actually increase some economic opportunities in the community. So it does go both ways and... [LB1092]

SENATOR HANSEN: Okay. [LB1092]

KRISTEN GOTTSCHALK: But it is dependent on a community of taking advantage of the benefits, as well. [LB1092]

SENATOR HANSEN: Okay. Thank you. [LB1092]

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KRISTEN GOTTSCHALK: Um-hum. [LB1092]

SENATOR HANSEN: I knew you were correct. [LB1092]

SENATOR HADLEY: Seeing no other questions, thank you, Ms. Gottschalk. [LB1092]

KRISTEN GOTTSCHALK: Thank you. [LB1092]

SENATOR HADLEY: Next proponent. [LB1092]

MARLENE JOHNSON: Good afternoon. Senator Hadley, members of the Revenue Committee, my name is Marlene Johnson, M-a-r-l-e-n-e, and Johnson is s-o-n. I am testifying in strong support of LB1092 as mayor of West Point, president of the League of Nebraska Municipalities, and chair of the Nebraska Expressways for Economic Development, commonly referred to as NEED. I would like to sincerely thank Senator Dubas for introducing this important bill. By authorizing the issuance of bonds, LB1092 would expedite needed highway construction projects identified in the Build Nebraska Act. Issuing highway construction bonds at this time would take advantage of the historic low interest rates available. And as you know, Senator Hadley, having been involved in city government, cities have been doing bonding since time eternal. We would not be able to do any projects in our community if we could not bond them. There is no way that we would have money. We built a new wastewater treatment plant a number of years ago. There's no way we would have been able to afford to do that because we had no place to increase our tax dollars. And we are at the lid and levy limits and in order to do any type of project, if it's a large project we do have to go to bonding because that's the only way that we can get finances to complete a project. And we do refinance bonds on occasion. Our bond counsel comes to us and tells us, you know, interest rates are better than what you bonded for originally. We can refinance those bonds and save money and we have done that numerous times in the last several years and continue to do that in order to make things work better and make our payments less and save the city some money. We especially appreciate that LB1092 provides that at least 25 percent of the proceeds from such bonds shall be used for the construction of the expressway system and federally designated high-priority corridors. We also support the provision that provides that the remaining proceeds shall be used to pay for surface transportation projects of the highest priority as determined by the Department of Roads. And there again, it...safety is an important issue and good roads are such a major part of economic development for our communities. We have businesses that contact us and they want you to know what kind of highway system you have that leads them out of your community into, you know, to an interstate highway or something like that. And safety, you know, you need safe roads to travel. The count of vehicles increases every year. You have more and more vehicles on the road and you do need safe roads to get our people traveling, to avoid accidents and that type of thing

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or else try to avoid accidents when they're not related to not good sense with a lot of people. But you know, it's important to have safe roads. The league executive board voted unanimously to support LB1092. And so again I want to thank Senator Dubas for her leadership in introducing this bill and we hope your committee will advance this bill and...to General File as soon as possible so that we can get some more of the roads built. And we know they cannot all be built at once and I'm assuming, as in any project, the whole \$400 million would not be bonded all at once. It would only be bonded as projects are proposed and ready to go to be finished. So you're not going to be bonding the whole \$400 million at one time as, you know, in the city we, you know, we bond as the money is needed. And we don't go out and bond, you know, half a million dollars and hope that we're going to have two or three projects that we can use that money for. You know, we bond only for the specific project. And we are in the process of looking at doing some more bonding right now because it will allow us to do some economic development in our community. So with that I think that's pretty much what I have to say and I thank you for hearing me. [LB1092]

SENATOR HADLEY: Thank you, Mayor. [LB1092]

MARLENE JOHNSON: And if you have any questions, I'd be happy to try and answer them. [LB1092]

SENATOR HADLEY: Thank you, Mayor Johnson. Are there any questions for Mayor Johnson? Seeing none, thank you. [LB1092]

MARLENE JOHNSON: Thank you very much. [LB1092]

