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Revenue Committee  
February 04, 2015

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[LB20 LB62 LB64 LB255 LB454 LB614]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 4, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB20, LB255, LB62, LB64, LB614, and LB454. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: Al Davis.

SENATOR GLOOR: Good afternoon. I'm Mike Gloor. I'm the senator from District 35, which is Grand Island, and serve as Chair of this committee this year and hopefully next year. The committee will take the bills today in the order that's been posted outside these doors in the back of the room and some other places around the Capitol Building. I'd like to welcome you today. We'll take the bills in the order they were listed in that agenda. We have a couple of general rules that we and almost all of the committees follow. One of the first mentions is modern electronics are wonderful things, but we would ask you for purposes of no disruption if you would either turn off or put on silent any cell phone that you may have. If you plan to testify today, please fill out one of the green forms, fill that out and so that you can come up and hand it to the clerk so that we have a permanent record of that. If you would like your stand on one of the bills to be known but don't wish to testify, you're welcome to fill out or put your name down on the white form that's in the back of the room and we'll make sure that we make record of that. The order of testimony or the order of the proceeding is such that we'll start with the introducer. We'll then go with proponents, then opponents, then those in a neutral capacity, and then we'll allow the introducer of the bill, the senator, to close on the bill. If you have copies that you would like to distribute to the committee, make sure you've got ten so that we have enough copies for ourselves and all the other individuals that need to have copies. If you don't have copies, let one of the pages know--I'll introduce them in a minute--so that they can run down and get copies for you so that you have them when you do testify. Please speak into the microphone. We have transcribers, dictationists, who take these proceedings down, and it's important that they're able to hear you. When you do testify, start by giving us your name and spell your name for us. That's, again, so the folks who are doing the transcription on this make sure they get your name correctly down for purposes of the record. I have a couple of key staff I want to introduce. Our committee counsel is Mary Jane Egr Edson; Krissa Delka is the clerk on the far end of the table; Kay Bergquist is our research analyst. And I think I'll ask the committee members to introduce themselves, starting with Senator Brasch.

SENATOR BRASCH: I'm Senator Lydia Brasch and I represent the 16th District.

SENATOR HARR: Burke Harr, Legislative District 8 in Omaha. (Speaker on phone sounds.) Sorry. (Laughter) I was trying to turn it off. That's what I did.

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SENATOR GLOOR: He gets three strikes and then don't ask what happens to him.

SENATOR HARR: I'll learn technology. There we go. Sorry.

SENATOR SCHUMACHER: Senator Paul Schumacher, District 22, Columbus.

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids representing District 41, nine-county area in central Nebraska.

SENATOR SMITH: Jim Smith, District 14 in Sarpy County.

SENATOR SCHEER: Jim Scheer, District 19 in northeast Nebraska.

SENATOR GLOOR: Our pages are Colin from Wayne and I don't see Donnie. Is Donnie here today?

COLIN LOBERG: He's stuck in a snowdrift.

SENATOR GLOOR: Ah, surprise. We hope Donnie gets rescued before tomorrow's meetings, anyway. We have a five-minute rule here. We ask you keep your testimony to five minutes. You'll see a green light when you start your testimony, and then when you've got a minute left on those five minutes it'll go yellow. When it goes red, your time is up. We don't have an ejection seat for those of you who have an appreciation for that, but you'll find me politely trying to nudge you to wrap up your comments, and please do that so that we have enough time to hear from everybody today. And with that, we'll start with the first bill, LB20. Senator Krist, welcome to the Revenue Committee. [LB20]

SENATOR KRIST: (Exhibit 1) Good afternoon, Senator Gloor, members of the Revenue Committee. For the record, my name is Bob Krist, B-o-b K-r-i-s-t. I represent the 10th Legislative District in northwest Omaha and north-central portion of Douglas County and the city of Bennington. Appear before you today in introduction and support of LB20. LB20 exempts Social Security benefits, military retirement pay, and military civilian retirement pay from income taxation beginning with 2013...sorry, beginning with 2015 tax year. As a veteran of the United States Air Force, and I give my support to all branches of the military, it's my goal to see Nebraska keep more retired veterans living here instead of seeing them move out of state when they retire, and to attract more military veterans to the state. The brain trust that they have gained while they're in the military is tremendous and could add to the local area and to our economic development. I've distributed...I will distribute to the committee a document that

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includes a list of 16 states with special military pay exemptions. Be great to see if Nebraska could add themselves to that list, and I'll give that to the page now so you can see them. A couple of editorial comments, first of all, you saw...those of you who were on this committee last year and the year before saw this same bill, and you'll see it again. And again I have this year and three more years left and I will continue to try to fight for the rights of the veterans and those receiving Social Security for a tax exemption. We all understand that an exemption to tax means a loss of revenue. I understand you have a huge job to do. I do understand that the Governor supports the effort and that that's part of the equation. The rest of the equation is can we get the Appropriations Committee to commit that this is also one of their priorities and for you to decide that it is one of your priorities. I think you'll hear from a group of people, I know you will hear from a group of people behind me that can talk about economic development, they can talk about the retention of brain trust, the brain drain that we have, and retention of brain trust here. I believe that it is a subject that we can continue to discuss. I know that Iowa has gone from a partial exemption to a full exemption within the last few years. The partial is probably more in line with what many of you and I have talked about in the last couple of weeks. But you'll notice that this is 100 percent. And I think this is...working in the direction of 100 percent is better than not working at all, but I'd ask you to, first of all, look at the bill on its face. I also know that this committee turned out a bill last year and that there was movement in both Social Security and veterans. And I ask you to continue to prioritize that movement in the right direction and consider, if you will, because I don't think anybody on this committee has actually submitted a bill with this subject matter that if you need a mule to carry something forward, I would be happy to talk to this committee about making it this bill that moves forward, LB20, moves forward. So with that, I would entertain any questions. Before I do that, I would say we have a really full docket in Judiciary. My absence of closing is not my absence of intensity towards this subject. I'm very interested in it and by no means take my lack of closing as a way to skate out of here. But I've been asked by my other committee chair to appear back in Judiciary as soon as possible. So with that, again, I'll take any questions. [LB20]

SENATOR GLOOR: Thank you, Senator Krist. And no one on this committee would ever refer to you as a mule or anything else that fits into the category of equine. So we appreciate the bill. Having just a quick opportunity to glance at this, I see that it's labeled starred, but of these states do you know right off hand any that currently do what you would hope to do with your bill? Both Social Security and military pay? [LB20]

SENATOR KRIST: No. I do not know any of those states that do both. I bring in the Social Security effort, once again, to keep it on the burner because we obviously have taken an action towards both Social Security and military retirement. And I don't know...to be honest, only about half of those states have also exempted not only uniformed military retirement but the civil service retirement systems. [LB20]

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SENATOR GLOOR: Okay. Thank you. Any questions for Senator Krist? Seeing none, thank you. [LB20]

SENATOR KRIST: Thank you, Chair. [LB20]

SENATOR GLOOR: We understand your commitment to the other committee. [LB20]

SENATOR KRIST: Thank you very much. [LB20]

SENATOR GLOOR: Which gives me an opportunity to make one final comment to the audience. You'll see senators come and go. Please don't misinterpret that as interest or lack of interest in this bill, but they also have other commitments to present bills to other committees frequently. And so it's just the nature of us trying to get bills heard and get bills presented, so. [LB20]

SENATOR KRIST: And on that note also if I could, Chair, just one more comment... [LB20]

SENATOR GLOOR: Certainly. [LB20]

SENATOR KRIST: ...my LA is here in the room, Rod Krogh, and so if you have issues or comments that you'd like to pass on to him, I'd appreciate that. [LB20]

SENATOR GLOOR: We will do. [LB20]

SENATOR KRIST: Thank you so much. [LB20]

SENATOR GLOOR: We'll now start with proponents for the bill. Anyone who is a proponent, please step forward. And it always helps us if you're going to be testifying to move up a little closer so we're not spending quite as much time ushering people back and forth. Thank you. Good afternoon. [LB20]

RONALD DUPELL: (Exhibit 2) Good afternoon, Chairman Gloor, honorable senators. I am Ronald J. Dupell, Chief Major Sergeant of the United States Air Force, Retired, representing as one of its founders the Nebraska Veterans Coalition. I'm here to testify in support... [LB20]

SENATOR GLOOR: I'm sorry to interrupt you right off the bat, but we've got to have you spell the name for record. [LB20]

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RONALD DUPELL: Oh, all right, I'm sorry. Last name is Dupell, D-u-p-e-l-l. I'm here to testify in support of Senator Krist's LB20, specifically the 100 percent exemption of the military retirement income from Nebraska income tax. Thank you for listening to my testimony. I'd like to recognize the challenge and responsibilities that each of you have in serving the citizens of Nebraska. Despite good efforts by Nebraska to recognize veterans, it lags behind most other states and all surrounding states in providing benefits to veterans. However, the real issues are how well Nebraska has used its access to available veterans; its effort to attract new businesses into Nebraska and to support the mission needs at Offutt Air Force Base. It is well known that businesses consider Nebraska's ability to provide capable employees to support the businesses before they will relocate to Nebraska. Because of Nebraska's low unemployment rate and its available work force, there should be greater efforts to persuade the highly-skilled military personnel from Offutt to remain in Nebraska after discharge upon retirement. That effort should be part of Nebraska's master plan to retain Offutt and attract more businesses into Nebraska. There has not been a state-level, cohesive, coordinated, and consistent effort in the past 40 years to entice or persuade active-duty veterans from Offutt to remain in Nebraska upon separation or retirement. The loss of skilled people and capable leaders harms Nebraska's ability to support the needs of Offutt and a wide variety of businesses. Nebraska's efforts to attract new businesses should also include efforts to retain the ones we have. As shown by the dismantling of Strategic Air Command, all missions at Offutt are subject to decisions of the Air Force and the Base Realignment and Closure Commission, known as the BRAC. The Department of Defense has indicated that it intends to place funds in the 2016 budget to conduct a BRAC review of all military installations. Offutt did not fare well in the last BRAC review. With the advent of a new airborne refueling aircraft, the KC-46, the Air Refueling Wing at Lincoln Air National Guard may also experience a review and may place it at risk of being relocated as the Air Force implements the KC-46. Sequestration and the national need to address federal budgets place all military installations under BRAC scrutiny for realignment or closure. Each BRAC review contains a variety of criteria to rank order the desirability of retaining a military installation. In addition, there are assessments made to quantify the support that communities and states provide to active military and veterans. Nebraska is not a leader in that area. It is our contention that it makes little business sense to not make additional efforts to retain separating personnel available to us from military units in Nebraska. We ask that all legislators work to provide a more supportive environment for veterans by passing legislation to more effectively persuade veterans to choose Nebraska to live in. Retention of veterans works to influence the retention of Offutt by providing skilled people and leaders to support Offutt's mission needs and that of other key businesses in Nebraska. In response to comments in the paper about why should veterans be the only group to get an income tax cut, that is a reasonable question and, in fact, 39 other states had to answer that very same question when they provided tax relief to veterans. Twenty-three of those states exempt all military retirement income. I suppose the real question should be why has Nebraska not joined the vast majority of other states in providing meaningful tax relief on military retirement. Doing so encourages bright and talented Nebraskans to retire to their home

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state after completing a military career. It encourages other valuable workers to consider moving to Nebraska or stay in Nebraska after retiring. Nebraska is in the minority. That should be the question. For the good of Nebraska, your support to legislate incentives for veterans to remain in Nebraska is vitally needed. Some may say that Nebraska cannot afford to provide benefits or incentives to veterans. It is our contention that Nebraska cannot afford to not do so. That is my testimony. Are there any questions? [LB20]

SENATOR GLOOR: Thank you, Mr. Dupell. And the attachment, this other page that you attached, this information that's attached to your testimony... [LB20]

RONALD DUPELL: Yes, sir. [LB20]

SENATOR GLOOR: ...do you want to explain? Is that just sort of a roll up of what Nebraska provides for benefits? [LB20]

RONALD DUPELL: Which...it shows Nebraska's benefits. Yes, sir. That's just a picture of what Nebraska provides as benefits. On that same Web site that it refers to, there's a listing of the benefits that each and every state provides benefits for veterans. [LB20]

SENATOR GLOOR: Okay. And then you've also got information about the KC-46. And then...okay. [LB20]

RONALD DUPELL: Yes, sir. That aircraft, and it's worth noting, the Air Force is intending and has budget approval to replace its entire current tanker fleet, the KC-135. The KC-46 is much more capable, meaning that the size of that fleet would be lower than the size of the current KC-135 fleet. What that means, and this is my opinion, that all KC-135 wings throughout the Air Force and the National Guard will be subject to review. Part of that review, and I reiterate again, part of that review is how well each state, municipality, and community supports veterans. Thank you, sir. [LB20]

SENATOR GLOOR: Okay. Thank you. Senator Harr. [LB20]

SENATOR HARR: Thank you. [LB20]

SENATOR GLOOR: Hang on a just a second. [LB20]

RONALD DUPELL: Yes, sir. [LB20]

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SENATOR HARR: So you state that Nebraska military benefits is lacking our surrounding states. [LB20]

RONALD DUPELL: Yes, sir. [LB20]

SENATOR HARR: Are you familiar with WalletHub? [LB20]

RONALD DUPELL: Not very well. No, sir. [LB20]

SENATOR HARR: Nor was I until the Governor cited it as a source in his State of the State Address. But WalletHub has a survey of top places for military officials to retire. [LB20]

RONALD DUPELL: Yes, sir. [LB20]

SENATOR HARR: And they have Nebraska ranked fourth... [LB20]

RONALD DUPELL: Yes, sir. [LB20]

SENATOR HARR: ...as a good place to retire, and none of our surrounding states are listed on there. [LB20]

RONALD DUPELL: Yes, sir. [LB20]

SENATOR HARR: Can you explain why they would roll one way? [LB20]

RONALD DUPELL: First of all, what I have found in my research is that multiple sites offer multiple different opinions to that based on the criteria that they use to develop that opinion. In my own instance, sir, which attracted me to stay in Nebraska after I retired was the people. I was invited to stay here. I was offered a job, and that's what kept me here. I'm now being invited to move out of the state for another location that does a lot better with veterans' benefits. So your question is very valid and it's pertinent. You can get different opinions from different sites based on the criteria that they use to develop that opinion. [LB20]

SENATOR HARR: Okay. And do you know what the state's unemployment rate is? [LB20]

RONALD DUPELL: It's around 4.5 percent. [LB20]

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SENATOR HARR: Okay. And do you know what the unemployment rate is for veterans?  
[LB20]

RONALD DUPELL: No, I do not. [LB20]

SENATOR HARR: Okay. It's over double that. So my question is we have a certain amount of resources, should we instead be putting our focus on helping our unemployed veterans get jobs or should we be providing tax breaks to veterans who already have jobs? [LB20]

RONALD DUPELL: Let's see if I can answer that question in the following way. I was just informed through the Nebraska Chamber of Commerce that there were over 40,000 jobs available in Nebraska to be filled. So the population is not there to support those jobs. Should we be providing incentives for people, not just veterans but for people to attain the skills to fulfill those jobs in Nebraska? I would agree that should be part of a statewide effort to address the economic environment in Nebraska. And my testimony is saying we've got some very bright people, well-educated, well-trained from not only Offutt but other military installations that we ought to make an effort to incent them to stay in Nebraska. So there should be two sides to that equation--incentives and assistance in getting a job. [LB20]

SENATOR HARR: And I agree with you. It's just we only have so much money. And so we have to, you know, sit here and play the hard game of figuring out which one takes priority--helping the unemployed or helping those who are already employed. And that's the tough choices we have to make. [LB20]

RONALD DUPELL: On that very issue, my experience in the states surrounding us, for instance, Kansas, their real estate taxes are half what they are here. That's because they have a higher population. So we're hoping to convince people to settle in Nebraska and stay here.  
[LB20]

SENATOR HARR: I don't think you ever want to use Kansas as an example... (laughter) [LB20]

RONALD DUPELL: Yes, sir. I... [LB20]

SENATOR HARR: ...in this committee. But, all right. Thank you. I appreciate it. [LB20]

RONALD DUPELL: Thank you. [LB20]



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SENATOR GLOOR: Other questions? Thank you, Chief. Other proponents. Good afternoon. [LB20]

GREG HOLLOWAY: Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Greg Holloway, G-r-e-g, last name H-o-l-l-o-w-a-y, and I'm not retired. I was drafted, did my two years, (laugh) and got out. But I represent the...a little bit about me because there are some faces that don't know me. I'm past-department commander for the Disabled American Veterans, the past-state council president for the Vietnam Veterans of America. Currently, I'm the senior vice commander of the Nebraska Veterans Council, which is seven veterans organizations plus one of the county veteran service officers associations. And so I'm here to represent those entities in this bill. The Disabled American Veterans want to see this bill get moved forward because we think it's worthy of getting to the floor and discussing and seeing what's the good and the bad about it and figuring out what to do. Vietnam veterans feel the same way. The Nebraska Veterans Council has put this as one of our priority bills of our six priority bills. So we are following it very closely and we want to see that things are better for the lives of our veterans within the state of Nebraska. During Vietnam, I was in Vietnam in 1968 and there was three sons-in-law and three sons and five of us were in the military, four of us in Vietnam at the same time. Three of them, three of us, three of my brothers and two brothers-in-law retired from the military. They all left Nebraska and they found their wives here in Nebraska, but they left. And...because things are better for them as a retired military in other states. Even though my brother...I got one brother in California, so I don't count him (laugh) because I know he's paying a lot more than we are. But we want to see that this bill move forward and we support it. I don't really have a whole lot to say about it. But I'll be talking to you again on a couple other ones. If you have any questions, I sure will answer them. [LB20]

SENATOR GLOOR: I think my question would be, they may have left the state but they still...do they still root for Nebraska in the football games or do we lose them for that too? [LB20]

GREG HOLLOWAY: Well, I got one I got to argue with once in a while. [LB20]

SENATOR GLOOR: That's not bad. That's a good average. Thank you for your service and your testimony. [LB20]

GREG HOLLOWAY: Thank you very much, Senators, and we'll see you in a little while. [LB20]

SENATOR GLOOR: Good enough. Other proponents. Mr. Clark. [LB20]

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DICK CLARK: Chairman Gloor, members of the Revenue Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm director of research for the Platte Institute for Economic Research. Pleased to speak in support of LB20 today. Nebraska is a high-tax state. You've heard me talk about that before and I won't tell you the same facts that I've rattled off to you before. I think that LB20 is an attempt to lower taxes on two demographic groups that are particularly affected by high taxes, folks who are in many cases on this fixed stream of income and unable to get other income in the form of our Social Security recipients, and then military retirees who, as we know, are a lot more mobile than a lot of the rest of the population and used to moving and able to move someplace where they think it might be favorable. Few states tax these groups to the extent that Nebraska does. And, quite frankly, our high taxes make it harder to grow Nebraska. So as the committee and the Legislature do your work, we just ask that you do everything you can to reduce the tax burden in Nebraska whether it's through this vehicle or through one of the many others that are before you this session. Thank you and be happy to answer any questions. [LB20]