SENATOR HADLEY: Next proponent. [LB1092]

DEB SCHORR: (Exhibit 18) Good afternoon. Senator Hadley and members of the Revenue Committee, my name is Deb Schorr, D-e-b S-c-h-o-r-r, and I appear before you today on behalf of the Lancaster County Board of Commissioners in support of LB1092 with the proposed amendment, AM1848. The ability to authorize the issuance of bonds under the Nebraska Highway Bond Act is important to the local elected officials as we work to build and maintain the infrastructure that supports our communities. In Lancaster County, the construction of the South Beltway south of Lincoln continues to be of primary importance to our local residents and business groups. The completion of this important segment of roadway would greatly reduce the heavy truck traffic currently seen on Nebraska Highway 2 where the number of accidents reported is among the very highest in our community. In addition to the safety component, the new South Beltway would be an economic development tool for Lancaster County, offering greater access for residential, commercial, and business development, as well as job creation. The construction of the South Beltway was originally projected to start in 2002 and to be completed by 2010. Due to the lack of

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funding, the construction of this crucial project has been delayed until 2020, still another six years into the future. It is imperative that we, all of us working together, find solutions to the problem of funding the millions of dollars in road maintenance and construction in this state. LB1092 provides an opportunity for Nebraskans to take advantage of the historical low interest rates and to move projects forward. We are very appreciative of Senator Dubas introducing LB1092 and AM1848 and encourage your support. Thank you very much. [LB1092]

SENATOR HADLEY: Questions for Ms. Schorr? I have a quick question. You used the term "all of us working together," and you used the South Beltway. And the Build Nebraska Act had funds for both the city and county built into it. Why wouldn't the...why wouldn't we expect the city and county then to use some of those funds to pay the bonds if that's to expedite that particular project? [LB1092]

DEB SCHORR: We are required to provide matching funds on those projects, on the South Beltway. I believe our matching amount for the city is \$20 million and we currently have commitments of about \$13 million. We're working to find funding sources for the remaining amount, but we do have a local match on the South Beltway project. [LB1092]

SENATOR HADLEY: You have a local match, but now we have an additional amount because we're going to be paying the interest on the bonds the state will take out of its share of the Build Nebraska Act. [LB1092]

DEB SCHORR: Right, right, that's us working together. [LB1092]

SENATOR HADLEY: Okay. Any other questions? Thank you, Commissioner Schorr. [LB1092]

DEB SCHORR: Thank you. [LB1092]

SENATOR HADLEY: Next proponent. [LB1092]

KATIE WILSON: (Exhibits 19-21) I'm also giving you letters of support from the Professional Engineers Coalition and ACEC. Good afternoon, Senator Hadley, members of the Revenue Committee. My name is Katie Wilson, K-a-t-i-e W-i-l-s-o-n. I am currently the executive director of the Nebraska Chapter, Associated General Contractors, and I'm here to speak in support of LB1092. It seems prudent to allow the Nebraska Department of Roads the option to use bonding as a revenue source to accelerate capital improvement projects from the Build Nebraska Act. These projects are long awaited and have been on the NDOR's needs list for years. He's passing out a chart which shows the debt service on the maximum amount of bonds if they would be issued at \$400 million, compared to state budget figures today. For example, \$30 million

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is 0.74 percent of the total current state budget. It's 3.2 percent of the current TEEOSA K-12 aid. It's only 5.2 percent of the General Fund revenue growth between 2011 and 2014 and it's 7.7 percent of the current Highway Cash Fund appropriation, so \$30 million of the debt service is small in comparison to some of the bigger figures in the budget. The capital improvement projects, such as upgrading roads from two lanes to four lanes, which would be the case in the Build Nebraska Act projects, would improve safety on those highways. And according to the Federal Highway Administration \$100 million spent on highway safety improvements will save 145 lives over a ten-year period. The U.S. Department of Transportation found that every dollar invested in the nation's highway system yielded \$5.40 in economic benefits and reduced delays, improved safety, and lower vehicle operating costs. Nebraska's 10,000 miles of highways are critical to the economic vitality of the state. Whether we speak of Interstate 80, Highway 385, or one of our farm-to-market highways, someone in Nebraska is dependent on the goods transported on those highways. This bill provides an excellent way to accelerate highway projects on the expressway system in Nebraska and our chapter asks you to support LB1092. That concludes my testimony and if you have any questions, I'll try to answer. [LB1092]

SENATOR HADLEY: Senator Harr. [LB1092]

SENATOR HARR: Thank you, Chairman Hadley. I guess I have a question. Is there some concern that you're robbing Peter to pay Paul insofar as you're spending the money now, which means there will be less money in the future and, in addition, in the future all the money goes to construction, if we do it now, you're going to have some seepage to interest payments, to the cost of the bond issuance, bond lawyers, bond insurance, whatever else? Is there any concern about robbing Peter to pay Paul? [LB1092]

KATIE WILSON: Well, but our...right now, I mean, our contractors, our bids are coming in pretty good. I mean, the state is getting really good numbers on their bids. It might...you know, that might be a big advantage of doing it now. It's not necessarily stealing, you know. [LB1092]

SENATOR HARR: Okay. And let me ask you, are you...and if you don't know the answer hopefully someone else will come up that does. [LB1092]

KATIE WILSON: I'll try. [LB1092]

SENATOR HARR: Starting in 2008, the term "shovel ready" became very popular. Is there \$400 million in shovel-ready projects right now available in this state? [LB1092]

KATIE WILSON: Probably not, but, you know, to me, this bill gives the Department of Roads the option that, you know, they could outsource, they could use private industry,

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there's consultants out there that could help them get it done. We could get it shovel ready with some help, you know, maybe in a couple years. I don't know. That's up for them to do, you know, decide. [LB1092]

SENATOR HARR: Okay. Okay. I appreciate that. Thank you very much. [LB1092]

KATIE WILSON: Um-hum. [LB1092]

SENATOR HADLEY: Senator Schumacher. [LB1092]

SENATOR SCHUMACHER: Thank you, Senator Hadley, and thank you for your testimony. When your little handout shows that the Cash Reserve has grown to \$726 million, that's a projection, isn't it? That's not today. [LB1092]

KATIE WILSON: That's since 2011, since the Build Nebraska Act. [LB1092]

SENATOR SCHUMACHER: The Cash Reserve today is not at \$726 million. Somebody thinks it might be in two or three years, okay? [LB1092]

KATIE WILSON: Well, in the... [LB1092]

SENATOR SCHUMACHER: Yeah. [LB1092]

KATIE WILSON: Okay. [LB1092]

SENATOR SCHUMACHER: And the graph of funds that you provided us shows between 2012-13 year and 2013-14 a 7.5 percent of push in revenues. That was a period when we had really great corn prices and when we had a fear tax paid because people are afraid of the...of that. And then you show 4.5 percent in the next year, 4.5 percent the next year, 6 percent the next year, and our economy is doing nowhere like that kind of growth. [LB1092]

KATIE WILSON: Those are projections, the last year. [LB1092]

SENATOR SCHUMACHER: Right, so we're...part of the game that we're playing here is we've got to get...take best guesses here and there. And how far out should we guess that we're going to be in a position like this? [LB1092]

KATIE WILSON: Well, I think this really shows more that, you know, in 2011, when Senator Fischer did LB84, and she was projecting, and sure enough we're here, you know. And all I hear from everybody is that we're doing great in this state and everybody is envious. So let's get it going, you know? We've got the revenue source, so... [LB1092]

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SENATOR SCHUMACHER: We think we might have the revenue. (Laugh) [LB1092]

KATIE WILSON: Yeah. (Laugh) [LB1092]

SENATOR SCHUMACHER: (Laugh) Okay, makes a difference. [LB1092]