SENATOR GLOOR: Are there any questions for Mr. Clark? Seeing none, thank you. Other proponents. [LB20]

PATRICK SHANNON: (Exhibit 3) Good afternoon. I'm Pat Shannon, S-h-a-n-n-o-n. I'm a Master Sergeant, Retired, U.S. Air Force, and today I work as a tax accountant with Bulldawg Tax and Accounting in Bellevue. I'm going to take a little bit different tack with you guys here today and approach this economically, okay, the bill before us. I am definitely here to testify in support of Senator Krist's LB20, specifically the 100 percent exemption of the military retirement from Nebraska state income tax. It's clear with four bills being introduced this year that quite a few senators think that this is the year we should finally get this done, and I agree. The price tag that I'm hearing is somewhere between \$23 (million) and \$27 million to get that done for the military retirement. I use the high number in my comments. And that would take care of exempting the income tax on military retirees and attract and keep economic benefits from this group in the state of Nebraska. I think it represents a bargain. It's my goal here today to show you why doing this is a bargain for the state. Big goal. I can do it. LB20 seeks to go even further though and eliminate taxes on Social Security. I think that's a noble goal. But I think the price tag is huge on that one, and I think that's an elephant that probably most of you are sitting here thinking we can't get there. Okay. I mean, just realistically that's an elephant that has to be eaten a bite at a time. Okay. So I throw two things at you from an economic standpoint that you can use to maybe move toward the goal. And the first is saying, well, maybe we exempt Social Security for people over a certain age, you know. Maybe we pick 80 or 70 or some number where we can find the money to afford that group and help that group. The other thing is you can look at Social Security and say let's do it the same way the federal government does it where this federal government has a floor of \$32,000, and until you make over \$32,000 your Social Security is not taxable. Maybe we take the taxable Social Security and exempt the first \$8,000 for people in Nebraska. And, you know, we can do some things there where playing with the

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numbers you can come up with a dollar amount you can afford to put toward this. So I think economically there's some opportunity to do some things. If you don't feel you can get the whole way, I think you can get somewhere and move toward the goal. And that's what I'm saying on the Social Security side. I just believe that that would allow some movement on that issue. But I think the real bargain in this bill is attracting and keeping the military veterans in Nebraska. And I use the word bargain because I want you to examine this from an economic perspective. If the average military retirement pay generated \$1,800 in tax revenues for the state of Nebraska, and I'd be surprised if it's that high on an average, okay, to support this bill you have to say, well, what am I going to get in exchange for \$1,800 in tax money that we're going to give up for this veteran. Okay. So that's what I want to do today is help you just kind of think through, what do we get for \$1,800 if we exempt this veteran's military retirement. All right. The average veteran is married and has two children that are high school age as they approach retirement. So you're not just getting a veteran to stay here, you're getting a family to stay here. All right. If they choose to retire and stay in Nebraska, both the husband and wife usually work and would generate about \$120,000 in taxable wages per year and generate sales tax revenue with their purchases. They'd buy a home, spending maybe \$200,000, \$300,000, and pay property taxes. Their children would go to Nebraska universities to which the parents would spend \$20,000 a year. Those children graduate, most likely get married and get jobs here. These new couples may earn \$80,000 a year and buy a house and start a family. So it's not just the veteran you're getting. You're getting a whole family lineage coming with them. All right. So what does this all add up to? What will Nebraska get for their \$1,800 investment? Over the next ten years, the military retired couples' \$120,000 a year would add up to \$1.2 million in taxable wages and generate \$81,000 in state sales tax. Purchases from their salaries would generate another \$60,000 in sales tax. The retirement couples' home would generate \$25,000 in property tax. University system would receive \$160,000 for the two children to attend and earn degrees. And the salaries after graduation would generate on the children about \$32,000. Their children would generate over \$52,000 in sales tax. Their children's home would generate another \$30,000 in property tax. For a total return of \$440,000 generated over the next ten years just because we invested \$1,800 in a veteran. I think that's a pretty good return on investment. So I think this is a bill worthy of the support and I hope it comes out of committee and that you guys see the value in it. Questions, gentlemen and ladies? [LB20]

SENATOR GLOOR: Thank you, Mr. Shannon. Are there questions for Mr. Shannon? Seeing none, thank you. [LB20]

PATRICK SHANNON: Okay. [LB20]

SENATOR GLOOR: Thank you also for taking what must be a busy time of year for you to come down here and testify. [LB20]

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PATRICK SHANNON: Very. [LB20]

SENATOR GLOOR: Thank you. [LB20]

JERRY ANDERSON: (Exhibit 4) Good afternoon, honorable senators. I'm Jerry C. Anderson, that's J-e-r-r-y A-n-d-e-r-s-o-n. I'm a U.S.A.F. Retired Lieutenant Colonel. I'm a Vietnam veteran/volunteer. I'm here in support of LB20, specifically the 100 percent elimination of state income tax on the military retirement pay. I've talked to a lot of people about this. I met with Senator Gloor, just been talking with the State Chamber of Commerce, a number of senators that I know, the Chief of Staff, Governor's Chief of Staff, Lieutenant Governor, and the Governor. So I've been...we also developed, delivered last week a cover letter of our mission statement. And our mission statement for the Nebraska is...I'm one of the founders of Nebraska Veterans Coalition, is economic development for the state. We've got a tremendous brain drain. We've got nothing to keep those military that are here. In fact, those that get assigned to STRATCOM come in from outside Nebraska. There's no reason why they want to stay where there's tornadoes and cornfields. So we got to do something to keep them here. The other thing is the military talent is probably one of the best group of trained, educated technicians, the trades, the supervisory, manager, and executives. They don't stay here. The Offutt Air Force Base is a \$1.3 billion economic benefit to the state, state revenue. Coordination at the state level has never been done before that I'm aware of. Iowa understands this. They have passed last year 100 percent exemption. They have an active program to go out and recruit the military to come there. By the way, Offutt is pretty close to the river. There's a couple of bridges. The retirees or just those that are currently working can just cross that bridge. It's already talked about the DOD BRAC. Well, the Air Force on its own doesn't have to wait for a BRAC. They can decide outside of this BRAC that, hey, Offutt, well, they have a 55th Wing there that employs 4,350 military. They could move that wing yet this year. They don't have to wait for the Department of Defense. Why would they want to do that? Offutt has a single runway. That's not good for a flying outfit. It requires \$100 million resurfacing. EPA came out and said that the levees have to be raised throughout the country. That's another \$24 million. A hundred million dollars is a big deal to the Air Force. They could move. There's plenty of bases nearby that they could take those 4,350 military and put them outside the state. So if that happened, we got a \$1.3 billion economic benefit to the state coffers. We would lose hundreds of millions of dollars to the state revenue. Now why single out the military? Well first of all, that would be a big hit to the state if we lost the 55th. And it's possible. So it benefits all Nebraska to keep them here. It benefits...it would benefit the entire state if we would have a coordinated effort at the state level, which has never been done before, to go out and not only retain but recruit from other places. Now the State Chamber has done that. They've just started this program. The average age of the military retirees is 40, low 40s, and I retired at 43. I stayed here because of the good life, and my whole family has stayed here. I made \$100,000 when I left, when I retired. I'm still making pretty good income that's taxable. So what I'm requesting is that this bill, all the four bills, LB20, LB267, LB454, and LB614, that comes

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out of the committee, one bill that exempts 100 percent of the military retirement pay. The benefits will be multiplied. We've got to pull them in. If I may ask, can I answer the...Senator Harr's question? [LB20]

SENATOR GLOOR: Sure, sure, just as long as you do it within your time frame. [LB20]

JERRY ANDERSON: Okay. Without running out of my time. Okay. You asked about the unemployment rate. Well, the fact is we need to bring missions, we need to bring business in here. I know I've been dealing with my congressman at the time. We can't get businesses to come into here. You heard the prior senator say that. So, yes, we have a double the unemployment rate for the military. We've got, what, it's in the 3 (percent) range, 3.2, 3.4 (percent) unemployment. [LB20]

SENATOR HARR: Right, 2.9 (percent). [LB20]

JERRY ANDERSON: It's down to 2.9 (percent). Great. Well, the thing is we need to bring in businesses. We need to keep these military here. So I thank you, Senators. Are there any questions? [LB20]

SENATOR GLOOR: Mr. Anderson, I would ask, LB20 exempts both Social Security as well as military retirement income, but your request here seems to be that your primary interest here is exempting military pay. [LB20]

JERRY ANDERSON: Yes. The word I use was specifically the portion that exempts 100 percent of the military retirement income from the state income tax. [LB20]

SENATOR GLOOR: Okay. Other questions? Senator Brasch. [LB20]

JERRY ANDERSON: And if I may...oh, Senator Brasch, do you... [LB20]

SENATOR BRASCH: Go. You may. [LB20]

JERRY ANDERSON: (Exhibit 5) Retired Brigadier General Donald Bacon could not be here today, and he has a one-page statement and he is in support of the 100 percent. He was a former commander in the 55th. He knows very intimately. He just retired from the Pentagon, and I would like to enter that into the record. [LB20]

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SENATOR GLOOR: If you can get that to the clerk. Senator Brasch had a question though, Colonel. [LB20]

JERRY ANDERSON: Oh, okay. I'm sorry, Senator. [LB20]

SENATOR BRASCH: Did you say it was Lieutenant Anderson or...? [LB20]

JERRY ANDERSON: Lieutenant Colonel, Retired Lieutenant Colonel, 1981. [LB20]

SENATOR BRASCH: Lieutenant Colonel, thank you for your service, first of all. And I was just skimming through your information here because this is on record. I was a little disheartened to hear you say that the retirees see only corn and tornadoes here. That corn has been very good to our state in a time of recession, and I'm hoping that they stay here for the good life, like you did, and that there would be more reasons to stay in the state beyond what you're saying here. But is that your opinion or you believe generally that corn and...its detractor like a tornado, is corn like a tornado or...? [LB20]

JERRY ANDERSON: This is a general comment that's heard. Now remember, okay, I had never been stationed in Nebraska. I was at Southern Methodist University. The Air Force sent me to get a master's in computer science. The only reason I came here was they had enough...as I said back in 1973, they had enough computers to sink a battleship so they must have a job for me. Now the time I...the day that I arrived here I fell in love with Nebraska. So, but like I said, these are people who have never been here. How many times have you heard Nebraska is a fly-over state? Well, hey, people are coming here from every state in the country and they don't know the good life or what Nebraska is about. And, yes, corn, where the bread...Nebraska is what? The breadbasket of the world. Okay. I agree with that. But I'm telling you from the sentiment of the military, and in a lot of cases when I was stationed here '73 to '77, I had 12-hour days minimum. I'd go to work when it was dark. I'd come home when it was dark. And that's all I did because the missions that we were doing were extremely valuable to national defense. So it's just a general thing, Senator. [LB20]

SENATOR BRASCH: I do appreciate your service. And having recently had part of our district torn up by tornadoes, I just didn't like hearing those two put in the same sentence, so. [LB20]

JERRY ANDERSON: Yeah. [LB20]

SENATOR BRASCH: Thank you. I have no other questions. [LB20]

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JERRY ANDERSON: Okay. Thank you, Senator. And I'm sorry if I, you know, said the wrong thing, but. [LB20]

SENATOR GLOOR: Thank you. I think we could boil your comments down to if Nebraska is going to be a fly-over state, you'd like those planes to start at Offutt that are flying over there. [LB20]

JERRY ANDERSON: And Lincoln, Senator. [LB20]

SENATOR GLOOR: And Lincoln, certainly, certainly. Thank you. I'd invite other proponents to step forward. Can I see a show of hands of how many other proponents for this specific bill? Okay. Thank you. Afternoon. [LB20]

DAN DONOVAN: (Exhibit 6) Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Dan Donovan. I'm retired Air Force Colonel and I am currently the president of the Heartland Chapter of the...Heartland of America Chapter of the Military Officers Association of America. [LB20]

SENATOR GLOOR: Thank you. Could I get you to spell your name, please? [LB20]

DAN DONOVAN: And my last name is spelled D-o-n-o-v-a-n. The Air Force brought me to Nebraska in 1982. I retired from the Air Force in 1988 and then subsequently worked for two great Omaha companies, First Data for 6 years and TD Ameritrade for 12. Since 2008, I have been a volunteer counselor at SCORE, formerly known as the Service Corps of Retired Executives. I became chairman of that Omaha SCORE chapter in 2009 for two years and in 2011 I became president of our MOAA chapter. There are more than 2,400 chapter members in Nebraska and...I'm sorry, MOAA members in Nebraska and approximately 270 of them do belong to our chapter. I know that everyone on this committee has heard the testimony on other tax-related bills and probably on multiple occasions. We all know Nebraska has got the high taxes and retiring members are very well aware of that. This past year, two of our surrounding states, as previously mentioned, have increased their exemptions. Governor Branstad, on a suggestion from his National Guard Adjutant General, initiated what he calls the Home Base Iowa program to attract military retirees and to attract and retain a skilled and trained work force. Missouri has been increasing their exemption percentage each year and will reach 100 percent by January 1, 2016. For quality-of-life reasons, family considerations, education, and others some of us have chosen to remain here. Many others, the taxation was too great and they did opt to leave. I have heard testimony in this room over the last three or four years from retiring military members who have stated that the week they retire they are moving to either Missouri or

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Colorado or whatever state surrounding Nebraska. I've heard classmates, coworkers, and friends all tell me the same thing. This year, two key members... (Electronic device talking.) [LB20]

SENATOR HARR: Sorry. I don't know how to do this. I'm trying to find that WalletHub thing and I... [LB20]

DAN DONOVAN: Since we're on WalletHub, can I address a question that was asked earlier? [LB20]

SENATOR GLOOR: Why don't you finish your testimony so that you get that in under the time frame. [LB20]

DAN DONOVAN: Okay. Then come back. Okay. [LB20]

SENATOR GLOOR: And then I'll ask you that question so you can address it. [LB20]

DAN DONOVAN: Okay. Two sad departures from our MOAA board departed this year. One is an excellent programs manager, retired Army major. He just recently left for Missouri. He expects his disposable income to increase by at least \$5,000. Even more critically, my first vice president who had been groomed by me to replace me this past December just moved to Texas. So the real beneficiary of these bills is the added economic value to Nebraska. In my civilian career, I've hired several military veterans. As a SCORE counselor, I have worked with several veterans. They are generally technologically savvy, they know how to work as part of a team, and ultimately they know how to get things done. An article appeared in The Wall Street Journal, it was supposedly written by Michelle Obama last year, and it included this quote, "The CEO's we have spoken to have been consistently impressed with their hires, reporting that veterans are some of the highest-skilled, hardest-working employees we've ever had...that veterans are resilient, adept at building and leading teams, comfortable with diversity, and able to handle uncertainty." I attended a recent presentation by the Nebraska Chamber of Commerce which noted the state has an alarming brain drain of 4,000 college graduates leave Nebraska each year. I'm attending this hearing to express support for the four tax exemption bills for the military: LB20, LB614, LB454, and LB267. Attracting and retaining more retired military and veterans will foster economic growth for Nebraska. And that concludes my testimony, Senators. [LB20]

SENATOR GLOOR: Thank you. I'd ask you if you'd like to respond to the WalletHub comment that was made earlier. [LB20]



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DAN DONOVAN: Yes, I would. Senator Harr, the reason I believe you have so many retired flag offices here in Nebraska, when SAC was out at Offutt, and it was from the early '50s through 1992, you know, and if a general officer has an assignment that lasts two years, you know, there's quite a rotation. I was the vice commander of the 3902nd Air Base Wing from 1984 to '86. At that time, SAC had 17 general officers assigned to it, and flag officers. We had Navy admirals as well. And that 17 was standard during all those years that SAC existed. So I think what you're seeing is just some of them decided this is my last assignment and I'm going to make it my home. And I know we've got two Navy full admirals who are still residing in the Omaha area. I know a lieutenant general who's in our...lives in Papillion and there are several of them. But I think that's the reason for it and I think you would find the same thing at states that have large headquarter staff. So that's probably the reason for it. [LB20]

SENATOR HARR: Okay. [LB20]

SENATOR GLOOR: Senator Harr. [LB20]

SENATOR HARR: Thank you. Well, and I'll get to that in a second. I guess my first question is, you stated Michelle Obama appeared to have written an article. [LB20]

DAN DONOVAN: It was bylined by her, sir. [LB20]

SENATOR HARR: Okay. And you don't know if she wrote it or not? [LB20]

DAN DONOVAN: Either she did or her... [LB20]

SENATOR HARR: But you don't know. [LB20]

DAN DONOVAN: I don't know, yes. But... [LB20]

SENATOR HARR: Okay. So she could have had those feelings. I guess I don't know why you're saying it's a byline. [LB20]

DAN DONOVAN: Well, it had her name in the article, sir. So that's all I know. [LB20]

SENATOR HARR: So she wrote it. Okay. [LB20]

DAN DONOVAN: She wrote it as far as I know. [LB20]

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SENATOR HARR: Okay, okay. Thank you. You know, so this WalletHub which I don't want to get too much into, but it took 19 criteria. So it wasn't just the number of people who retired there. It looked at 19 criteria in determining which states to retire in. And, you know, I never know what to make of these surveys but they sure like to make a lot out of these in this committee. So I'm just going to put it on the record, Texas as far as according to this survey as places to retire is tied for 37th; and Missouri is 28. And lo and behold, all the way up at number four...excuse me, number 5, number 5 is Nebraska. And I said no bordering states, South Dakota is number 4. So, you know, I understand. I'm sympathetic to your cause. I'm sympathetic to a lot of causes. We'll see what we can afford, but I thank you for coming. I appreciate your time. [LB20]

SENATOR GLOOR: Other questions? [LB20]

DAN DONOVAN: Thank you. [LB20]

SENATOR GLOOR: Thank you, Colonel Donovan. [LB20]

DAN DONOVAN: Thank you. [LB20]

SENATOR GLOOR: Good afternoon. [LB20]

PAT JONES: (Exhibit 7) Good afternoon. I'm Lieutenant Colonel, Retired, Air Force, Pat Jones, P-a-t J-o-n-e-s, from Bellevue, Nebraska. You know, in the consideration for these military retiree bills that you're seeing, there are some things that I think should be considered givens. Income tax on military retirees brings in a predictable amount of revenue, and you probably have a handle on what that is or it can be gotten from the state. Second, any relief that is given must result in alternative revenue to replace that lost revenue, and it ranges...the cost on those various bills range from \$6-million-something up for the various four bills for the next year. Offutt has 7,105 military people assigned. Offutt processes annually several hundred people who end their careers here, partly because of the headquarters that has high-ranking people, long-tenure people, those percentages are higher than just a regular base somewhere. Most of those that request retirement leave the state and they get moving transportation to take them elsewhere. There are 23,741 military retirees living within 150 miles of Offutt. And as had been mentioned earlier, the 2013 economic report survey shows that Offutt has a \$1.3 billion impact on the state. The military payroll at Offutt is \$371,506,653, as an averaging \$52,000-and-something for each person. And the last one, of the military retirees who opt initially to stay here for the good life, for other reasons, such as job or a spouse's job, children in school, many of them leave when that reason expires. And often, most often it is taxes. Now I suppose the people who are supporting this in the room could get together for two or three days and write down and give you a list of hundreds of names. Colonel Donovan gave you two or three. The last time I testified for one of