SENATOR HADLEY: Ms. Wilson, being very involved in LB84, I'm sure I used the argument that this was a job creator . And now we're saying here that if we do this for \$400 million in projects for Nebraska it's going to amount to 12,000 jobs. Is somebody going to be sitting here in five or six years after we've done the \$400 million and the contractors are going to be saying, we're laying off all these people, this is a drag on Nebraska's economy, we, you know, we don't...people are losing their jobs now because we don't have enough money going into road construction? Are we just setting ourself up for another escalation in four or five years? Because it was just, what, two years ago that we did LB84 and now we're back saying that isn't enough. [LB1092]

KATIE WILSON: Oh, we're happy with it. We're not saying it's not enough, no. But... [LB1092]

SENATOR HADLEY: Well, I think we are. [LB1092]

KATIE WILSON: But in five years... [LB1092]

SENATOR HADLEY: Why...now wait a minute. I think we are, aren't we, because we're saying that we need to bond now? [LB1092]

KATIE WILSON: Um-hum. [LB1092]

SENATOR HADLEY: LB84, a constant stream of \$60 million to \$70 million a year for the next 20 years, isn't sufficient right now. [LB1092]

KATIE WILSON: Well, I mean, I...what I'm saying is this gives them the option, gives them the option to bond. I would...hopefully we wouldn't do it all in one year, you know...accelerates the Build Nebraska Act, those projects that are not coming in the next couple years. I would hope we could put a lot of people to work. And you know what, if it works, maybe we do it again. [LB1092]

SENATOR HADLEY: But there's no...then there's no problem with the cliff effect in four or five years out when the \$400 million worth of projects are done. [LB1092]

KATIE WILSON: Well, we're still going to have preservation and maintenance on all the projects that we have. [LB1092]

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SENATOR HADLEY: Okay. [LB1092]

KATIE WILSON: So we're still going to be doing work. [LB1092]

SENATOR HADLEY: Do you think there will be...if we pass this, do you think...you said they could use it or not. Do you think there will be any pressure on the Department of Roads if we pass this bonding bill? How much pressure do you think there will be on the Department of Roads to use this? [LB1092]

KATIE WILSON: Probably some, yeah. [LB1092]

SENATOR HADLEY: I would guess there would. I would guess there would be probably some also. [LB1092]

KATIE WILSON: Um-hum, um-hum. [LB1092]

SENATOR HADLEY: Thank you. Any other questions? Thank you, Ms. Wilson. [LB1092]

KATIE WILSON: Sure. [LB1092]

SENATOR HADLEY: Next proponent. First opponent. Mr. Peters. [LB1092]

RANDY PETERS: (Exhibit 22) Good afternoon, Senator Hadley, members of the committee. My name is Randy Peters, R-a-n-d-y P-e-t-e-r-s, and I'm the Director-State Engineer for the Department of Roads. I'm here today to testify in opposition to LB1092. While NDOR appreciates and welcomes the Legislature's efforts to improve Nebraska transportation network through new and innovative revenue sources and financing mechanism, it is equally important to maintain stability, predictability, and fiscal responsibility. Our state has significant long-term highway needs that must be addressed and responsibly paid for in order to improve the safety, quality of life, and economic competitiveness of our citizens. The traditional pay-as-we-go practices of our state have served us well. They have provided the necessary stability to allow our in-state transportation industry to scale up in proportion to a sustainable program size. This bill would authorize the Department of Roads and the Highway Commission to issue up to \$400 million in bonds between 2014 and 2020. I would caution that bonding authority by itself would not accomplish all that its proponents might desire. It would not enable projects that have yet to be designed to conveniently be ready for construction years earlier than they are programmed. We are very concerned that it would set a false expectation that \$400 million of additional construction on top of the work already planned could be accelerated by four or five years by the current NDOR and industry work forces. Delivering projects entails many factors besides financing. Build Nebraska

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Act projects must be developed to be in compliance with federal and state laws. Many of these larger-scale transportation projects can take an average of eight years of continuous activity from start to finish. Using the traditional design-bid-build sequential project development approach, it is rare that a major project...it is rare for a major project to progress from initial planning to ribbon cutting in less than eight years. A typical time line for major projects consists of two years of early planning and location study, two to three years to address the environmental decisionmaking, two years for final design, one to two years to buy the right-of-way and move the utilities, and another two to three years for construction. Approximately 45 percent of our construction program funds come from the federal government. The Highway Trust Fund that supports federal highway and transit investment is projected to run out of cash as early as fall of 2014 unless Congress takes action. If federal funding drops significantly, Nebraska and the other states will be forced to rely more heavily on state revenue sources. Under such a scenario it is desirable that our state dollars be unfettered by debt service so that we have maximum flexibility to take care of the existing network. As you may know, state Statute 39-1365.01 states: The department shall consider preservation of the existing highway system as its primary priority except as otherwise provided in state or federal law. This concludes my testimony and I will attempt to answer any questions you have at this time. [LB1092]

SENATOR HADLEY: Mr. Peters, I have a quick question. On page 14 of the original bill it talks about the 25 percent of the proceeds for such bonds shall be used as determined by the department for the construction of the expressway system and federally designated high-priority corridors. If I'm correct, on LB84 we did not tell you at all how to use the funds that you're getting from LB84. Is that a correct statement? [LB1092]

RANDY PETERS: Yes and no. That language comes directly from LB84. [LB1092]

SENATOR HADLEY: It comes from LB84. [LB1092]

RANDY PETERS: Yeah. I think the intent and the spirit there was complete some of these four-lane projects that were envisioned in 1988 but due to lack of funding had stalled out. So the provision was put in there spend at least 25 percent on those projects. [LB1092]

SENATOR HADLEY: Over the... [LB1092]

RANDY PETERS: Over the length of the Build Nebraska. [LB1092]

SENATOR HADLEY: Over the life of the project, so it's basically guaranteed that 25 percent of, assuming \$60 million a year for 20 years, \$1.2 billion would be used for those purposes? Okay. [LB1092]

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RANDY PETERS: Right, right. That's the part that was already there. But the Legislature did not pick which projects we would do,... [LB1092]

SENATOR HADLEY: Could not pick which project... [LB1092]

RANDY PETERS: ...just that formula for building expressways. [LB1092]

SENATOR HADLEY: Senator Schumacher, did you have a... [LB1092]

SENATOR SCHUMACHER: No, you covered it. [LB1092]

SENATOR SULLIVAN: Thank you, Senator Hadley. Thank you, Mr. Peters. Just to clarify, also on your testimony where you said we are very concerned that it would set a false expectation that \$400 million of additional construction, so in other words, if this legislation were to pass, you could conceivably start bonding on projects you already have planned--is that correct?--and that you're saying this might give the impression that we're talking about additional projects,... [LB1092]

RANDY PETERS: Right, right, you know... [LB1092]

SENATOR SULLIVAN: ...that you would use the...you would start using bonding conceivably for projects you've already got in the hopper. Is that right? [LB1092]

RANDY PETERS: Well, under this bill we would be free to choose. [LB1092]

SENATOR SULLIVAN: Okay. [LB1092]

RANDY PETERS: And so...but if you look at the projects already identified in the first ten years, they're already underway, they have our resources and consulting resources on them. Many of them are, the first tier, are out early. So we have a good record of delivering them. We're working hard on the second tier. [LB1092]

SENATOR SULLIVAN: Um-hum. [LB1092]

RANDY PETERS: But when you look close at those projects and you say, okay, if I had the money right now, which one could I put out to bid next summer, of those that we've identified, there are not very many. You know, you could possibly move the South Beltway up one year because you still have to go through the environmental decisionmaking, we have to buy right-of-way from 100 people for that project, and so it's not going to start next summer. [LB1092]

SENATOR SULLIVAN: Just because you have the funding there, just... [LB1092]

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RANDY PETERS: Right. [LB1092]

SENATOR SULLIVAN: There's a whole process involved. [LB1092]