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these I gave you two or three names that popped into my head. My own situation is very similar. I retired here. I was a resident of Texas, did not pay Nebraska taxes. But my wife had followed me around the service all over the place and never had a chance to continue her own retirement and education benefits. And she was near the end of that, so we stayed here so she could do that. And I immediately starting paying Nebraska taxes. Now that she's retired, there's nothing stopping me from moving except the good life. Our kids live in Texas and they keep telling me, dad, you'll make an extra \$8,000 if you move here. We don't have income tax. And I'm wearing my red just to show you my support. You won me over from University of Oklahoma to support the Cornhuskers. But I've watched the bowl game with the Austin, Texas, booster club, and I can support them from down there. Okay. Why should military retirees be given income tax relief? Because it is a win-win situation for Nebraska and the military retiree. Nebraska should work hard to make it a retirement haven. Several things to consider, military retirees have their own medical benefits. We have no negative effect on what the World-Herald says is the largest part of the budget that you have to worry about that's growing--Medicaid. All officers have a minimum of a college degree and most have advanced degrees and many enlisted do. All retirees have repeated background checks throughout their career to prove their trustworthiness. All retirees have regular physicals and preventative medical treatment. Military retirees are experienced leaders with high levels of training and are highly employable in the high-technology things that we want in this state. Military retirees have overcome adversity, family separation, and life-threatening events. Military retirees believe in education and support schools, colleges, and training. I, myself, served on the Bellevue School Board 16 years because I believe in it even though my kids were already out of school. Military retirees have spendable income and support the arts, theaters, sports, restaurants, furniture stores, clothing stores, auto dealers, nice homes. We should have more of those kind of people stay here and contribute to the economy. Why should military retirees get tax relief and not all retirees? Well, because the state cannot afford to give up the revenue unless you can do something to replace it. While a retired farmer, school teacher--and my wife is one of those--policeman, fireman might leave the state upon retirement for places like Arizona, Florida, or Texas, unlike frequently-moving military people, the huge majority of those people have spent their whole lives in the state, in their communities, churches, and likely have family and lifelong friends here. The military have moved many times and can readily move back to places where they were stationed before. And, unlike those other retirees who would have to fund their moves, upon retirement, the government pays to move the military retiree back to his home of record or current residency. Why shouldn't policemen and firemen be considered in the same category as military retirees? Partly for the reasons listed above, but mainly because the jobs are not really comparable. The policemen and firemen do face danger, but they are not moved to different states and countries every three to five years, have their families uprooted from spouse job, schools, churches, and friends. They've not spent months and even a year at a time in a war zone and often several times during a career. In conclusion, it is a win-win for Nebraska and the military retiree if tax relief is given to them. More of them will stay in Nebraska for the good life and contribute to the community and economy. Otherwise the

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state will continue to take in whatever you get now, and the lost opportunity to make the state military retiree friendly will result in continued high loss of retirees. If Offutt experiences more cuts, and when I came here in 1979 there were about 13,000 altogether, it's now down to 7,000-something, the negative effect on revenue will soon be felt by the state. It is time to establish that positive military retirement environment. Win-win. And you will get your money back from more retirees. [LB20]

SENATOR GLOOR: Thank you. Any questions? Senator Scheer. [LB20]

SENATOR SCHEER: Thank you, Senator Gloor. Just one real quick. You made a comment there's 24,000 within 150 miles of Offutt, but that's on the border. So do you know how many that would be in Nebraska of that or how many would be outside of Nebraska of that number? [LB20]

PAT JONES: No. I can probably find that. I got this particular statistic off the economic impact analysis of 2013, and they had just summed it up because their emphasis was how many people will be coming toward Offutt, you know, to do things. And I don't have that broken down that way, sir. [LB20]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB20]

SENATOR GLOOR: Thank you for your testimony, Colonel. [LB20]

BETTY ALBANEZ: Somebody has forgotten this. One second, please. I have a little bit of a disability, so I move slow. Thank you. My name is Betty Albanez, spelled A-l-b-a-n-e-z. Am I to go when the green light starts? [LB20]

SENATOR GLOOR: Go ahead. It'll go green. Yeah. [LB20]

BETTY ALBANEZ: Thank you. I am an American fighting man. That's what I had to learn when I went through basic training. The Samoan women really did not like that at all. I don't have my glasses. Somehow they stayed in the car, so I became tardy getting here. I am a direct descendant of individuals who came over on the Mayflower. I am able to participate in every patriotic organization you can think of. I pay dues in quite a few of those. I am also a four-year military individual. My spouse is a retired United States Air Force Senior Master Sergeant. That gives me 19 years as a dependent wife here. My children, I have three, now I have six because I have three in-law children. Of those, three are active duty; one is in an F-15 flying somewhere; one is in another airplane that I'm not allowed to know the name of; and one flies in a C-130.

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That would be my blue-eyed, 5' 2" daughter. I am a DAV volunteer veteran service officer. I have served over 1,000 veterans in this state. I know where they live...well, most of them. I have a really good address book. I know what they make. I know if they retired here as a military person. I know how much they make. I know how much their spouses make. And I know how many have moved, although I don't have those numbers with me today. My three children have high school educations and college degrees partly due to my own post-traumatic stress disorder and my Chapter 36 benefits, Chapter 36 benefits that included my state of Nebraska paying part of their college education. Currently, two of them live out of state. I, myself, am from southwest Iowa. I enjoy living in Nebraska. My husband is from southern California and enjoys boating and oceans. We make over \$110,000, plus investments, plus real estate, plus other money, and I get to spend most of it. Last year, as a degreed accountant, I figured out that I paid you, Nebraska State, probably about \$2,500 in state tax, sales tax. I like to travel. We have an RV and I go a lot of places and I spend money there too. But we choose to be here for eight months out of the year last year. Last year, it was in Camp Pendleton, which was very nice. The year before it was in Pensacola where my daughter now lives. I served the state of Nebraska as an assistant Auditor of Public Accounts under Mr. Breslow. At that time, the investment committee in which I audited had over \$350 million extra. I imagine that's grown since then. I don't know. You might know that. There was other money there, but that's the number that stuck out to me. So I don't know what all was said before I walked into the room because I was tardy, but what I can tell you is I support every gentleman that came before me and spoke. I believe everything they said. And what they didn't say, what one almost said but what they didn't say is this being my family I'm a grandma. I'm going to move where the children are unless it benefits me to stay here near where my parents are buried and my siblings live, so. Does the yellow light mean I'm done or do I have another minute? [LB20]

SENATOR GLOOR: It'll go red, just like a stoplight. [LB20]

BETTY ALBANEZ: It'll go red. Okay. So the F-15 fighter pilot is the...he's not a pilot. I beg your pardon. He's a back-seater, Goose for those of you who don't know F-15's. He's fighting ISIS right now and he's the father of my future grandchildren. His wife, the C-130 navigator that I spoke of, is in Pensacola, and I would love to take my RV down there right now. My other son-in-law, I'm not allowed to know where he is. And my daughter-in-law is about to go into the Army as an officer paid for by her own self. Her husband has a degree and they pay a lot of taxes. The bottom line is my household and those who come from it and those who I've met in my travels give you a lot of money. A retired military family gives you a lot of money. I think my time is up. [LB20]

SENATOR GLOOR: Thank you, Ms. Albanez. [LB20]

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BETTY ALBANEZ: You're welcome. These are just pins. [LB20]

SENATOR GLOOR: Did I pronounce that correct? [LB20]

BETTY ALBANEZ: Well, these are just pins from different military organizations and other groups I've been in. This is my posttraumatic stress book if you'd like to read it. It's very detailed and graphic. I don't believe there is, sir. [LB20]

SENATOR GLOOR: Thank you. Are there any questions? Seeing none, thank you for your testimony. [LB20]

BETTY ALBANEZ: You're welcome. Have a good day. [LB20]

SENATOR GLOOR: Be careful on the sidewalks. [LB20]

BETTY ALBANEZ: Thank you. I'm kind of slow. I'll get up in a minute. [LB20]

SENATOR GLOOR: Take your time. [LB20]

BETTY ALBANEZ: Thank you. [LB20]

SENATOR GLOOR: (Exhibit 8) Other proponents? We'll move to opposition. Is there anyone in opposition to this bill? Seeing none, anyone who would like to speak in a neutral capacity? Seeing none, I believe Senator Krist waived closing. And that will bring an end to the hearing on LB20. We'll now move to LB255. I do want to make mention that we did have a letter of support on LB20 from Mr. Paul Cohen, Brigadier General, U.S. Air Force, Retired. In the interest of time, we're going to move to LB62. Senator Schumacher. [LB20 LB62]

SENATOR SCHUMACHER: Thank you, Senator Gloor, members of the Revenue Committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature. The bills I bring to you today give us a full spectrum in the course of today's hearings of age with respect to looking for a little tax relief. And this bill doesn't originate with any interest group. It originates with a discussion that I had with a young woman who is from Nebraska who got admitted to a very reputable out-of-state law school, who went there, borrowed a lot of money to go there, and ended up coming back to Nebraska to work in a job that probably wasn't a top-paying law job. And she was telling me how she was struggling to pay off a six-figure debt, student loan debt, and that it was really hard. And it was hard to make ends meet and she had as

a goal to get that loan paid off and she was working hard here in Nebraska in order to get it done. And I had to ask myself how was her investment in that graduate degree not a business expense. We think nothing of letting folks deduct their business expenses. In fact, if you're a member of a profession, let's say a lawyer, you probably are required to take some form of continuing education. And you probably, if you are interested in travel law, can find a cruise ship that sails from Miami for six or seven days and has a seminar room in which you listen to people talk about cruise ship law and travel law. And it's really tough because you're rocking back in the forth in the boat when that's happening. But you think in the back of your mind, at least this deductible. And it is deductible. Now when you talk about attracting qualified, energized people to the state and giving them some encouragement, one has got to say why isn't that a business expense? Why can those kids who go out and do...get a good education and invest in themselves, why shouldn't they be able to deduct that principal? And then you lay another layer on top of it. We're quite proud in this state to the bill that Senator Brasch expanded on a program of our college savings plan, and think what's done there. Relatives, basically Grandma and Grandpa, Mom and Dad, can put money into a kid's/child's savings plan. And when they do, it's deductible. And not only is it deductible, but the income that comes into the child's savings plan, the interest, not very much these days but at times it's been much, is also deductible. So you have wealthy kid. Grandma and Grandpa on each side loaded with money, Mom and Dad loaded with money, and in the beginning, when the kid is tiny, begins to put away the maximum amount. I think I roughed it out and that maximum amount for that child comes up to about \$300,000-and-some. Tax-deductible money that the rich kid gets to be educated with. Now the poor kid, we're going to tax them on the principal of the loan they took out. Doesn't seem fair. They didn't drop out of the university like 30-some percent of the people drop out. They stuck with it. There are doctors, are lawyers, are accountants, are social workers, are teachers, people who have made it and now hope to be able to buy a house and do a family. They are not getting large sums of money from inheritance or pensions or anything like that. They're just trying to get in a position where they are stable and can pay the taxes that we levy on them and their income. And hopefully one day they'll make six-figure salaries that we can tax. That's what we want. But when they're putting down those roots, making those decisions whether or not to stay in Nebraska, whether or not they can make it here, let's give them a break. And if they're prudent, if they're prudent, they will pay down those loans and in those first years effectively have a very low or maybe no tax rate if they take all their disposable income and put it towards those loans. An incentive to stay here. An incentive to have a zero-tax bracket. It makes us competitive in that particular area. But it's also just. Puts them on a par with business deductions. Puts them on a par with rich kids. It's just. And I was really, really pleased to see that it has a reasonably low price tag, a price tag far less than a lot of the things that we've heard. And we get some bang for our money. We get a young person in their twenties probably who is willing to stay here, to put down roots here, to not complain too much about their taxes here, and to be part of our society, and to get a return on our investment in the university because that's where most of them will have gone to school or in Creighton, or maybe like the young lady that I was talking to who was educated

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here in our public schools, left to go to a real good law school, a return on our public school investment in her. This bill is a bill that I think we can take seriously and hopefully it's a bill which I have some proponents here to testify for. So that would be my opening. [LB62]

SENATOR GLOOR: Thank you, Senator Schumacher. Was there anything about the ten year...this was ten years after they actually received their degree, correct? [LB62]

SENATOR SCHUMACHER: Right. [LB62]

SENATOR GLOOR: And what...I mean, are they supposed to send their sheepskin along with their income tax form? I mean, how do they quantify the fact they've received this degree by way of getting the deduction? [LB62]

SENATOR SCHUMACHER: I think that probably just like you proved that you did anything else you would have to show your date of graduation or your diploma or your licensure that would probably show when you graduated and where you graduated from. [LB62]

SENATOR GLOOR: And you'd show that to what entity? [LB62]

SENATOR SCHUMACHER: I would guess it'd be part of your claim for this deduction. [LB62]

SENATOR GLOOR: Okay. [LB62]

SENATOR SCHUMACHER: It'd be something that...I think we have in here something about rules and regulations that might be able to be established by the department. If it's not in here, it probably could be added in here to make it clear that there would be a form. [LB62]

SENATOR GLOOR: Did you pick ten years for any specific reason? Did you pencil something out and ten years looked like the right number? [LB62]

SENATOR SCHUMACHER: I think that basically you should have your roots put down in ten years and encourage them to not get in the habit of spending all their money on something else but to pay down the loan. [LB62]

SENATOR GLOOR: Okay. Senator Smith. [LB62]



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SENATOR SMITH: Thank you, Mr. Chair. Senator Schumacher, so you said this should be considered like a business expense. So should the degree that's been received be required by the current job held or related to the current job held? [LB62]

SENATOR SCHUMACHER: You know, you could do that but I think once you've invested in a degree you're probably going to end up in that related...one way or another in a related field using those talents that were taught. I mean, you might go to law school and end up as a state senator, but. [LB62]

SENATOR SMITH: Or at accounting school and be a state senator. But the other question I have is, so what about a principal payment that's made by a dependent? So the way this is written, it looks like, and this is on page 8 of the green copy, and we talk about "any qualified education loan that is incurred by the taxpayer to pay for the costs necessary to obtain a graduate degree". It's not saying for the same taxpayer. So you may...does that suggest then that you might be able to get some tax benefits if you're paying...making the loan payments on a loan that...for your children? [LB62]

SENATOR SCHUMACHER: Any qualified loan that is incurred by "the" taxpayer. I don't think that includes on your children. [LB62]

SENATOR SMITH: "To pay for the costs necessary to obtain a graduate degree." So it's not really specifying that it's a degree by the same taxpayer though. [LB62]

SENATOR SCHUMACHER: If that's an ambiguity we could say graduate degree earned by the taxpayer. [LB62]

SENATOR SMITH: Okay. Thank you. [LB62]

SENATOR GLOOR: Senator Scheer. [LB62]

SENATOR SCHEER: Senator Schumacher, I like the bill to a certain extent because I had one two years ago that was similar. But having said that, my problem with your bill is that it is based on the loan, not on the cost of the education. And I know a number of young folks that either through medical school, law school, whatever, the spouse goes out and works their butt off and even the person that may be attending the school and they work and work and they use as much as they can do to minimize the amount of their loan. And based on this it almost would be a disadvantage to them not to borrow the money. Would it not make more sense to let them deduct the cost of the degree rather than the cost of the loan, because otherwise you've got a pretty good

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hunk of people out there that are really, you know, you say trying to do the right thing. Well, they are. They're working trying to minimize the amount of debt they're going into, but we're really not giving them any credit. We're just giving the person that wants to go out and borrow every penny they can the ability to get some type of tax break one of them. [LB62]

SENATOR SCHUMACHER: I think that one thing you got to consider is that even though we would give them a tax break on that that might save them between, if they get the deduction, 5 and 6.84 percent, they've still got to pay back the other 95 percent. And most of the folks who are working and responsible and get a degree don't want to borrow any more than they have to, and this...in fact, they're going to have to pay back 95 percent is quite a disincentive to overborrowing. I don't think you're going to see these graduates cut back on the amount of the work or the amount of work their spouses do. [LB62]

SENATOR SCHEER: Well, I don't know. But we're not giving those that do the opportunity to participate in this program, and I think that's a disservice to those folks. For example, you said, well, it may not be but say, for example, you're going to medical school and your wife is a nurse, because that happens a lot. So you have and RN, and they make fairly decent money. So she's out picking up double shifts to pay for all the tuition and everything else to try to minimize that. And so they don't end up with a lot of debt. The same other person that doesn't have the spouse, he's going to med school so he's borrowing almost all the money that he's utilizing. He gets done. He's got essentially a tax break for all of his tuition for the next ten years, where the guy whose wife, or husband if reversed, produced all the income to try to get them through college but they get no credit. [LB62]

SENATOR SCHUMACHER: The difference is one may get out with little or no debt and the other one has got to pay off the debt. [LB62]

SENATOR SCHEER: But why are we determining that no debt and debt...having debt is better than no debt? We are making...we are penalizing those that work hard to minimize debt under this bill rather than trying to encourage them to do the same. If we're really trying to be fair, wouldn't we be providing them the deduction regardless if it's a debt or not. It's the cost of the education. Isn't that the problem? I mean, the problem is the debt but it's the cost of the education. So if it's the cost of the education, why can they not all equally participate in the program? [LB62]

SENATOR SCHUMACHER: I think you may hear some testimony, I'm hopeful that you will today, that indicates that when you get into these professional degrees, it's pretty hard to avoid the debt and you're going to come out with a good chunk of it. [LB62]

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SENATOR SCHEER: I'm not saying there's not going to be debt. That's...Senator, I'm not trying to imply that even with a spouse working you're going to walk away without debt. But whatever that amount debt versus the other one that does not have the spouse could be a substantial amount of difference. And I just think we...those that are paying as they go as much as possible should be able to utilize the program just as though those that have to go borrow the money would. [LB62]

SENATOR SCHUMACHER: And a supplemental bill next year some time, perhaps like the one you introduced, I think is something that would be worthy of considering. [LB62]

SENATOR SCHEER: Okay. Thank you, Senator Gloor. [LB62]

SENATOR GLOOR: Other questions? Senator Brasch. [LB62]

SENATOR BRASCH: Thank you, Chairman, and thank you, Senator Schumacher. The bill is interesting. But I also believe Senator Scheer has mentioned another, you know, possibility on those who...you know, you were talking about the rich kid, no sweat equity, versus the poor kid. And then there's another kid that, they work a full-time job and then they go to school full time at night or they work full time at night so they can go to class during the day, that is trying to fiscally make ends meet. And it may take them ten years to get through college, you know, that way. And I believe it was Senator Sullivan a few years back that was looking at tax credits for those who choose to return back to the state following their education. A lot of people go away to school and they don't come back. And I think it's at the four...it was the Nebraska renaissance program. So...and I understand you're addressing one specific situation. But when it comes to rewarding those who seek to, whether it's a vocational school or medical school, to incentivize staying in Nebraska, returning to Nebraska. But I thank you. I mean, it's a good thought but I think there's a whole number of variations that this may come with. [LB62]

SENATOR SCHUMACHER: Education is an expensive proposition. This is one tool in the toolbox. [LB62]

SENATOR BRASCH: That's right. Thank you. I don't have a question. Thanks. [LB62]

SENATOR GLOOR: Senator Smith. [LB62]

SENATOR SMITH: Thank you, Mr. Chair. Senator Schumacher, do you know of any other benefits that are available currently for undergraduate degrees? [LB62]

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SENATOR SCHUMACHER: I don't know. [LB62]

SENATOR SMITH: Are there any deductions? [LB62]

SENATOR SCHUMACHER: I would guess there's some low-interest loans and the federal government has probably got programs, but... [LB62]

SENATOR SMITH: But not through tax policy. [LB62]

SENATOR SCHUMACHER: I don't think so. I think our college savings plan is one of them. [LB62]

SENATOR SMITH: Okay. All right. Thank you. [LB62]

SENATOR GLOOR: Thank you, Senator Schumacher. [LB62]

SENATOR SCHUMACHER: Thank you. [LB62]

SENATOR GLOOR: Could I see a show of hands of those who wish to speak in support of this bill? A show of hands of those who wish to speak in opposition to this bill? Those who'd like to speak in a neutral capacity? Okay. Thank you. [LB62]

DAVID O'DOHERTY: Good afternoon, Senator Gloor and members of the committee. My name is David O'Doherty, D-a-v-i-d O-'-D-o-h-e-r-t-y, and I'm the executive director of the Nebraska Dental Association representing 75 percent of the dentists in the state in support of LB62. But I'm also here to read testimony of a dental student who wanted to testify but couldn't because she's in clinic all day today. My name is Emily Willett, W-i-l-l-e-t-t, and I'm a postgraduate orthodontic resident at UNMC, a May 2014 graduate from the dental school and, most importantly, I am a nonnative Nebraskan with a big decision to make--to stay in Nebraska for my professional career or to move to some other state in the region. I wish I could have been here in person but I have clinic all day today and I was unable to attend this hearing. The decision to stay in Nebraska will be an easier one if LB62 is passed as proposed. The issue of student debt is not a new one and most importantly is getting worse. I would like to share some personal details to illustrate the impact LB62 would have on young professionals making the decision to live, work, pay taxes, and vote in Nebraska. I will finish my residency program in December 2016 and will have an estimated \$220,000 in student loan debt. I had zero debt upon graduating from college and I want to clarify that I have lived modestly while a professional student and resident, including forgoing expensive amenities like TV, Internet, dining out, and spring break vacations.

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My situation is perhaps better in some ways than many of my professional peers, but it no less illustrates the incredible incentive to keep well-educated and trained professionals in Nebraska. LB62 is of particular interest to me and my spouse as we are currently entertaining two postgraduate options for orthodontic practice--one in Nebraska and one in South Dakota. All things being equal from the perspective of the orthodontic offices and opportunities for professional growth, the other variable has become much more important, like lack of income tax in South Dakota or an equal offer that LB62 would provide--an income tax deduction for loan principal payments for graduate degrees. I think LB62 goes a long way to start leveraging an advantage to staying in Nebraska. I've seen multiple examples of other clever tactics to keep the most talented young Nebraskans in Nebraska and to recruit the like to the state. But this will likely deliver the best return on the state's investment. It is an increasingly competitive environment to attract the best and brightest. Nebraska can establish itself as a regional leader with the full advantage of making the first move to keep its own homegrown professionals. I ask that you advance LB62 to General File. Thank you. [LB62]

SENATOR GLOOR: Thank you, Dr. O'Doherty. Would you spell her name for out for us for the record? And thank you for spelling yours, but we should get hers right too. [LB62]

DAVID O'DOHERTY: Emily Willett, E-m-i-l-y W-i-l-l-e-t-t. [LB62]

SENATOR GLOOR: Thank you. Questions of Dr. O'Doherty? Senator Scheer. [LB62]

SENATOR SCHEER: Trying not to ask a lot of questions today, but the example you use doesn't quite make sense to me to the extent that South Dakota has no income tax, state income tax. We're only talking about the state income tax. [LB62]

DAVID O'DOHERTY: Right. [LB62]

SENATOR SCHEER: I don't know exactly what the young lady would make coming out, but they, I think, make a pretty good chunk of change in that capacity. Even if she could shield a couple of years of her income within two or three years at 6 percent if we don't do anything or 6.5 percent at the higher level, which she would definitely be in, versus 0, it doesn't seem to me that from a financial standpoint that there's really much of a guessing game between those two alternatives. [LB62]

DAVID O'DOHERTY: I suppose over the long term South Dakota would make sense. [LB62]

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SENATOR SCHEER: Well, it wouldn't take a long time because if she's going to shield her investment, it would not take a lot of time for her income to utilize the tax savings from this bill. [LB62]

DAVID O'DOHERTY: Right. And a question came up on the term of...a term used or ten year...her loan is a ten-year loan. I heard the time ten years come up before. It's a ten-year loan at 6.75 percent. So it wouldn't be an equal balance but it would certainly tip the scale, help tip the scale back towards Nebraska. [LB62]

SENATOR SCHEER: Well, it wouldn't tip it at all though. I mean, even if it were \$200,000 that she owed, now that's \$20,000 a year that she could take off her income for income tax purposes. At 6 percent for \$20,000 versus 0 percent for a couple of hundred thousand a year, there's really no comparison about...from a financial standpoint which area you might want to reside in. And I hope she stays in Nebraska. [LB62]

DAVID O'DOHERTY: So do we. [LB62]

SENATOR SCHEER: But from the vantage point of from a purely financial standpoint, there really is no question unfortunately between the two simply because we have an income tax... [LB62]

DAVID O'DOHERTY: Right. [LB62]

SENATOR SCHEER: ...South Dakota doesn't. I mean, improves it but it doesn't come anywhere close to equalizing it. [LB62]

DAVID O'DOHERTY: It's not equal, clearly. [LB62]

SENATOR GLOOR: Other questions? Thank you, Dr. O'Doherty. [LB62]

DAVID O'DOHERTY: Thank you. [LB62]

SENATOR GLOOR: Other proponents. [LB62]

RON JENSEN: Chairman Gloor and members of the Revenue Committee, I'm Ron Jensen, R-o-n J-e-n-s-e-n. I'm a registered lobbyist appearing before you this afternoon on behalf of the Nebraska Optometric Association, which is the professional society for optometrists in our state.

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Optometrists are the only eye-care specialists in many Nebraska communities and an important factor in our healthcare. There are no schools of optometry in our state. The closest one I believe is in Chicago. There's another one in Oklahoma. But suffice it to say to go into this profession, a Nebraskan has to leave the state. And it's not inexpensive. One time there was actually some scholarship money provided by Nebraska for...as we do with veterinarian practice for would-be optometrists to go to school in other states. But it's fallen out of the state budget over the past few years. And I see Senator Scheer shaking his head. Probably not much chance of getting it back. This legislation would help with that to a degree, and from that standpoint our organization would like to go on record in support of it. I'd try to answer any questions. [LB62]

SENATOR GLOOR: Questions? Seeing none, thank you, Mr. Jensen. [LB62]

RON JENSEN: Thank you. [LB62]

SENATOR GLOOR: Other proponents. [LB62]

SEAN KELLEY: Good afternoon, Chairman Gloor, members of the Revenue Committee. My name is Sean Kelley, S-e-a-n K-e-l-l-e-y, appearing today as a registered lobbyist on behalf of Creighton University in support of LB62. Given Creighton University's enrollment in graduate programs, Creighton feels that this would be a positive tool to have some of those graduates stay in Nebraska and continue to be important members of Nebraska's economy. Additionally, there is about 32-33 percent of undergraduates from Creighton who do attend graduate school. And if we could keep those undergrads to a graduate school here in Nebraska, hopefully they'll remain in Nebraska to stay. With that, I'd be happy to answer any questions. [LB62]

SENATOR GLOOR: Thank you, Mr. Kelley. Are there any questions? Senator Scheer. [LB62]

SENATOR SCHEER: Just one. And if you know, that's fine. Do you know what percentage of your graduates from your graduate schools do stay in the state of Nebraska currently? [LB62]

SEAN KELLEY: I did anticipate that question so I put in an inquiry, and I haven't had the answer but I'll get it to you, Senator. [LB62]

SENATOR SCHEER: Okay. Fair enough. Thank you. [LB62]

SENATOR GLOOR: All the ones we want to stay, is that a...not the right answer probably. (Laugh) Thank you, Mr. Kelley. [LB62]

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SEAN KELLEY: You bet. [LB62]

SENATOR GLOOR: Other proponents. [LB62]

WILLIAM MUELLER: (Exhibit 1) Chairman Gloor, members of the committee, my name is Bill Mueller, M-u-e-l-l-e-r. I appear here today on behalf of the Association of Independent Colleges and Universities of Nebraska. And I have a letter from Mr. Thomas O'Neill, the president of that association. Mr. O'Neill is in Washington and couldn't be here. I also appear here today on behalf of the Nebraska State Bar Association and the Nebraska Academy of Eye Physicians and Surgeons in support of LB62. It has been very interesting. As we have gone through bills with clients and we go through this bill, it is noticeable how exciting, how excited young physicians, young dentists, young lawyers are about this bill. And, Senator Scheer, in response to your question, you're right. I think it may be less expensive to live in South Dakota than it is Nebraska. But what I hear from the same orthodontia student that Mr. O'Doherty referred to, I think having something like this from someone who's already gone to school here, who's not gone to school in another state, who's come here from South Dakota, I think something like this just gives us something to offer that person even though it may be cheaper to go to another state. I think this is just something that at this point in their career makes a big difference. And I know that we have several dental students from South Dakota who do come to Nebraska. Many of them go to UNL and go to the University of Nebraska Medical Center College of Dentistry. They like it here. They like Lincoln. They like Nebraska. And something like this really will make a significant difference. And I think the same analysis goes with ophthalmology residents in Omaha who are deciding where they are going to practice. And when we looked at this bill, and nowadays I think almost every student graduates with a significant amount of debt. And a bill like this makes a difference. We would support this and we would ask that the committee advance it. Be happy to answer any questions that the committee may have. [LB62]

SENATOR GLOOR: Senator Scheer. [LB62]

SENATOR SCHEER: So you're saying that the free pen and the stack of stick-in notes is not as good as the free toaster, but at least it's something essentially. [LB62]

WILLIAM MUELLER: I think that's a very good analogy. (Laugh) [LB62]

SENATOR GLOOR: Other questions? Thank you, Mr. Mueller. [LB62]

WILLIAM MUELLER: Thank you. [LB62]



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SENATOR GLOOR: Other proponents. We'll move to opponents, although I didn't see any raised hands, but we'll ask again. Anyone in a neutral capacity? Senator Schumacher. [LB62]

SENATOR SCHUMACHER: Thank you, Senator Gloor, members of the committee. The folks that were represented today are the ones we're going to be looking for to float the boat when we have to deal with the seniors who didn't save enough or couldn't save enough, when we have to deal with the expenses that we're probably going to be taking on just by the very nature of our society and preschool education and those kind of things. I think it's a step in the right direction. There's a reasonable price tag on this bill. It is probably fairly equitably distributed because, as you've heard, most everyone comes out with a significant portion of debt. And it's a tool and it comes from the sector of the population that we don't hear from often in this committee, the younger folks, the folks that are going to be raising families, have to figure out how they can make it in what's going to be a very tough society. And to the extent we can do something at this point, not a lot because they still got to pay back the loan, but not tax them on the payback on that loan and that education and that investment in us seems to be just and reasonable. [LB62]

SENATOR GLOOR: Senator Schumacher, this probably...a comment I would make for you to respond to is, my experience along these lines has been in healthcare and that the state allocates some dollars for physicians, dentists I think, a few other professions, healthcare professions, to try and get them placed in underserved communities. But there's a case where we use state dollars in a very precise way to address a specific need in a specific area of the state. And it's, to be candid with you, a fraction of the kind of money we're talking about in your bill, which is sort of a blanket bill saying we want graduate students regardless of whether we need them or not to get this benefit. [LB62]

SENATOR SCHUMACHER: We obviously would need them if they can find a job here because the market is saying we need them, otherwise they'd leave. And it is a...you know, it'd be hard to sell, pinpoint a program to say target social workers or target psychologists or psychiatrists. And you could have so many targeted programs or we got lawyers, a shortage of lawyers particularly in rural areas. We've heard optometrists have...and ophthalmologists, particularly ophthalmologists are...they're spread very thin across the state. And you could do some targeted things and those things work. But this thing would also work. And to the extent you say, okay, we've got to do something to keep talented people in the state, skilled people in the state, this is one way to do it at a reasonable price tag. And I think really the argument is fairly compelling that the kid with wealthy ancestors can go on tax-deducted dollars and the kid who isn't so lucky has got to pay taxes on his principal or her principal. [LB62]

SENATOR GLOOR: (Exhibit 2) Other questions? Seeing none, thank you. We have a letter of support from Mary Bahney, I believe I pronounced that correctly, B-a-h-n-e-y, National

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Association of Social Workers. And that will end the hearing on LB62. And we'll move back to LB255. Senator Morfeld. [LB62]

SENATOR MORFELD: Sorry about that, Senators. Barely got down here in time. Senator Gloor, members of the Revenue Committee, my name is Adam Morfeld, that's spelled M-o-r-f-e-l-d, representing the "Fightin' 46th" Legislative District, here today to introduce LB255. And just as a quick note, Senator Chambers is not in Judiciary Committee, so bills are flying through today. (Laughter) So I'm going to have to head down right after, actually, for my next bill. Any case, my district, which comprises downtown and northeast Lincoln, faces chronic underemployment with the closing and downsizing of several major manufacturing centers over the last ten years. Further, as a young Nebraskan under the age of 30, which Senator Schumacher's bill, this is kind of teeing up after the college education, all too often I see my friends and family leaving the state not because of unemployment but because of underemployment, and not because of the lack of jobs but rather the lack of living-wage jobs. My district's median household income is currently the third lowest in the state. And as I went door to door, the need for living-wage jobs and incentives to attract living-wage industries that provide these living-wage jobs became very clear. LB255 would provide, for the first time in Nebraska, a nonrefundable income tax credit to an employer for wages paid to apprentices as a part of a qualified apprenticeship training program. The credit is equal to \$1 for each hour worked by an apprentice during the year with the tax credit being capped at the lesser of \$2,000 or 50 percent of the wages paid to the apprentice. This is a program based on Apprenticeship Carolina which in 2007 had only 90 companies...before the program was enacted in 2007, had only 90 companies with apprenticeship programs and 777 total apprentices. Today after the program was enacted, there is 670 companies in South Carolina with apprenticeships and nearly 11,000 apprentices in the skilled construction, nursing, and IT fields. Although LB255 as currently drafted is limited to the construction trades, it is actually my intention to expand this program to include other critical need areas, such as IT and healthcare. Many manufacturing companies, IT, and skilled trades requiring extensive training in a world dominated by technology, and Nebraska can become a hot spot to attract these industries and jobs to the state. As the Governor recently noted in his State of the State Address, a skilled work force is imperative for Nebraska to be competitive and a critical need for our state at the present time. Offering incentives for businesses who provide high-paying apprenticeships is a great way to ensure that Nebraska is work ready. Apprentice training programs ensure a properly trained work force which leads to better work outcomes, higher wages, and a portable career, but hopefully not too portable. We want them to stay here. Making Nebraska workers more competitive and creating a climate to attract high-paying jobs is the purpose of this legislation. I urge your favorable consideration of this bill and would be happy to answer any questions. [LB255]

SENATOR GLOOR: Thank you, Senator Morfeld. Let me see if there are any questions. Senator Smith. [LB255]

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SENATOR SMITH: Thank you, Mr. Chair. Senator Morfeld, you know you probably tipped off Senator Chambers and he'll be waiting for you when you (laughter) return to committee. [LB255]

SENATOR MORFELD: I don't know. He drives a Fit, a Honda Fit, so maybe he wasn't able to make it today. [LB255]

SENATOR SMITH: He probably has it parked over at the AG's spot, so. [LB255]

SENATOR MORFELD: I'm going to pay for that with one of my bills. [LB255]

SENATOR SMITH: All right. I do have some questions for you. [LB255]

SENATOR MORFELD: Great. [LB255]

SENATOR SMITH: On the green copy, help me to understand, this is under Section 1 in the...this is the top of page 2, where you actually defined a qualified apprenticeship training program. And I'm going to step through each of those. Can you explain like on (a) it says...so there's four conditions to define a qualified apprenticeship training program. First, that it "Is administered pursuant to 29 U.S.C. 50." What is that? [LB255]

SENATOR MORFELD: Well, it's a federal statute that creates the apprenticeship administration program. So it has to qualify under that. And that's governed by 29 CFR part 29, which is right here which I can get you a copy of, which defines what a qualified apprenticeship program is. [LB255]

SENATOR SMITH: All right. And then, you know, as far as consisting of a certain number of hours within a certain range, "Is certified in accordance with regulations adopted by the United States Bureau of Apprenticeship and Training or the successor agency of such bureau." So, again, there's probably a document somewhere where that's further laid out. [LB255]

SENATOR MORFELD: Yep. And I'd be more than happy to send that out as a follow up to the committee. [LB255]

SENATOR SMITH: And then "Is jointly administered by labor and management trustees". You know, I really like the concept of providing a tax credit to an employer that wants to invest, and I particularly like the construction side of this. I know you're wanting to expand it out further. I

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like the construction side and I like the fact that we're enticing employers to take a chance on individuals that are wanting to pursue a job in the trades and particularly that has had some amount of training and giving them a chance to further develop those skill sets. Just reading that definition I'm a little bit concerned that where this is going is that this is going to limit to union shops as opposed to opening it up for all equivalent apprenticeship programs, whether it's a union shop or a nonunion shop. Can you comment on that? [LB255]

SENATOR MORFELD: Yes. And, you know, first off, I'm not opposed to that but I do want to expand it, and I've been talking to the Chamber of Commerce. I know that they will be here testifying in support today and they're working with us on an amendment to expand that a little bit. And then to, you know, obviously work with the union folks as well and make sure that this bill makes sense for both. [LB255]

SENATOR SMITH: If you can move in that direction and expand it because regardless of whether it's union or nonunion employment, I want to see the trades further developed in our state. I think we certainly need people that are choosing to go that path with their career, so. I like the concept but I certainly would like to see it expanded. [LB255]

SENATOR MORFELD: Absolutely, Senator. And what I'll do is I'll be having an amendment drafted for the committee to consider, and we should have that within the next week or so. [LB255]

SENATOR SMITH: All right. Thank you. [LB255]

SENATOR MORFELD: Thank you, Senator. [LB255]