RANDY PETERS: Right. [LB1092]

SENATOR SULLIVAN: Okay. [LB1092]

SENATOR HADLEY: Mr. Peters, I have one more question or I'd like you to comment. Does the system where we keep the decisionmaking out of the hands of the Legislature as far as which particular highways are going to be built, which maintenance is going to be done, would you say that's a good system to run the state of Nebraska's highway system on? [LB1092]

RANDY PETERS: It's the envy of the other 49 states. [LB1092]

SENATOR HADLEY: Okay, I just wanted to be...I agree that we keep it out of the political...otherwise, we'd have 19 lanes of concrete between Lincoln and Omaha, right? (Laughter) Strike that from the record, please. (Laughter) Thank you, Mr. Peters. Appreciate it. [LB1092]

RANDY PETERS: Thank you. [LB1092]

SENATOR HADLEY: Next opponent. [LB1092]

JOHN DILSAVER: Good afternoon, Senator Hadley and committee members. My name is John Dilsaver. I reside in Ralston, Nebraska. I represent the Nebraska Petroleum Marketers and Convenience Association. We oppose LB1092 based upon the future potential to increase the motor vehicle fuel tax. The fiscal note on LB1092 specifically pledges all fuel taxes, registration fees, and other highway user fees towards repayment of the bonds. If LB84 funding were to ever go away, it would trigger higher motor vehicle fuel taxes to repay the bonds. Consumers already pay approximately 45 cents a gallon in motor fuel tax; 26.3 cents of that is Nebraska's state tax. That really concludes my comments and if there is any questions of the committee I'll be happy to answer those. [LB1092]

SENATOR HADLEY: Seeing none, thank you, Mr. Dilsaver. We appreciate it. Next opponent. [LB1092]

JESSICA KOLTERMAN: Senator Hadley, members of the committee, for the record my name is Jessica Kolterman, K-o-l-t-e-r-m-a-n. I come before you today on behalf of Nebraska Farm Bureau where I serve as the state director of governmental relations.

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The Farm Bureau has a policy process and our policy currently has us opposed to bonding. Our farmers rely heavily on good roads and strong transportation infrastructure to aid in the hauling and transportation of agriculture inputs and commodities. We recognize that adequate funding for construction and maintenance of our state's roads and bridges continues to be an important issue and we appreciate Senator Dubas' interest and reasons for introducing LB1092. But because of our policy, we must oppose the bill. Our members have long observed the struggles that other states have had in paying back bonds. Farm Bureau members feel very strongly that Nebraska should remain a pay-as-you-go state. I know one of the arguments in support of the bill is the cost savings to avoid the cost of inflation in roads construction, but we were figuring...we were looking at the projections and our understanding is that bonding would only save about \$4 million, assuming that the inflation growth is similar to what we've been seeing in the past 19 years. To our members this amount of savings does not justify the use of bonds. For these reasons our organization opposes LB1092 and we appreciate your consideration of these comments, be happy to answer any questions you might have. [LB1092]

SENATOR HADLEY: Are there questions for Ms. Kolterman? Thank you, Ms. Kolterman. [LB1092]

JESSICA KOLTERMAN: Thank you. [LB1092]

SENATOR HADLEY: Next opponent. [LB1092]

RICHARD HALVORSEN: Good afternoon, Senator Hadley, members of the committee. I'm Richard Halvorsen, R-i-c-h-a-r-d H-a-l-v-o-r-s-e-n. I'm representing myself. Like Senator Hansen mentioned, you know, like buying pickups, yeah, the rates are low for everything--car loans, house loans--historically low. So by that theory, my car is 15 years old, I should maybe go out and buy a top-of-the-line Suburban, except I'm not because it'll take about as long as your bonds to pay that off and plus I'm committing money to that payment that I might need for something else. Again, historically low housing rates (inaudible) the housing industry a few years back. It's historical, you know, and people bought houses and it didn't work out for a lot of them. Things change. You know, they lost their jobs. So the fact that it's low interest rates didn't help them a bit. Like I say and like they mentioned, basically, you're locking in LB84 for at least 20 years. I mean, theoretically, the Legislature can change that, but then the money has got to come out of the General Fund because you will be committed to this and these bonds will be issued. There's no doubt in my mind that if you approve this there will be political pressure to issue them. And, like, the Department of Roads, they may not have the capacity to handle all the projects in a timely manner and actually maybe contractors may not have the capacity to handle all these projects. I know when they had the flood on Interstate 80 in Iowa they...one section was fixed up in record time and they asked them, well, how did you do that? Well, we used our A team, which implies