SENATOR GLOOR: Senator Smith kind of asked the question that I was trying to formulate, but I'll phrase mine in a different way, which is I worry that the program isn't going to be available across the state because you're going to have a congregation of people who can...employers who will do apprenticeships. It sort of fits into large enough to be unionized. I mean, I grew up in construction and most of the carpenters I knew were one- or two-person operators. And I don't know that they're equipped to nor would they qualify for an apprenticeship program. And so...but those carpenters are vital in rural parts of our state. And although I think the program has merit, I worry that it's more likely to be used in a couple of our larger metropolitan areas and not as likely to be used in a more broader sense across the state. And maybe the Chamber, if they're going to testify, could speak to that too. [LB255]

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SENATOR MORFELD: Well, Senator Gloor, you're in luck because I think some carpenters are here today. So they'll be able to clarify a little bit more how on a practical level this works for both large carpenter shops and smaller ones too. [LB255]

SENATOR GLOOR: Okay. Good. Thank you. Senator Schumacher. [LB255]

SENATOR SCHUMACHER: Thank you, Chairman. Thank you for your testimony today and introducing this bill. I'm a little bit unclear about what is an apprentice. I mean, is it...there's some cites to this federal acts, is this strictly a union situation? Is it just somebody who shows up and learns to do something on the job and this is just an indirect subsidy to the employer for wages? What is an apprentice and what would the routine look like for this person as he was employed this 1,200 hours to 6,000 hours? [LB255]

SENATOR MORFELD: Well, I'm glad that you actually asked that question, Senator, and maybe what I should have done was print off the relevant page from the federal regulations. And I'll follow up with you guys on that. I think that some of the union folks behind me and the Chamber of Commerce may be able to talk about this. I know in South Carolina, obviously the construction and trades, union and nonunion, both use this in addition to IT and nursing fields. So those fields can qualify for this. And so I'll just read very briefly. I'm not going to go into too much depth with these regulations because they're not that exciting. But the criteria for apprenticeship occupations, you know, first, it must: "Involve skills that are customarily learned in a practical way through structured, systematic program of on-the-job supervised learning; Be clearly identified and commonly recognized throughout the industry; Involve the progressive attainment of manual, mechanical, or technical skills and knowledge, which in accordance with the industry standard for the occupation, would require the completion of at least 2,000 hours of on-the-job learning to attain; and require related instruction to supplement the on-the-job learning." That's the federal standard for apprenticeship occupation. So these are skilled occupations that require at least 2,000 hours in the field to be considered certified for their field. [LB255]

SENATOR SCHUMACHER: So, I mean, we've heard a lot across the state about the need for welders. Welders, welders, welders. So is...and right now I think some of the community colleges have set up welding programs. Would this type of a program be in competition or supplement those welding programs? Would it be better than teaching welding in a sterile environment in a community college to have the guy out in the factory? [LB255]

SENATOR MORFELD: Well, I think that, and the Chamber is going to talk about this a little bit today, and this is one of the things that they brought up to me was the community college and some tie-in to this and to strengthen those programs and then also make them more attractive to

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employers. So I think that Ron with the Chamber I believe will be able to talk to you a little bit more about that. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

SENATOR MORFELD: But I agree with you. I want to find some tie-in here and make sure that this has broad statewide appeal. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

SENATOR GLOOR: Seeing no further questions, are you going to stay around to close? [LB255]

SENATOR MORFELD: I'm actually going to waive. [LB255]

SENATOR GLOOR: Okay. [LB255]

SENATOR MORFELD: Because, like I said, we're kind of flying through today, unless Ernie Chambers is watching, he's already on his way down, so. (Laughter) [LB255]

SENATOR GLOOR: Keep flying, keeping flapping. [LB255]

SENATOR MORFELD: Thank you very much, Senators. [LB255]

SENATOR GLOOR: Can I see a show of hands of proponents? Okay. Opponents? And those in a neutral capacity? Okay. [LB255]

RON SEDLACEK: (Exhibit 1) Good afternoon, Chairman Gloor and members of the Revenue Committee. For the record, my name is Ron Sedlacek, S-e-d-l-a-c-e-k, and I'm here on behalf of Nebraska Chamber of Commerce and Industry, also authorized to speak in support of the legislation on behalf of the Lincoln Chamber of Commerce. I was going to wait and maybe wrap up the proponent side of the hearing on this legislation, but since we were brought up a couple of times and there were some questions, I think I would just go ahead and come forward. But I do have for committee members our handouts from the United States Department of Labor on the apprenticeship program. And rather than bring in the regulation, which certainly could have, this is a list of frequently asked questions. And I'd like to have the committee at least take a look at those because they think they'll answer many of the...just some of the questions already raised

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here in the committee hearing. We, as the State Chamber, did not ask for the legislation to be introduced. We read it as it came across the...it was filed. Our labor relations council did meet and discuss the legislation, and this was probably something we talked about at length more than any other bill, and that was the structure of the bill and how it would work. The two main concerns we have, we're in support of the concept of the legislation, however, it is limited in the green copy to construction trades. It does address the skills gap, of course, in that area. There's jobs but there's more than just construction jobs out there and the skills are not available right now, and particularly that's in manufacturing, IT, as mentioned before, and healthcare. And certainly manufacturing and those types of jobs, welding, as you had mentioned, Senator Schumacher. When we surveyed our membership as we do on an occasional basis, but we had our major survey as to what are the obstacles that you're finding, you know, are the greatest obstacles in doing business here in Nebraska. And quite often you might hear regulations or regulatory burden or the cost of healthcare or taxation that this last year particularly and it's been getting stronger each year is the skills gap and how are we going to address that to have a work force able to perform what are now more and more technical skills? And the BAT, or the Bureau of Apprenticeship Training, on the federal level has at least given a mechanism on the federal level, and certainly you can have a state apprenticeship program. But what I'd like to highlight in these FAQs on the first page is that...and the second page as well, they talk about over a thousand different skills or apprenticeship-type programs and they just name a few of the popular ones on the national level, but it really drills down into a number of particular areas. What we...we would be supportive of the bill, enthusiastically supportive I should say, in the sense if it was expanded beyond construction. And then secondly and probably more importantly, the bill confines itself only to labor management situations and you'll note here on a couple of occasions it does repeat itself, but registered apprenticeships, sponsors do include unions, as this bill does, but also employers, community colleges, universities, work force investment boards, industry associations, and military programs. We'd like to see an expansion there, at least in particularly considering greater Nebraska, the use of community colleges. This could be in addition to or in tandem with other type of job training programs. However, we believe that there needs to be greater flexibility in the legislation so that it could be utilized by employers across the state. And I'll entertain any questions. [LB255]

SENATOR GLOOR: Thank you, Mr. Sedlacek. Questions? Senator Smith. [LB255]

SENATOR SMITH: Thank you, Mr. Chair. Mr. Sedlacek, so in the criteria of definitions of the apprenticeship training program, you would suggest in there somewhere that there would be additional language to expand this out. [LB255]

RON SEDLACEK: Yes, that's correct. And certainly registered apprenticeship programs are defined in federal regulation, and that would be easy to lift that language in place in this bill, and certainly would be happy to work with Senator Morfeld, his staff, and this committee and

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committee counsel in trying to devise a different approach, a broader approach to the program if that's the committee's desire. As I mentioned on page 2 of that handout, that last little starred section gives a little bit more detail as to who are eligible in this public-private partnership, so to speak, for these registered programs. [LB255]

SENATOR SMITH: Okay. Thank you. [LB255]

SENATOR GLOOR: Other questions? Seeing none, thank you for your testimony. [LB255]

RON SEDLACEK: Thank you, Senators. [LB255]

SENATOR GLOOR: Other proponents. And if you are going to speak, yeah, I'd ask you to move down front. It'll save a little ushering time. Good afternoon. [LB255]

KEVIN HILTON: Good afternoon. Thank you, Senator Gloor and committee. My name is Kevin Hilton, that's K-e-v-i-n H-i-l-t-o-n, and I'm representing the joint apprentice and training center of the United Brotherhood of Carpenters, and we are here to speak in favor of this bill. And I think that this is...apprenticeship talk is really good talk. This is encouraging because I believe that the state of the country and as well as Nebraska, we are facing challenges when it comes to skilled work force development. And becoming a little bit broader in how we tackle that challenge I think includes different strategies, one of which is an apprenticeship program which is a tried-and-true method. It's not a new idea. It's a very old idea, and I think it's probably been kept too much of a secret in its success. We are very committed to our apprenticeship program and we are in cooperation with our contractors in that commitment to the tune of 55 cents an hour that we put towards our apprenticeship program, completely, privately funded, not just for availability of that training for our current carpenters, but for carpenters that come up behind us. So that opportunity would then be afforded to them with no tuition, no cost to them. We're also committed to making certain that we provide for the most state-of-the-art facility. In fact, we're moving our facility here in Nebraska from Omaha to Papillion. I believe it's in Senator Smith's area, in your district, and we're happy to move there. We're looking forward to that new facility and the opportunities that it is going to afford many more apprentices to come. We're also committed to making certain that carpenters are trained up in the best way that they can be with all the skill sets that they need to be able to compete in a very competitive bid market. We go far beyond just the simple skills of bricks and mortar. We offer professionalism courses as well as productivity. We make certain that they are provided the best and most qualified instructors and the best class time. But the other side that is so important to a successful apprenticeship program is employment. And that's what makes apprenticeship programs so unique, is that it allows for an individual to learn and earn at the same time. An apprentice that comes into our program will start off as a first level apprentice at \$14.51 an hour, have the opportunity to graduate that



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apprenticeship program at \$24 an hour. But in that course, they will go through a four-year program of class time and also working on the job, that they will be covered by healthcare and that they will be able to begin their pension. So you can see how that will help a working family that's looking to develop skill trade and be able to have a portable, certified skill set that they can take wherever they want to go nationally. And that then begins to speaking to some of the definitions that I think are included in this bill that are in no way meant to be exclusive. In fact, union and nonunion alike I think fall...very successful apprenticeship programs fall under these definitions. The ABC conducts a very good apprenticeship program, a nonunion apprenticeship program, under the same definitions. And I think it just allows for a specific definition to that method of training. We're not opposed to broadening that. I think that we were somewhat exclusive in the definition to making certain that it was construction to just identify possible challenges in the fiscal note making certain that it wouldn't overreach in the cost of what this would provide. But if the interest is there, we're definitely in support of broadening it because I think our interest is in work force development when it comes to this bill. I think there is a definite need for this. Contractors...the commitment to apprenticeships come at a cost and we want to make sure that the incentive is there for contractors and employers to continue and to grow this opportunity for others to come. I think that there has been a loss of skilled journey people in construction through the recession coming out of that. We're filling those jobs with journey people. And so there's a drop in productivity when a contractor, an employer, hires an apprentice. But they're investing in the future of that apprentice to be able to provide for productivity and making certain that they can outperform those who wouldn't otherwise get that training. But to give them an incentive as the state I think would be a crucial part of providing this kind of method for skilled work force development. [LB255]

SENATOR GLOOR: Okay. Mr. Hilton, you heard my question about the likelihood that this is a program that would be utilized in Broken Bow or... [LB255]

KEVIN HILTON: Sure. [LB255]

SENATOR GLOOR: ...take any rural community in the state that has the same needs maybe, and not the same demand but certainly the same needs in a relative sense. Could they take advantage of these programs? [LB255]

KEVIN HILTON: Well, I can't speak to all apprenticeship programs. I know that our apprenticeship program for carpentry is available to any contractor that wants to come into that program to participate in that program, and is then able to put their employees through the program just like anyone else. We have small contractors and large contractors. I think that that commitment then would come from the employer to make certain that they're participating in the program and that they're bringing about an apprentice through that program. I've worked in some

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residential union and non...well, I should say nonunion, excuse me, where there wasn't the same kind of commitment to that training, but it's definitely afforded to them. The apprenticeship program or apprenticeship method, I should say, something that's very old, and so traditionally carpentry was brought through an apprentice program or where you entered as an apprentice, even if you were working with just one journey person or a master carpenter. That was all of maybe one or two people that you would worked with. So it's absolutely grounded in that history. It doesn't matter how large the contractor is if they're willing to commit to that kind of training. [LB255]

SENATOR GLOOR: I'm just struggling with as relates to this bill and large areas of our state that given the \$11.5 million we're talking about, would we at least for large portions of our state be better off funding the community colleges to a greater degree to address those specific areas to build those numbers a little better for parts of the state that also need them? But that's just one of the things that I'm trying to decide when you look at the overall expense associated with the program as proposed. [LB255]

KEVIN HILTON: Sure. Well, I think that one isn't exclusive to the other, but I think that they may need different methods or legislation or funding to accomplish both. And I don't think that makes one better or worse than the other. I think that just as you said, Senator, the accessibility and how they specifically tackle the challenge of skilled work force development is what's important. This one is specific to the apprenticeship type of...whether it's IT or whether it's carpentry where it fits I think it works the best. [LB255]

SENATOR GLOOR: Okay. Other questions? Seeing none, thank you for your testimony. [LB255]

KEVIN HILTON: Great. Thank you. Appreciate it. [LB255]

SENATOR GLOOR: (Exhibits 2-4) And Mr. Hilton handed out a couple of letters from J.P. Mertlik with D.R. Anderson Constructors and Pat Logelin from E&K of Omaha, Incorporated. We also have a letter of support from Jean Petsch with the Nebraska Building Chapter of the Associated General Contractors of America. All those are proponents. Thank you. Good afternoon. [LB255]

MICHAEL LaPLANTE: Good afternoon, Senator Gloor. My name is Michael LaPlante, and I'm a third-year apprentice with the IBEW 265 here in Lincoln, Nebraska. I'm basically... [LB255]

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SENATOR GLOOR: Michael, you've got a great first name but I need you to spell the second one. [LB255]

MICHAEL LaPLANTE: Thank you, M-i-c-h-a-e-l L-a-P-l-a-n-t-e. I'm going to tell you a little bit about myself, and I basically made the decision about whether I should attend a community college or go through the apprenticeship program here with the IBEW here in Lincoln about three years ago, and the thing I found in doing some research is that through the apprenticeship program I will get on-the-hands training while I learn. I am out there working 40 hours a week, sometimes more if I get some overtime, and do you know I'm out there working next to the journeyman learning the skills that I'm going to use for the rest of my life. And you can't get that in a community college from, you know, what I was researching. You get a little taste of it. You get some of the theory, but there's actually, you know, using the screwdriver, using the drills, using the hammers. And those are the things you can't learn at the community college and get the repetition. So I feel that, you know, the apprenticeship program itself has an independent advantage over that. But, further, I'm a husband. I have a wife. We have an acreage west of Lincoln. We have two kids, and this would be a great bill. This would help us tremendously. It's, you know, turning a job into a career for me. It's allowing me access to a pension. It's allowing me access to healthcare and a great living wage at the end of the day once I finish the apprenticeship. It's a skill that I can use throughout my life. It's not just something I'm going to do for three or four years, move on and start all over again at the bottom. To answer a question you had, Senator Gloor, if I may, the NJACT is currently seeking to expand out into the Panhandle area of Nebraska as well as the tricity area. So there is use for this. You know, we're growing out west and, you know, we need more guys to go to work and more women too. So if you're looking for a job. But... [LB255]

SENATOR GLOOR: Good cover. [LB255]

MICHAEL LaPLANTE: (Laugh) But that's really all to say. This is, you know, a wonderful, you know, advantage for me and my family and it's been tremendous in what it's done in teaching me a skill that I can use. [LB255]

SENATOR GLOOR: I apologize. I don't remember hearing what you're an apprentice for. [LB255]

MICHAEL LaPLANTE: I'm an electrician apprentice. [LB255]

SENATOR GLOOR: Electrician. Okay. Well, you had my admiration when it gets to below zero and you're working around either outdoors in an unheated house. I think I lost a pair of shoelaces trying to keep my feet warm next to a kerosene heater many years ago. That's... [LB255]

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MICHAEL LaPLANTE: You're just lucky that's all you lost. [LB255]

SENATOR GLOOR: Exactly. All my fingers. Senator Sullivan. [LB255]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. Can you tell me how long you have been in the...maybe I missed this, how long you've been in the apprentice program and how much longer it will last? [LB255]

MICHAEL LaPLANTE: It is a five-year program. I'm currently in the third year. [LB255]

SENATOR SULLIVAN: Okay. And then will you segue into permanent employment in this business when you're done? [LB255]

MICHAEL LaPLANTE: That is my intention, yes. [LB255]

SENATOR SULLIVAN: Okay. Thank you. [LB255]

SENATOR GLOOR: Other questions? Senator Schumacher. [LB255]

SENATOR SCHUMACHER: Thank you, Chairman Gloor. Thank you for your testimony. I drive back and forth to Columbus which is about 80 minutes of time to think, and the other probably, oh, near the beginning of the session when we were talking about how do we train a work force, I thought to myself, you know, the unions had this problem solved a long time ago with their apprenticeship programs. And, of course, Nebraska is not a heavily unionized state, so that tool may not be as available and may not be as popular in political circles. How would you see this working in the absence of a union environment? [LB255]

MICHAEL LaPLANTE: In the absence of a union environment? [LB255]

SENATOR SCHUMACHER: Right. I mean, is then it just a business subsidy to...I mean, am I wrong in thinking the unions actually have a education program and a... [LB255]

MICHAEL LaPLANTE: No, you're absolutely correct. We have a...you know, they lay out what we're learning. Like we have a voice as a labor like and that the management, we work together to set the criteria, and then, you know, it's set for us. The international board I believe sets it and then in the absence of it, there's other ways you can set it up. I mean, you could set it up however

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you want as long as you follow the rules I imagine. I'm not very well versed in that aspect.  
[LB255]

SENATOR SCHUMACHER: Well, I mean, let's say as is the case in most areas of the state, the unions are very weak and are not very developed. How does it work in a business that...how would you see it working in a business that does not have a union? [LB255]

MICHAEL LaPLANTE: That does not have a union? Well, I guess you'd have to take a look at the definitions of, you know, how the federal act set forward for the definitions of the apprenticeship and try and go by that as best you can. I mean, I'd...I don't have a good answer for you there and I apologize. I mean... [LB255]

SENATOR SCHUMACHER: But I guess and I want to make sure that I understood correctly, the unions have got a program so that they take in basically young people and turn out highly skilled people in a particular trade or profession. [LB255]

MICHAEL LaPLANTE: Well, I'm going to stop you there because not all of them are young. We (laughter) do have an apprentice, I think he's well over 40, maybe closer to 50. But, anyway, it's not just unions that have apprenticeship programs. There's, you know, other shops have apprentice programs as well. So it's not unique to the unions. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

SENATOR GLOOR: Thank you. Thanks for your...any other questions? Fifty is young to me, by the way. (Laughter) It's all relative. Nice job. Thank you. Afternoon. [LB255]

MARSHA BABCOCK: Good afternoon, Chairman Gloor, members of the committee. My name is Marsha Babcock, M-a-r-s-h-a B-a-b-c-o-c-k. I'm the executive vice president for the Mechanical Contractors Association of Omaha. And today I'm here testifying on behalf of those contractors as well as the contractors that are with the National Electrical Contractors Association. Together, those groups represent about 125-plus employers, and, currently, we have 504 apprentices that are working in the plumbing, steam fitting, sheet metal, and electrical business. All of these employers do hire union labor. So we fully comply with all other requirements that are currently in the bill. Our funds are held in trust; it's employer-employee funded. The amount is negotiated depending on what the curriculum needs are and how much money is needed to support those programs. So that amount varies. For example, in our steam fitting program, there's a 90 cent per hour contribution that goes into that program to support that program. In our plumbing program right now, we have 60 cents an hour. So that's what supports

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that program. I think you heard 55 cents an hour from the carpenters, so it just depends on the scope of the program, how many people you have in it, and what is needed to support that program. And in supporting it, you're supporting facilities, training facilities. You're also supporting instructors and you're supporting materials and the kinds of equipment that's needed in order to give all of those apprentices the hands-on experience that they need in the classroom. Correspondingly, all of those apprentices work full time for an employer. The challenge that we have as employers is, as was earlier mentioned, when you get a first- or a second-year apprentice, they usually don't know very much. And so there's quite a bit of an expense. It's actually a first year in particular we consider it a scholarship because they don't have enough skills yet to be all that productive on the job site. Second year a little bit more, but really by the time they get to be a third-, fourth-, and fifth-year apprentice, we actually see a lot more of the payoff for the investment. We estimate that by the time an apprentice completes one of our programs through a five-year program, we have about a \$41,000 investment in their education. All the while, again, they're working full time. This bill would be immensely helpful in providing an offset for employers, again, especially in that first and second year. The problem that we're having is because it is such an expense, we have employers that are reluctant to take a first- and second-year apprentice. When they have a job where they need some apprentices on the job site, they'll call into the halls and they'll ask for a third, a fourth, a fifth, because obviously they're going to get more productivity out of that apprentice. So the challenge is really first and second year. I want to kind of address the fiscal note. It's my understanding that this was based on about 5,500 participants, and there just can't be anywhere near that, especially the way that it's written right now. We have, as I mentioned, 504 apprentices in the program, and we employ the largest number of tradespeople in the programs that I mentioned, the plumbing, the steam fitting, and the sheet metal, and the electrical. So I would be surprised if there are many more than a thousand people who are currently, you know, currently working in programs that right now would comply with this definition. So, you know, I think that the fiscal note is a little bit misleading. I understand that there are people who want to expand this and obviously we're not opposed to that. I've talked with our counterparts at ABC and we both agreed that as long as the program was an approved training program and we'd like to see the funds held in trust, but whether or not that trust is managed by labor and management together is really of no concern to us. Obviously we would comply with that provision, but we're not opposed to having that particular part of the provision eliminated. Senator Schumacher, you mentioned, what about the individual employer maybe out there. Single employers can develop an approved program and offer it to their employees. So they can do that. The problem is the facilities and the cost of having your own program, it can be significant, which is why you'll see some larger employers doing that but the smaller employers have a lot more difficulty. As far as expanding it out into the west, again, it's a facilities issue. I think that the IBEW does have a training center in Columbus. I think they've currently got 12 apprentices in that program right now. And I know that there are unions that are wanting to expand into other parts of the state. The problem is finding employment for them. There's some residential, there are some projects. If you stay on

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the I-80 corridor, you know, you have quite a bit of employment there. If you go much off of the corridor, it seems to be more economically feasible for people to travel out to those places for specific projects. [LB255]

SENATOR GLOOR: Thank you. You know, fiscal notes are built around what we think or what we would like to have happen if the program is successful. So if the number is 55 and we've got 1,000, do we think 5,500 is in the realm of possibility of what we may need or what we could hit with a successful program? [LB255]

MARSHA BABCOCK: In the skilled trades I would say that that would be very optimistic. [LB255]

SENATOR GLOOR: Okay. [LB255]

MARSHA BABCOCK: If you want...if the plan...if Senator Morfeld's plan is to expand it to healthcare and some of the other... [LB255]

SENATOR GLOOR: Yes, it is. [LB255]

MARSHA BABCOCK: ...that may be achievable. But the way that it's written right now, yeah, there's no way. [LB255]

SENATOR GLOOR: Okay. I mean, in the here and now 1,000 would be a number we would be working with today. [LB255]

MARSHA BABCOCK: Right. Today. [LB255]

SENATOR GLOOR: Okay. Other questions? Senator Sullivan. [LB255]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. And this is sort of to go along the lines of talking about how this might be expanded to smaller operations. What role would the community college play in this? Do you know? I don't see anybody here to testify for the community colleges, so I'm just curious if they could play a role in helping develop apprenticeship programs in concert with a local construction firm? [LB255]

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MARSHA BABCOCK: The community colleges do currently have programs. I can't speak to Southeast, maybe Bruce can. Metro does have an approved program for certain trades. Okay. This subsidy would go to the employer. [LB255]

SENATOR SULLIVAN: Right. [LB255]

MARSHA BABCOCK: And I think that, you know, Michael mentioned that that's one of the issues is a lot of times those classes are daytime so they'd go for two years. They have...and then they have to start to get the work experience that they need in order to complete the program. So I don't know that the community college, I mean, obviously it works with employers, but it begins that work with the employers more toward the end of that two-year program. With our programs, our apprentices can also get an associate's degree from Metro. I believe there's 97 credit hours that are required for an associate's degree in one of the trades. And over two-thirds of those credits can come from graduating from our four- or five-year programs. And then a person would need to, you know, take some of the basic writing and some of the other courses that aren't offered through an apprenticeship program in order to get their associate's degree. But there are those cooperative arrangements already with Metro for that purpose. [LB255]

SENATOR SULLIVAN: Thank you. [LB255]

SENATOR GLOOR: Senator Schumacher. [LB255]

SENATOR SCHUMACHER: Thank you, Chairman Gloor. Thank you for your testimony. Now as I understand it, you kind of represent the management side of the equation... [LB255]

MARSHA BABCOCK: Yes. [LB255]

SENATOR SCHUMACHER: ...in...and those employers that you represent basically use union help. [LB255]

MARSHA BABCOCK: Yes. They employ union labor. [LB255]

SENATOR SCHUMACHER: Okay. And the unions have got the longstanding, goes back to the Middle Ages or whatever, program of apprenticeships and journeymen and masters and whatever else is along that line. [LB255]

MARSHA BABCOCK: Right. [LB255]



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SENATOR SCHUMACHER: And as employers, have you found that that works? Do you get educated, skilled labor out of that type of arrangement? [LB255]

MARSHA BABCOCK: Absolutely, absolutely. [LB255]

SENATOR SCHUMACHER: And you're satisfied with that? [LB255]

MARSHA BABCOCK: Well, you know, it depends on the day, but. (Laughter) [LB255]

SENATOR SCHUMACHER: But...yeah, that's dependent on all of our days. [LB255]

MARSHA BABCOCK: But yes, yes, and that is why the businesses that I represent choose to employ labor craftsmen, and a lot of that is because of the type of work that they do, honestly. The contractors that I represent do some residential work but not much. It's mostly the commercial, the institutional, the industrial kind of work that we do that demands a much higher level of skill than even what the community college can provide. I think the community colleges do a very good job when you're talking about maybe some residential crafts people who also have to have, you know, skills very much so. But if we take a student who's completed a two-year program with Metro, most of our programs will put them into our program as a second-year apprentice because we feel like they have that much more that they need to develop in order to be able to work on the projects that we do. [LB255]

SENATOR SCHUMACHER: What I'm struggling with is how does this work in the absence of a union environment? How does this subsidy become anything other than just a wage subsidy? I mean, it almost seems to me that the union environment is almost critical to making something like this work. [LB255]

MARSHA BABCOCK: Well, certainly it would be beneficial to our industry. And, again, that's why we choose...make that business choice to work with skilled labor. It works for us. It's been our way of surviving. It's been our way of getting the level of skill that we need in order to do the kind of work that we do. There are other programs. I mean, ABC does have a program that's approved. It's not a union program. Those employers could qualify for this subsidy if that labor management part of the bill were taken out, if that were removed, because their funds through which they fund their program are held in trust and they do have an approved program. There aren't very many of those out there. You know, that's one of the ones that there are. [LB255]

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SENATOR SCHUMACHER: If you know, and I may be just fishing here, do states with a weak union system have a greater problem with skilled labor shortages than those with a developed union system? [LB255]

MARSHA BABCOCK: You're probably asking for a subjective opinion here. (Laugh) [LB255]

SENATOR SCHUMACHER: I'm struggling with this thing because I genuinely think this is a good idea but I know that we live in a state that is not very pro-union and how do you make it work if you're... [LB255]

MARSHA BABCOCK: We are more than aware of that, Senator. You're right. I continue to have to talk to my business colleagues and the chamber about the fact that we're a small business that is not unlike any other small business in Nebraska. We just happen to make a business choice to employ union labor. So I suppose it depends on...you know, another thing that drives our programs are what's required by our jurisdictions. You know, for example, when you graduate from one of these programs, you don't just automatically go out and practice your trade. In many of our jurisdictions, you have to be licensed, and so there is a prerequisite there you have to have so many hours of classroom time. You also have to be able to demonstrate so many hours of on-the-job training before you can even sit for a licensing exam. Then you sit for the exam and if you're fortunate enough to pass, then you have your license that you can go out and use throughout the state. Not all of the trades are licensed. All of the trades I represent are licensed, but not all of them are required to be. So, you know, to the extent that...which may also address some of the problem in western Nebraska. They may not have those requirements like Omaha or Lincoln or Bellevue and Kearney and some of the other jurisdictions would have higher requirements before you can practice your trade there. And that may be, you know, why Florida is nonunion. Maybe they don't have the same standards or the same requirements. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

SENATOR GLOOR: Thank you, Ms. Babcock. Appreciate it. [LB255]

MARSHA BABCOCK: Yeah. Thank you. [LB255]

SENATOR GLOOR: Other proponents. [LB255]

CHRIS CALLIHAN: Good afternoon, Senator Gloor and committee members. My name is Chris Callihan. I am business rep with IBEW Local 265 here in Lincoln. That's C-h-r-i-s C-a-l-l-i-h-a-n. I kind of wanted to just come up and just kind of maybe talk some points with some of

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the questions that have come up. I've been a member with 265 for ten years now. Originally from Grand Island, Nebraska. I moved to Lincoln for these opportunities that were available in Lincoln, like the training program and apprenticeship program. From a local standpoint and a contractor's, the greater Nebraska and central Nebraska area is kind of a challenging area. It's both a challenge of skilled work force and work development itself. So with all the economic development that's been going on in Nebraska statewide, it's created a good spark. I can say that my local and its members and our contractors are looking at that exactly. Currently right now, we have our training program here in Lincoln obviously, but we are looking at one in the tricity area and in the Panhandle area. And the way it's heading right now, we will have probably the biggest class we've had in Lincoln for the first year walking in for the Inside Program, let alone in Lincoln, but we will also have new first-year apprentices starting up in those two locations too. Some of the hardest parts for that, for developmentwise obviously comes down to location. They were right in the previous testimony of facilities locations to have these classes at night can be hard. Working through the local community colleges, what we've been trying to team up and do, has been our best avenue and toward the direction we are having...or heading. So that answers hopefully some of your questions and concerns. It's a great partnership. Right now currently, the Inside Program is accredited with SCC Milford. So our apprentices, too, like myself once you turn out of the program, I think you take two, an English class, a couple of classes, and you got your associate's degree bought and paid for. We're looking for that same type of thing to maybe duplicate it out in those outlying areas. The opportunity is good out there. Unfortunately, I think from the union's side and I think even from an industry side we didn't do a very good job or due diligence of making sure we're marketing ourselves for the last two decades. It was go to college, become an attorney, doctor, therefore, trades were never really pushed. And, I mean, you sell out of the technical side of the high schools go away. I mean, I can still remember taking drafting classes and welding classes and wood classes. We have got to get back on the horse and start getting it back out there, and this is part of the process. I think you do a good job with this bill of encouraging these high school students and older--I got in the program when I was 31--to take a look at the trades. They're a good career and that's the difference between an apprenticeship program and not having one is it's a career. You actually get taught a trade that you can actually sustain and do for a lifetime and retire and enjoy that livelihood. The IBEW has spent, I know in I think 2013, nationwide we spent \$24 million alone just on JATC. And the nice thing about that, too, as a development is it's not always just for the apprenticeship or apprentices too. As a journey wireman, it's my continuing ed that I'm required to have to maintain my license that I have in my pocket. It's also the continuing ed for the contractors themselves, too, because they have to do it too. It's also access to safety programs, NFPA 70E, OSHA 10, anything else, MSHA, that might be needed by the contractor for a certain customer that they are doing work for. So I just want to make sure that you guys knew that some of us are definitely heading that direction, and we see the need. Statewide right now from what I can tell within the IBEW, (laugh) manpower, skilled manpower, is in very high demand. There's probably not very many states or communities that don't need electricians and pipefitters and plumbers and HVAC guys. I

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mean, they're out there. But we got to develop the next generation at the same time, so. But that's the biggest thing I wanted to address. If you have any other questions, I'd love to answer them if I can, so. [LB255]

SENATOR GLOOR: Are there questions for Mr. Callihan? Senator Sullivan. [LB255]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. So how are you building interest among high school students in these trades? [LB255]

CHRIS CALLIHAN: Career fairs. We recently sent out, and I hope I get this right, we sent out brochures and pamphlets about our program and its benefits to every high school in the state of Nebraska. I...between...we have an internal JATC director that his job is just purely to handle the apprentices, their training program, my continuing ed, and the outreach, so to speak, and development. We're attending career fairs statewide and it's broadening. Again, in the last 10-20 years, we kind of fell into the same rut. We kind of kept within our inner circle, you know, probably within a small radius of around Lincoln. It was our bubble, so to speak. Now is the opportunity to reach out to these kids and develop it. The opportunity is there for both as a local and as an industry and as a private investment for these companies to develop and broaden and grow. The opportunity is there to try and draw this work force in, show them the benefits of this as a career in the construction industry or manufacturing. And I know manufacturers are also looking for electricians and maintenance guys and opportunities there. [LB255]

SENATOR SULLIVAN: So then as far as extending this concept out to greater Nebraska, are you looking at, you develop maybe a relationship with a firm and maybe a community college. But as far as the student then, are you advocating for them to develop a local out there or membership in your local here? [LB255]

CHRIS CALLIHAN: Initially right now, it's probably going to be local...it's going to be members of our local. I think an overall goal would be to hopefully get it to that point. You could go back to probably the '70s and maybe even part of the '80s, the IBEW had over a dozen locals throughout the state. We have a local actually current in Lyons right now that's railroad electricians, but we had locals in Scottsbluff, Alliance, Hastings, Grand Island, Kearney, O'Neill, North Platte. I mean, there are different classifications of representation, but they were everywhere and, you know, I think that it wouldn't be a bad thing to get close back to that again. I mean, that's...it's a good thing. We've got to develop this work force and give these kids opportunities. [LB255]

SENATOR SULLIVAN: Thank you. [LB255]

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SENATOR GLOOR: Other questions? Seeing none, thank you. [LB255]

CHRIS CALLIHAN: Thank you. [LB255]

SENATOR GLOOR: Do you still have family in Grand Island? [LB255]

CHRIS CALLIHAN: Oh, yeah. A lot of them. [LB255]

SENATOR GLOOR: I think you and I have been at the same wedding, so. (Laughter) You were doing the Macarena as I recall. Good afternoon. [LB255]

JAMES WAUGH: (Exhibit 5) Good afternoon, Senator Gloor, committee members. My name is James Waugh, J-a-m-e-s W-a-u-g-h. I'm currently the president of the Omaha Southwest Iowa Building Trades Council and business manager for the Sheet Metal Workers Union in Omaha, Nebraska. I am here as a proponent for this. Some of the things I guess I'll touch on, everybody has hit about every point that's out there, welding programs was brought up with the community colleges. They do teach some very good welding programs, but they're very specific on what they do. I guess they're maybe not specific, but specific on the types of welding. It's a very broad overview. Most of our trades have very specific parts of the welding to be extremely proficient. The steam fitters, it's all about pipe welding and being able to pass all the American Welding Society tests. Sheet metal workers, we get into a lot of light gauge welding, a lot of stainless steel work with kitchen equipment and everything. So you got to be able to polish it out and go that way so it looks good when it's done. Plumbers have their welding. The electricians do some welding. So within all of our programs, you know, we get extremely specific. We like the kids that go through the Metro Community College and those programs because it is a leg up. It makes things a little bit easier for them. It helps them get into programs like this. And there, again, like they were talking about, they go to school every day and there's no hands on as far as on-the-job training. There's...you know, it's easy to get in a booth and go weld continually. The conditions are always perfect. It's heated in the wintertime; it's cool in the summer. You know what it's like out on the job site. Today, would be a tough day to go weld outside. With that being said, some of the other things, the Bureau of Apprenticeship and Training is part of the Department of Labor. That name has changed. It's...the acronym is OTEGLs right now. But they control the standards. They oversee every one of our programs that's registered--union, nonunion--within the state of Nebraska. I just talked to the state director for the Bureau of Apprenticeship, there's 88 total programs with apprenticeship in the state of Nebraska serving over 700 apprentices. So that...but that's everything. That's just not construction. So, and I'll check on some of those numbers to make sure. But out of that, the building trades as far as construction goes, we probably only 20 percent of those programs, maybe 25 percent. So, you know, when they're talking about expanding this, that's a good thing. Let's see, what else. I don't

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have much else. I do have a letter from the president of the Lincoln Building Trades, and your gentleman is not here at this point in time. [LB255]

SENATOR GLOOR: He'll be back. [LB255]

JAMES WAUGH: Yeah, we'll get it passed out. It's not a problem. [LB255]

SENATOR GLOOR: We'll make sure that it gets passed out. [LB255]

JAMES WAUGH: So with that, I'll take any questions. I've been involved in apprenticeship program for the last 20 years, so. [LB255]

SENATOR GLOOR: Okay. Thank you, Mr. Waugh. Questions? Senator Schumacher. [LB255]

JAMES WAUGH: Yes, sir. [LB255]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. I'll ask you the question that's been bothering me as I look... [LB255]

JAMES WAUGH: Sure. [LB255]

SENATOR SCHUMACHER: How would this type of apprenticeship program be implemented or work in a nonunion environment? [LB255]

JAMES WAUGH: There are actually some apprenticeship programs within the nonunion even in the Omaha, Nebraska, area. I know Standard Heating and Air has their own apprenticeship-approved program. So I know it's out there. Some of them actually do work with the community colleges. They use part of the community college's curriculum as part of the training. So within their standards they're going to state that we're going to send them to Metro for X number of hours of classes or specific classes and that would be part of it. And then whatever else they want to do to complete everything. So there's a lot of things out there. Like I said, the Department of Labor would...they have to review what they want to train on and how they want to set it up. They have to have it all laid out, and then that state director will have to approve it so they have to abide by what they've already set up. So any nonunion or anybody can set up their own. It doesn't have to be union, believe me. Is it easier? On some respects, yes; but other respects, it's been done out there. And... [LB255]

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SENATOR SCHUMACHER: It seems like it might be if you were just doing it on your own business basis, it's a lot of overhead to take on. [LB255]

JAMES WAUGH: Yes, it is. It is a lot of overhead. Well, and it's been mentioned with the cost per hour. When you think about it, even ours is 65 cents an hour. It's 65 cents an hour for every journeyman and every apprentice working right now coming in, you know, to fund our apprenticeship program. [LB255]