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there are B team and C team and D teams out there. So we may not get our best bang for the buck, you know, if there are a lot of projects going at once. Also, I guess, inflation, this inflation, they're worried about inflation. But if inflation goes up, well, you get more revenue from LB84 because the sales tax revenue is going up. So basically I think Nebraska should stay...again, and you're wasting the money that you pay on the interest and the \$4 million you give to the bond people. So again, I think that Nebraska should stick with what we have and have pay-as-you-go, orderly process towards building roads. I don't see a crisis of roads in Nebraska, like, there's lots of wants out there. But again, I don't see any crisis in our road building projects at this time. Thank you. [LB1092]

SENATOR HADLEY: Are there questions for Mr. Halvorsen? Seeing none, thank you, sir. Any other opponents? Next we will take testimony from anybody in the neutral. Seeing none, Senator Dubas, would you like to close? [LB1092]

SENATOR DUBAS: Thank you very much, committee members, and to all those who came forward and testified today. It was a good hearing and I think there was good points brought out on all sides. And, you know, this is something very different than what we have ever talked about doing in the past, and so the questions should be asked. And moving forward we should have a comfort level and have those questions answered to a degree that we feel like this is the right decision for Nebraska. I still believe this is the right way to go. I want to clear up some of the questions that were asked of me in my introduction. And I was getting my funds confused and so I had to go back to the chart that I handed out to all of you. So initially what we're doing is we are pledging the Highway Cash Fund, so those are dollars, those are sales tax dollars, those are motor vehicle registration. You can see all of the different pots of money that go into that Highway Cash Fund, so that's like the collateral that we would use for any loan. Only under an extreme emergency situation or should the Build Nebraska Act go away would we then use those funds to pay any bonds that are outstanding. So that would only be under extreme measures where the Highway Cash Fund would be used to pay bonds. The State Highway Capital Improvement Fund is strictly the BNA, the Build Nebraska Act, dollars. So that's where the money would go into and that's where the money would come out of. There's been a lot of talk about the \$400 million. There is no requirement that that \$400 million is let, you know, the first year, the first two years, or even in the six years. There's no requirement that says we have to use all \$400 million. It says up to. It gives the commission and NDOR that discretion to decide what...where should we be bonding, what should we be bonding. I mean, they could be on some of those Tier 2 and 3 projects. They could be using money to buy...acquire those right-of-ways, which would help, again, move some of those projects up and do some of the other preliminary work that is done. So, you know, will there be pressure? Well, I can't say that there won't, can't say that there will, but there are some pretty good guidelines within the bill saying the projects that are identified by the Build Nebraska Act are...those are the projects that are to be considered. So bringing a lot of new projects

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in under this time frame I just...I don't necessarily see that happening. Again, I feel this is a very conservative approach. It's an approach that gives the Highway Commission, as well as the Department of Roads, the discretion to move forward. You know, if they feel that there's opportunities to move some of these projects forward at a faster pace, they're able to, you know, hire outside consultants and do that type of thing. So I just want to make sure I'm hitting on all my notes here. I know, Senator Harr, you asked about that 25/75, and I think that was answered by a previous testifier. But that's not new language. That's just...it's underlined because it was moved around, but... [LB1092]

SENATOR HARR: Yeah. And we knew that. I was just wondering how we came up with it, but 1988 is the answer, yeah. [LB1092]