SENATOR SCHUMACHER: And where's that money coming from, the 65 cents an hour? [LB255]

JAMES WAUGH: It's negotiated in our collective bargaining agreement. We set that number when our contracts come due. [LB255]

SENATOR SCHUMACHER: So the employer basically is part of the... [LB255]

JAMES WAUGH: Correct. [LB255]

SENATOR SCHUMACHER: ...collective bargaining, agrees to throw so much into the till. [LB255]

JAMES WAUGH: Yes. Or it might be part of that we'll take as a membership, and whatever raise we're going to get we may turn around and put more money towards training if we decide that that's what we need to do. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

JAMES WAUGH: So it could come out of the pocket from one or the other. It is a joint trust. [LB255]

SENATOR SCHUMACHER: Thank you. [LB255]

JAMES WAUGH: Okay. [LB255]

SENATOR GLOOR: Senator Smith. [LB255]

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JAMES WAUGH: Yes, sir. [LB255]

SENATOR SMITH: Thank you, Mr. Chair. And, Mr. Waugh, kind of rounding out Senator Schumacher's questions, so if a person that is not currently employed wanting to pursue a trade wants to gain entry into an apprenticeship program, what does that look like? [LB255]

JAMES WAUGH: All of our apprenticeship programs take applications the way we do it. Some are once a year, some are open multiple times or year-round. It's an open application. We usually do a selection process once a year and then we start our classes in August, somewhere right in there. [LB255]

SENATOR SMITH: Now that employee is not...if that apprentice applicant that you select is not currently employed with a member company, then they have to pay something. [LB255]

JAMES WAUGH: We put them to work with one of our companies. [LB255]

SENATOR SMITH: Okay. So there has to be a connection there right out of the gate. [LB255]

JAMES WAUGH: Yes, yes. [LB255]

SENATOR SMITH: All right. So even at the very starting point in the apprenticeship program, they're matched up with a member and then that member is paying their own way basically. [LB255]

JAMES WAUGH: Yeah, yes. That contractor is contributing for every hour that they work. Yes. [LB255]

SENATOR SMITH: Okay. All right. Thank you. [LB255]

JAMES WAUGH: Any other questions? [LB255]

SENATOR SCHUMACHER: There's no other questions... [LB255]

JAMES WAUGH: Oh, yes. [LB255]

SENATOR SCHUMACHER: Senator Brasch. [LB255]



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SENATOR BRASCH: Thank you, Senator. [LB255]

JAMES WAUGH: Ah, my district. [LB255]

SENATOR BRASCH: Is that so? [LB255]

JAMES WAUGH: Yes. [LB255]

SENATOR BRASCH: Good. When you said with my companies, is that your companies within the union? [LB255]

JAMES WAUGH: Yes. The signatory contractors with the union, yes. [LB255]

SENATOR BRASCH: Okay. Very good. And what I'm thinking over here is when we talk about education and a move towards having "vo-tech" within our high schools and say you have a 17-, 18-year-old man or woman who wants to be a welder and there's companies that are willing to have these students come in out of the school into a company. [LB255]

JAMES WAUGH: Right. [LB255]

SENATOR BRASCH: That's totally outside the realm of unions. That's just a private agreement between the school and a business? [LB255]

JAMES WAUGH: Yes, some of that is. We've done some stuff over the last few years with Omaha Public Schools, their career academy. They have a program there that they oversee. It's signed off on. Really you have to be 18 years old to be in the construction trade, period. Government states that. But they're able to do an internship over the summer with...between junior and senior (years of) high (school), and those kids can go out on the job and work. You know, there's guidelines, but they can go do anything that we want them to do for that three or four months, and that kind of gets them a taste of the trades. So that's an opening. Yeah, we'd love to find more people to come and apply. Most of them go to college. [LB255]

SENATOR BRASCH: And this is outside of that apprenticeship program. [LB255]

JAMES WAUGH: Yes, that's outside of the apprenticeship. [LB255]

SENATOR BRASCH: So it's an exception to... [LB255]

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JAMES WAUGH: Yes. [LB255]

SENATOR BRASCH: And they're considered interns and not apprentices. [LB255]

JAMES WAUGH: Yeah, interns, pre-apprentice type thing. Yeah. It's the entry level, the foot in the door is what it is. [LB255]

SENATOR BRASCH: Well, welcome from our district, and thank you for your testimony. I don't have any other questions. [LB255]

JAMES WAUGH: Okay. [LB255]

SENATOR SCHUMACHER: Anyone else have any further questions? Thank you very much for your testimony. [LB255]

JAMES WAUGH: You bet. Any time. [LB255]

SENATOR SCHUMACHER: More proponents on LB255. [LB255]

VANNA THORNE: Hi. My name is Vanna Thorne, V-a-n-n-a T-h-o-r-n-e. I'm here to represent the United Brotherhood of Carpenters. I'm from Local 1306. I would like to tell you a little bit of my story. In 2011, I left my home on the Omaha Indian Reservation in Walthill, Nebraska, to attend the Job Corps program in Chadron, Nebraska. I originally wanted to be a mechanic. When I got to the site of the Corps, work was not offered. Through a section process, I experienced carpentry. I knew this is what I wanted to do. After completing Job Corps in 2013, I moved to Omaha, Nebraska. I worked as a trades person for a construction temp agency. I worked for a month and a half. Without the proper training I wasn't employable, and with that, I was laid off twice and not dispatched to any more jobs. It did not seem like this work environment was going to be good for me, for my future. I received a call from Chris Merk with the carpenters apprenticeship in Omaha. He had been working on placement of community workers and had a conversation with my instructor from Job Corps. He offered me a job with a contractor doing work in a local mall. I enrolled in apprenticeship and have received additional training which makes me more employable. I have been working for a year now, looking forward to completing my apprenticeship and becoming a journey person. Without these opportunities I can honestly say I don't know where I would be. [LB255]

SENATOR SCHUMACHER: Any questions? Senator Sullivan. [LB255]

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SENATOR SULLIVAN: Thank you for your testimony and good luck to you. Now you said you're in the apprenticeship program right now. [LB255]

VANNA THORNE: Yes. [LB255]

SENATOR SULLIVAN: And how much longer will that last? [LB255]

VANNA THORNE: This is my first year, so I have another three years. [LB255]

SENATOR SULLIVAN: Okay. And what's your expectations? What are your goals after you get done? [LB255]

VANNA THORNE: To journey out. [LB255]

SENATOR SULLIVAN: Are you planning to...hoping to stay in Omaha or go back to...is there any opportunity in Walthill? [LB255]

VANNA THORNE: No, not at this time. [LB255]

SENATOR SULLIVAN: Okay. All right. Thank you. [LB255]

SENATOR SCHUMACHER: Any other questions? [LB255]

SENATOR SULLIVAN: Good luck to you. [LB255]

SENATOR SCHUMACHER: Good luck. Thank you for your testimony. Next proponent. Welcome to the Revenue Committee, Senator Schmit. [LB255]

LORAN SCHMIT: Thank you, Senator Schumacher. I've been here many times and supported many programs. I had a thought when you were presenting your bill that you had, ought to have called it a business incentive program. That seems to have more weight with the Revenue Committee than this type of program. But, nevertheless, I do support this bill, and I've indicated support for your bills also. But in the interest of time, I'll not take a lot of time. I'm very familiar with the apprentice program. My first job as a lobbyist was with Local 464, Steamfitters Union, and another job I was with Bryant Associates, associate of Marsha Babcock. So I know many of those contractors which she works with. We in the ethanol industry...my name, by the way, is Loran Schmit, L-o-r-a-n S-c-h-m-i-t, and I'm here on behalf of the Association of Nebraska

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Ethanol Producers. The ethanol industry is a new industry in Nebraska. We started from scratch and we hired people from the farms and the ranches and small towns and large towns, and we had an on-the-job training program that we benefited from the fact that there was a pool of labor available who had been well-trained in the skills which we needed in the ethanol industry. It didn't take us very long to understand that there was a need and a difference between the skilled and the unskilled laborers. The ethanol industry likes to operate 360 days out of the year with 2 or 3 days down perhaps twice a year for maintenance work. Obviously when you do that kind of large maintenance on large projects in a short period of time it's very important that you have people who know what they're doing. The ethanol industry formed a working relationship with the community colleges in their area, and on several occasions have had integrated programs with the community colleges. I know that, at least on several occasions, Local 464 worked with some of the ethanol plants and established some kind of training program. I would expect that as the plants become more sophisticated, which they are, they will require a better labor force and a more skilled force. I just think anything you can do to encourage the type of jobs that have been spoken about here today is a very distinctive benefit. We have an abundance of persons graduated from university who can't find jobs that pay nearly as much as the jobs that were described by Marsha and some of the preceding witnesses. It's interesting that we talk about what can we do to keep the people in Nebraska. Well, first of all, you've got to make a living wage. And you cannot make a living wage unless you have the skill. And so I would strongly encourage you to look at this bill, treat it what you...do what you have to, and adapt it to the needs of the state. And I'd be glad to answer any questions. [LB255]

SENATOR GLOOR: Thank you, Senator. Are there any questions? Seeing none, thank you, Senator Schmit. Other proponents. We move to opposition. Anyone here in opposition? [LB255]

BRUCE KEVIL: My name is Bruce Kevil, B-r-u-c-e K-e-v-i-l. I represent the Associated Builders and Contractors, ABC. You've heard it mentioned before in the proponents' testimony. I'm opposed to the bill. We had bill review and we are opposed, quite frankly, to the requirement of a labor management trustee committee. I've asked the senator if he'd be willing to strike those three words and he said, well, I'm going to just expand it and stuff like that. So I didn't get a yes so I'm stuck here in this opposition chair. Now with that statement, I fully expect that he will continue to work the bill and I believe and hope and I've not heard it out of his words or his lips, but he's going to see the State Chamber and ABC addresses the idea, because a lot of you have brought it up, that this should be kind of neutral. It should be private industry can acquire it and stuff like that. So I'd like to spend most of my time not retelling you all the good stories of apprenticeships because they're really out there and they're really good. You've been told some excellent, excellent facts and figures by the different proponents that I could only just spend a lot of time. But I do...would like to say, Senator Schumacher, is that there is a private sector. We're called Merit Shops and we have an approved Bureau of Apprenticeship training program. We do electricians. We do plumbing. We do carpentry. And the thing that makes this whole thing very

important is the curriculum. The labor unions have got a wonderful program, but their curriculum does just like what our curriculum does. You test for book knowledge and then they have to demonstrate that they're proficient. So they may know the theory but they've got to demonstrate the skill. So that's what they're really saying when they talk about, well, we've got to have our equipment, we've got to have the facilities, and so to go out into western Nebraska presents particular challenges. This fall, we experimented with distance learning out of our training academy in Lincoln, and we...some Willmar students, Willmar Electric. So we broadcast the instructor on that, the evening, and they all had their iPads, and the technology was such that, gosh, you know, the instructor could tell when they opened a pop. The technology was such that it reads their eye movements, and so he could tell what...having moved their mouse or having touched their...so to a limited degree, we can do distance learning, but we have to be able to go drive to the student, give him the proficiency test, give him the knowledge test, because, you know, it's like college or a high school or anything else. Occasionally you run into a cheater. And so these guys are tested and they are very, very rigorous tests in both the ABC program and the union shop program. So this concept is really, really a positive. Our accreditation, as you heard a previous speaker talk about, it's all done through the U.S. Department of Labor, Bureau of Apprenticeship. We're audited. We went through our audit in this fall. We have to have an approved curriculum. Our curriculum is the National Curriculum for Construction and Education Research. It's supported by Prentice Hall. We do supplement which allows them to pass their code test for our electricians; 80 percent of the graduates in the Omaha training academy passed their code test for becoming a journeyman, licensed journeyman. So those questions are out there. Employers can either do a program on their own. They've got to have some kind of certified curriculum. That's hard to do. This is a...if you follow the Bureau of Apprenticeship standards, that's the gold standard. And so it would be an excellent, excellent, excellent thing to happen. It just so happens right now the bills overwhelm towards labor, the unions and I hope that that would be resolved. So I'm going to stop. Any questions? [LB255]

SENATOR GLOOR: Any questions for Mr. Kevil? Senator Smith. [LB255]

SENATOR SMITH: Thank you, Mr. Chair. And, Mr. Kevil, so how is the ABC program, apprenticeship program, funded? [LB255]

BRUCE KEVIL: Basically the student buys the books and the employer pays the tuition. [LB255]

SENATOR SMITH: So, once again, there's probably an application process and they have to be matched up with an employer. And that employer can be a union shop or a nonunion shop. [LB255]

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BRUCE KEVIL: Correct. [LB255]

SENATOR SMITH: And then is there...what are the types of crafts or trades that are available in that program? Is it fairly extensive? [LB255]

BRUCE KEVIL: Yeah. This is just construction. But... [LB255]

SENATOR SMITH: Just construction, the construction trade. Commercial level as well as the residential level? [LB255]

BRUCE KEVIL: Right, right. I don't know firsthand other things like IT and stuff like that that he wants to expand the bill through. That's why I'm trying to communicate the idea that the curriculum is the important thing. This is curriculum for construction. I know that apprenticeships are available for other IT and stuff like that. [LB255]

SENATOR SMITH: So this Merit Shop apprenticeship program currently meets... [LB255]

BRUCE KEVIL: The Bureau of... [LB255]

SENATOR SMITH: ...the criteria here except for item (d), I understand. [LB255]

BRUCE KEVIL: Right, right. [LB255]

SENATOR SMITH: So it meets (a), (b), and (c), but then on (d) it does not meet the condition that it's jointly administered by labor and management trustees. [LB255]

BRUCE KEVIL: Well, we meet the trustee criteria, but we're not joint contracts. Well, in fact, 5 percent of the private construction companies, only 5 percent of them are union shops. So 95 percent of them are like me, Merit Shops. [LB255]

SENATOR SMITH: So you're saying item (d) and the way it's written only a union shop can meet that criteria. [LB255]

BRUCE KEVIL: Correct. [LB255]

SENATOR SMITH: Okay. [LB255]

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BRUCE KEVIL: So if you struck the words "joint" and then "labor and management," I qualify. [LB255]

SENATOR SMITH: Okay. And from what I'm hearing from you in your testimony that if that change was made, you would be on board with this. [LB255]

BRUCE KEVIL: Oh, yeah. I'd be screaming, hollering, best thing since sliced bread. (Laugh) [LB255]

SENATOR SMITH: Okay. All right. Thank you. [LB255]

SENATOR GLOOR: Senator Schumacher. [LB255]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. So your organization is kind of made up of various individual contractors who are... [LB255]

BRUCE KEVIL: We're trade association. [LB255]

SENATOR SCHUMACHER: ...engaged in the construction business. [LB255]

BRUCE KEVIL: Right. Correct. [LB255]

SENATOR SCHUMACHER: And are you specifically organized just for this training program or do you have other functions? [LB255]

BRUCE KEVIL: We have other functions. We have safety programs. But principally it centers around training, and we use this curriculum. [LB255]

SENATOR SCHUMACHER: And you go through some bookwork in that particular... [LB255]

BRUCE KEVIL: Yes. [LB255]

SENATOR SCHUMACHER: ...and then the student or the apprentice or whatever we call them basically has a real job with one of the members. [LB255]

BRUCE KEVIL: Correct, correct. [LB255]

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SENATOR SCHUMACHER: And that's where they learn the practical aspects of the work, kind of an ongoing lab. [LB255]

BRUCE KEVIL: Right. [LB255]

SENATOR SCHUMACHER: And it's funded by then basically your members paying their salaries. Is that...do they get grants or anything? [LB255]

BRUCE KEVIL: Yeah. No grants, nothing like that. The members pay. And the equivalent would be in the collective bargaining agreement over on the union side, the 55 cents an hour, 90 cents an hour, whatever it is. So the employer pays the tuition and the student or the apprentice pays the books. [LB255]

SENATOR SCHUMACHER: How much time off the job, in other words, in the paperwork side of it, do the students spend? How much of their time? [LB255]

BRUCE KEVIL: It varies. Different programs have different requirements. For example, our electrician, electrical program, we're one night a week. We still have an excellent passing record for licensure. Metropolitan Community College is two nights a week. So you have a lot of variables like that that someone might consider why do I want to go to the Metropolitan Community College two nights a week and stuff like that as compared to, hey, I'm getting paid. I go one night a week. I'll have the same time period for licensure passage and stuff like that. So there's a lot of variables in the pros and cons to weigh. We do the same thing, fall semester. Kid comes in. He wants to be an electrician. We will let him in the fall semester but he cannot continue on the fall semester because his education, his both on-the-job learning, and the textbook. He tends to find almost 100 percent within that first fall semester employment with our member companies. [LB255]

SENATOR SCHUMACHER: Now I gather that in the union mechanism at a certain point they become a journeyman or graduate up a step, and that has meaning within that world. Now do your students at a certain point get a certificate, title, or is the task just whether they're licensed? [LB255]

BRUCE KEVIL: Meaning comes from mostly the licensure. And so you're going to hear some terms that are interchangeable as you dig deeper in this whole issue. Let's take electricians, for example. The Nebraska Electrical Licensing Board, all apprentices have to be registered. This is different, different than it being a registered apprentice under a BAT program, which we're talking about, but they have to be registered with the Nebraska licensure. Then after four years of



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on-the-job training, he can sit for a journeyman's license and/or a residential wireman's license. The license typically has the category that has value. So when we go to measure ourself, it's a four-year program. He gets on-the-job learning, but it's important to us that he sits for the first time for that licensure exam, for the journeyman's exam or the residential licensure's exam. So we don't want to have a program that's got a third, 50 percent, you know, success rate. We want up there. So that's how we measure it. [LB255]

SENATOR SCHUMACHER: Now I gather that with the union program, eventually they become...they're members of the union and stay involved in the local union thing. At what point do they graduate and leave your program, they've got their state licenses and they're done? [LB255]

BRUCE KEVIL: Our program has a little bit different wrinkle. As each...the semester is broken up into modules, okay, and each module has a proficiency exam and a theory exam. And when they pass that particular module, then it is recorded in the national registry. And they get a little card, all the students do. And so if he wants to go to work in Colorado or if he wants to work on...in Texas, he can go to an employer and he can present this card and this is his credentials. So this is the national registry that he's completed these things. As an example, Berg-Helix is two large electrical contractors that have the job for STRATCOM, and they're bringing electricians in, so it's going be...it's a huge shop. And so they're looking at problems. Where do we get the people from? How do we know they're knowledgeable? Well, this curriculum also has an assessment. So Berg-Helix puts all their students either coming into their apprenticeship program, but they all go through an assessment test. It helps us determine where they fall, first year, second year, stuff like that. So it's really the key and I know mostly about this NCCER, but the key is the curriculum, and that's what makes it valuable. [LB255]

SENATOR SCHUMACHER: Just a couple more questions. Does that card have any value in the union world? Can somebody with that card go plug into the union stepladder and say, okay, I'm a master because I've got so many... [LB255]