SENATOR DUBAS: (Exhibit 23) And I don't know the history on that but, yeah, you know, I'd go back and check transcripts, I guess. And you know, in the original LB84 there was a bonding component in there. And I know there were a lot of reasons why people had issues with that but I know among the reasons was where is our revenue stream? How can we pay those back? And again, I think having the Build Nebraska Act funds coming in now provide that revenue stream and we aren't relying on the full 100 percent of that money. You know, I'm more than happy to work with this committee. I believe this is an important issue. It's something that I would like to consider a priority issue and be able to bring to the floor for discussion. I think it's something that we need to talk about. When we passed LB84, I remember discussion being this is an important step in the right direction for roads funding. But yet is it the 100 percent answer to our roads funding needs? And if I'm remembering correctly, the answer was no, that we still have issues in making sure that our roads funding is adequate. And I think, in relation to both sides have brought up this issue about if federal funding goes away, I think that makes it even more critical that we are maximizing our resources as much as we can, not relying on those federal funds or, should those federal funds go away, what can we do with the resources that we have at hand to make sure that we're taking care of our infrastructure the way we need. None of us want to be reliant on the federal government. And so I think anything that we can do to take care of ourselves is a step in the right direction. So as I said, I'm more than happy to work with the committee in any way to answer any additional questions, to provide additional information to you. And I also want to...I passed out letters to you when I first came up here and didn't state into the record: Those were from Mr. Loran Schmit, so he asked that I distribute those to the committee. [LB1092]

SENATOR HADLEY: Thank you, Senator Dubas. Any questions? Senator Hansen. [LB1092]

SENATOR HANSEN: Thank you. Senator Dubas, you mentioned the federal funding and the federal highway fund. We do have federal highways in the state and they do have an obligation to help maintain them at least. If we...when would we...when will we

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know if those funds are going to be available? [LB1092]

SENATOR DUBAS: I...there's a lot of uncertainty at the federal level. In my committee we deal with that a lot with MAP-21. [LB1092]

SENATOR HANSEN: Yeah, um-hum. [LB1092]

SENATOR DUBAS: That's coming up for needing to be reauthorized here pretty soon and there's never really...it's always...it seems like it's up until the last minute before we really know where things are at. So to give a certain answer on that, I can't. And again, I think that makes my argument. Because of that uncertainty, let's make sure that we're maximizing our own dollars that we know are coming in. [LB1092]

SENATOR HANSEN: It would make a difference to me if we did lose those federal funds. Then I think we need to look at something else but not until then I don't think. Thank you. [LB1092]

SENATOR DUBAS: Yep. [LB1092]

SENATOR HADLEY: Senator Schumacher. [LB1092]

SENATOR SCHUMACHER: Thank you, Senator Hadley. Thank you, Senator Dubas. It would seem that the Department of Roads's testament at least is that the most acceleration they could take is a year, 18 months' worth, because they just...the system is just the way it is. And probably the window that we have here before we see significant changes in interest rates or likely changes in inflation rates is probably a two-year window. Have you got any indication if we pared this back to \$100 million over two years whether or not our bond, our overhead bond issuing fees and all that overhead would be dramatically different? [LB1092]

SENATOR DUBAS: I have not looked at that at all. I mean, that's certainly information we can get to see if that makes...how much of a difference that...I'm sure it does make some difference, but I don't know what. [LB1092]

SENATOR SCHUMACHER: Thank you. [LB1092]

SENATOR HADLEY: Seeing no other questions, thank you, Senator Dubas. [LB1092]

SENATOR DUBAS: Thank you very much. [LB1092]

SENATOR HADLEY: (Exhibits 24-26) I do have...have received letters of support from John Ross for himself; Ernest Peterson from Ash Grove Cement Company; and Miki Esposito, director of public works and utilities, city of Lincoln. With that, we will close

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LB1092 and that will close the hearings for the day. We are going into Exec Session, so I would ask that you could take your conversations outside, we will go into Executive Session. [LB1092]