BRUCE KEVIL: Well, I guess the proper way to answer that question is I don't know if someone from the union says I was a union apprentice and I completed my journeyman, and we would simply say, well, let's test you. And then he would have a national credential and the results. So we do have apprentices that were in the union at one time and came over to work for an employer that was a Merit Shop and he wanted to continue his education, so he's transferred in the Bureau of Apprenticeship Training. This is a bunch of detailed, arcane kind of things. So he's officially transferred out of the RAPIDS system from that program to our program. [LB255]

SENATOR SCHUMACHER: Very interesting. Thank you very much. [LB255]

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BRUCE KEVIL: Okay. [LB255]

SENATOR GLOOR: Any other questions? Thank you, Bruce. [LB255]

BRUCE KEVIL: Thank you. [LB255]

SENATOR GLOOR: Other opponents? Anyone who would like to speak in a neutral capacity? And Senator Morfeld waived his closing, so that ends the hearing on LB255. We'll now...actually, in the interests of health, I'm going to suggest we take about a two-minute stand up and stretch, and if... [LB255]

BREAK

SENATOR GLOOR: We'll convene the hearing for LB64. Senator Schumacher. Welcome, Senator Schumacher. Long time, no see. [LB64]

SENATOR SCHUMACHER: Thank you, Chairman Gloor, 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 here today to introduce LB64. LB64 grows out another...out of one of those other real life experiences. This last summer, I had cause to go door to door for a little bit until I figured I was in good enough shape. And one of the doors, there was a young man hanging gutters on a house. And it was a Saturday afternoon. It was kind of sticky and hot and you almost knew that he'd just as soon be someplace else with this buddies drinking beer or drowning a worm in a canal someplace pretending he was a fisherman. But he was working. He worked at one of the factories in town and he worked full time. He had a young family and he was trying to pull ahead. And he was working a second job in order to pull ahead. He already had paid his dues, 40 hours, and could well, had he not had a little ambition, been doing nothing or "couch potatoing" it. And it struck to me as, you know, we're taxing this guy on his spare time, aren't taxing the guy drowning the worm or "couch potatoing" it on their spare time. Where's the justice in that? And, of course, he's probably not among the type of people to appear at a legislative hearing, wouldn't know what to do if he did appear here, certainly wouldn't probably be talking in terms of tax deductions. This is a reasonably simple proposition. Says if you worked your 40 hours, your second job, chances are you're the kind of productive individual that we want to reward and encourage to work a second job. What I kind of found interesting and maybe even relevant was the fiscal note. Pretty darn significant, \$40 million, \$50 million. But what does that tell us? We've heard of lots of proposals for different types of tax relief, \$20 million here, \$30 million here, \$60 million here. All those millions have got to come from somebody. And here is a picture of somebody, because that \$40 (million) or \$50 (million), \$60 million here that we're getting from the guy hanging gutters, working a second job as a waitress or trying to pull ahead to get a

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little extra energy to maybe invest in a business of their own. That's where the money that we're looking for, for retirees, for farm tax relief, for all these other things that we've heard is coming from, in large respect, the working man, working woman. And if this bill does nothing more, it's to focus at where we get our money and how generous or ungenerous we should be with some of these other requests to people who are comparatively well off and well situated compared to the guy hanging the gutters, we are asking those young families, those young students, to pick up the tab for some of the people that can afford to be here with lobbyists, afford to be here seeking to have their particular tax cut. The buck stops somewhere, and this bill reflects one of the places that it stopped. I'll be happy to take any questions. [LB64]

SENATOR GLOOR: Any questions, Senator Schumacher? Seeing none, thank you. [LB64]

SENATOR SCHUMACHER: Thank you. [LB64]

SENATOR GLOOR: Oh, I'm sorry. Senator Scheer had a question. [LB64]

SENATOR SCHEER: Thank you, Senator. I'm sorry, how do...in cases where a part...I mean, technically based on this the part-time position may generate more income than the full time. Is there a mechanism to use the higher of the two or is it always going to be...I mean, I guess what I'm envisioning... [LB64]

SENATOR SCHUMACHER: Your 40-hour job that generates the most income would be your primary job I believe the way it's defined. [LB64]

SENATOR SCHEER: Well, I'm looking, for example, somebody that might be working in an office exposure for 40 hours a week receiving benefits. Their evenings and weekends may doing not...some type of not a pyramid sales but some type of cumulative-type sales things that when it's all done and said within a year or two that which was part time sometimes for people would actually be providing more income, sometimes substantially more than...and they still work their 40-hour week because it...a lot of it, once you get it started, it's sort of there and it's on a residual type deal. There's no differentiation there, so is it something that we should be looking at perhaps the higher of the two? And this is sort of nitpicking, but I'm just...you know... [LB64]

SENATOR SCHUMACHER: I think the way the bill is structured now, it's 40 hours and the most money is your primary job, and the second one, the lesser amount of money is your secondary job. If this idea has any merit, if this guy has any sympathy in the committee, we can juggle that around, try to address that kind of an issue. [LB64]

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SENATOR SCHEER: Okay. Fair enough. Thank you. Thank you, Senator. [LB64]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Schumacher. Any proponents for this bill? Anyone in opposition to LB64? Anyone in a neutral capacity to LB64? Seeing none, Senator Schumacher waives closing. And that completes the hearing on LB64. We'll now move to LB614. We'll give Senator Kintner a chance to get down here. We're actually...we have to wait for the senator himself to get here. I've talked to some of you, I think most of the audience if not all the audience, during the break. If you wish to fill out one card, one green sheet, testify, and remind us of your previous testimony, ask that that also go on the record for this bill, and also for Senator Garrett's bill, we will accept that and make sure that you're on the record so that you don't need to go through or hand out all the handouts again. That's an acceptable way for you to provide testimony also. And as soon as Senator Kintner gets here, we'll move in that direction. [LB64]

SENATOR SCHEER: Chairs are supposed to provide the entertainment, so.

SENATOR GLOOR: I can tell my Ole jokes, except I'm inevitably going to offend somebody, so I'll resist, but I have some pretty good ones.

PAT JONES: I'm from Oklahoma. I would like to hear an "Okie" joke.

SENATOR GLOOR: Not appropriate, not appropriate. (Laughter) Many of us are fans Barry Switzer up here now that he's not coaching anymore. (Laughter) It's beautiful out. We've been here about I think a little longer than you probably have, so my assumption is it's probably pretty slippery. You know, that's a great idea. Senator Garrett, are you ready to go with LB454?

SENATOR GARRETT: Sure.

SENATOR GLOOR: We'll do that then. We'll switch the order and start with Senator Garrett. And, Senator Garrett, just as an FYI for you, since the testifiers we have, have testified, most, for both Senator Crawford and Senator Krist, what we've told them to do is they can fill out the green sheets, come to the mike, remind us of their testimony and that they would like to go on the record in support or opposition or neutral, whatever the case may be... [LB454]

SENATOR GARRETT: Okay. Great. [LB454]

SENATOR GLOOR: ...for your bill, Senator Kintner's bill. And so don't be surprised if everybody is abbreviated in that process. [LB454]

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SENATOR GARRETT: (Exhibits 1-3) Indeed, and the hour is late. Good afternoon, Chairman Gloor and members of the Revenue Committee. I'm Senator Tommy Garrett, T-o-m-m-y G-a-r-r-e-t-t, and I represent District 3. LB454 would change the way the state of Nebraska taxes military retirement income. This bill is nearly identical to the bill former-Senator Charlie Janssen brought forward last year as LB75, and I am reintroducing this legislation because I'm convinced of its importance. The Pentagon is pushing for another round of base realignment and closure, or BRAC for short. The news story I distributed to you was written two days ago. The third highlighted sentence is particularly concerning, quote, Pentagon officials say at least 20 percent of the bases and facilities are underutilized and shuttering them could save needed funds, unquote. Fellow senators, one in five bases and facilities are potentially going to close. One in five! We need to ensure that Offutt Air Force Base is not one of them. The 2013 Offutt Air Force Base economic impact analysis concluded that Offutt Air Force Base has a \$1.3 billion annual economic impact. The loss of \$1.3 billion would be devastating to Nebraska and, particularly, to Bellevue. I'm concerned that Offutt Air Force Base is in danger, and the BRAC Task Force established by the One Hundredth Legislature in its Second Session in 2008 came to this same conclusion. The eighth and final recommendation of the BRAC Task Force was to provide tax relief for military retirees. The BRAC Task Force at that time, and I quote, recognized the increasing competition Nebraska faces with its neighboring states, particularly Iowa and Colorado, unquote. Members of the Revenue Committee, the disparity in taxation of military retirement income has increased since just last year between Nebraska and Iowa. Governor Terry Branstad of Iowa spearheaded the Home Base Iowa initiative last year and successfully brought about several reforms that I hope to see Nebraska emulate and/or exceed in the future. Governor Branstad led a coalition of public and private entities that promised 5,000 jobs to veterans via hiring and promoting preferences; gave instate tuition rates to veterans, their spouses, and their dependents; eliminated the special license plate issuance fees charged for plates associated with military service; allowed Iowa's licensing boards to adopt rules allowing credit for military training and experience in the licensing process; expanded eligibility for Iowa's military home ownership assistance program, which provides \$5,000 in down payment and closing assistance; and, finally, the Home Base Iowa initiative also fully exempted military pensions from state income tax. Members of the Revenue Committee, Iowa went all out on veterans. Iowa understands the importance of their military installations and military and veteran population. The reforms Iowa has enacted make Iowa a very attractive option for military personnel who are retiring and choosing where they're going to begin their second career. We need those same reforms in Nebraska and LB454 would begin to accomplish these reforms by changing the way we tax military retirement income. I think a few results from the oft-cited study entitled "The Retirement Migration of U.S. Veterans" are particularly relevant. And these are some of the points: On the whole, veterans move interstate while non-veterans move intrastate; veteran interstate migrants are younger than non-veteran interstate migrants; 75 percent of veteran interstate migrants are married as compared to 49 percent of non-veteran interstate migrants; 90 percent of veterans interstate migrants live independently as compared to 71 percent of non-

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veteran interstate migrants; and veterans are, and I quote, have an elevated educational status, unquote; and, finally, veterans are, and I again quote, the forerunners of retirement migration, unquote. The benefits of attracting military retirees to Nebraska are numerous and quantifiable. Veterans are younger, so they will work in their second career for a longer period of time, and they're more likely to be married and, thus, ostensibly more stable. And, finally, veterans are more likely to live on their own. Why would we not want such individuals to be increasingly attracted to Nebraska? These individuals are quality citizens who are highly skilled and disciplined, and it is an economic advantage to Nebraska to have the skill and discipline of veterans increasingly present in our work force. I believe Governor Ricketts is on the right path when he chose to budget money to ease the taxes on Nebraska's military retirees. The taxes saved by these individuals will be spent on goods and services in their local communities, yet another economic stimulus to Nebraska. However, more than that, we need to make Offutt Air Force Base as BRAC-proof as possible. And with the Pentagon pushing for a BRAC, we need to act now. This concludes my introductory remarks on LB454. [LB454]

SENATOR GLOOR: Thank you, Senator Garrett. Are there questions to Senator Garrett? [LB454]

SENATOR GARRETT: If I might add, when I was looking at the fiscal notes for the various bills this morning that exempted military retirement from state income tax, I noticed a large disparity and I found out that much to my chagrin my original bill had indicated this would take effect January 1, 2016, when I intended it to be 2015. So I have an amendment. We've already talked to the Fiscal Office. We've drafted an amendment and we talked to the Fiscal Office. Their estimate, they'll be able to give us a better estimate tomorrow, but is it's going to be about \$16 million in the first year, a little over \$16 (million), so. [LB454]

SENATOR GLOOR: Okay. And you'll get that to us as soon as... [LB454]

SENATOR GARRETT: Yes. As a matter of fact, I've got the amendment here. [LB454]

SENATOR GLOOR: Okay. Questions? Seeing none, thank you, Senator Garrett. [LB454]

SENATOR GARRETT: Thank you, Chairman Gloor. [LB454]

SENATOR GLOOR: Are you going to stay for closing? [LB454]

SENATOR GARRETT: Yes. Yes, I will. [LB454]

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SENATOR GLOOR: Okay. We'll move to proponents. [LB454]

RONALD DUPELL: Good afternoon again, Chairman Gloor and Senators. I'm Ronald Dupell, R-o-n-a-l-d D-u-p-e-l-l, and I have previously testified on LB20 and I would like my testimony to be entered record for both Senator Kintner's bill and Senator Garrett's bill. [LB454]

SENATOR GLOOR: So noted. Madam clerk, do we still need a green sheet, him to fill out a green sheet? Or did you hand in one? [LB454]

RONALD DUPELL: Yes. [LB454]

KRISSA DELKA: I could write second LB on it. [LB454]

SENATOR GLOOR: We're good. [LB454]

RONALD DUPELL: Thank you. [LB454]

SENATOR GLOOR: Thank you very much. Other proponents. [LB454]

BETTY ALBANEZ: My name is...oh, the light is not on. [LB454]

SENATOR GLOOR: Yeah, it's on. [LB454]

BETTY ALBANEZ: It's on? [LB454]

SENATOR GLOOR: You're good, yes. [LB454]

BETTY ALBANEZ: My name is Betty Albanez, A-l-b-a-n-e-z, and I would like all of my previous testimony to also be used because you've already met the kids. However, I would like to add a couple of things that would...you know, military wives hold on to a lot of stuff. That would be a picture of the husband, the senior master sergeant, who couldn't be down here today due to other issues going on at home. He's the one in the uniform. So it is his money that I'm here representing and ultimately seeking. [LB454]

SENATOR GLOOR: And the name? Did you give us the name, I'm sorry? [LB454]

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BETTY ALBANEZ: My husband's name is Retired Senior Master Sergeant Richard Lawrence Albanez. [LB454]

SENATOR GLOOR: Okay. [LB454]

BETTY ALBANEZ: And I am his wife of 36 years. [LB454]

SENATOR GLOOR: He deserves to be on the record also, so thank you for giving us that. [LB454]

BETTY ALBANEZ: Thank you. And, again, the kids are mobile. One of them owns an airplane. The grandma decides where we live. I like Iowa. I'm from there. Thank you. [LB454]

SENATOR GLOOR: Thank you. [LB454]

GREG HOLLOWAY: Senator Gloor and committee, my name is Greg Holloway, last name H-o-l-l-o-w-a-y, and again...actually what I really, really want to let you know is who I actually represent. I told you I'm with the Nebraska Veterans Council. I want to make sure you know who is involved in the Nebraska Veterans Council. Six recognized veterans organizations, Vietnam Veterans of America, Disabled American Veterans, the American Legion, the Veterans of Foreign Wars, Paralyzed Veterans of America, and the AMVETS, and also one organization, the Nebraska Association of Professional Veterans Advocates, and that's the county veteran service officers here in Lancaster County. We all support LB454. That is one of the priority bills for our organization. And we do represent who...the reason I sit on that board, I'm past department commander of the Veterans of Foreign Wars and the Vietnam Veterans of America. You're appointed by the current department commander to serve on those boards. And most of us are either past department commanders or a current department commander serving on those boards. So I've been working on veterans...as a veterans' advocate since Governor Tiemann, so I'm one of the old guys. And I think I worked with Charlie Janssen on this bill last year. Got out kind of watered down. Sure would like to bring it back to the original form, and I think this is a good bill. I like this one personally a lot. Thank you. [LB454]

SENATOR GLOOR: Okay. Any questions? Thank you, Mr. Holloway. Other proponents? [LB454]

JERRY ANDERSON: I'm Jerry C. Anderson, J-e-r-r-y A-n-d-e-r-s-o-n. I'm Retired Lieutenant Colonel, USAF Vietnam veteran and what I'm proposing and I'm representing one of the founders of the Nebraska Veterans Coalition. What I'm representing here for...let's see, which



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one is it, LB454 and for LB614 is that the exemptions be raised to 100 percent, just like I did for LB20 on Senator Krist's. Are there any questions? [LB454]

SENATOR GLOOR: Seeing none, thank you. [LB454]

JERRY ANDERSON: Thank you, Senators. [LB454]

PAT JONES: (Exhibit 4) My name is Pat Jones, Retired Lieutenant Colonel, Air Force. Testified LB20 and I would like that sheet to be made available for this. I just want to point out two or three real quick things and then I'll go. The new STRATCOM building, I've heard some talk that, well, they're not going to close Offutt because they put all that money into that building. That is not an insurance policy. I was stationed at Rome Air Force Base, New York, great big bomb wing, had Rome Air Development Center there. I went visiting back there this last summer. The base is closed and all they did was build a barbed wire fence around the Rome Air Development Center part, and the rest of the base is dead. That can happen here too. They simply put a fence around it. I would like to remind you, I don't need remind you really but the Governor has budgeted \$23 million towards this same military retiree type thing. And military retirees versus a lot of the other people wanting the tax cut is money that is replaceable because the more military people you get to stay here with their retirement incomes, low cost, and all those good benefits of having those retirees will replenish money that they spend on the economy and in the community. Remember, it's a win-win for Nebraska and the retiree. Thank you. [LB454]

SENATOR GLOOR: Thank you, Colonel Jones. Any questions? [LB454]

DON DONOVAN: (Exhibit 5) Senator Gloor, I'm Retired Colonel Dan Donovan. I am a proponent of LB20 and I'm a proponent of both LB614 and LB454. The additional comment, the only comment I make, all three of these bills are based on improving Nebraska's economic situation. I believe, I truly believe that if you follow any one of these paths to get there, it'll significantly improve the environment of Nebraska. Thank you. [LB454]

SENATOR GLOOR: Thank you, Colonel Donovan. We have a question. [LB454]

SENATOR SCHEER: Colonel, just for the record, is it your intent that your previous testimony be included? [LB454]

DAN DONOVAN: Ah, thank you. Thank you, Senator Scheer. And I do wish that my testimony on LB20 be considered for the next two bills. Thank you. [LB454]

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SENATOR GLOOR: Thank you, Senator Scheer. Other proponents. [LB454]

DICK CLARK: Chairman Gloor, members of the Revenue Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k, director of research for the Platte Institute. In the interest of brevity at this late hour, I'd just incorporate my reference from both LB20 and LB267 as well. Note that both LB454 and LB614 are bills worth supporting and they're bills that were introduced because we need tax relief in Nebraska. With that, I'll take any questions. [LB454]

SENATOR GLOOR: Any questions for Mr. Clark? Senator Scheer. [LB454]

SENATOR SCHEER: Again, same question, Mr. Clark. Are you anticipating or are you requesting that your previously testimony be included? [LB454]

DICK CLARK: Yeah, I'd like to incorporate that by reference in this testimony on both LB454 and LB614, Senator. Thank you. [LB454]

SENATOR GLOOR: (Exhibits 6-7) Any other questions? Thank you. I'd like it noted that we have two proponents for both these bills, Donald O. Heins, Master Sergeant, U.S. Air Force, Retired, and James Shuey, Disabled American Vets, Department of Nebraska, both proponents for both these bills. Any other proponents? Anyone in opposition? Anyone in a neutral capacity? Seeing none, Senator Garrett, you're recognized to close. [LB454]

SENATOR GARRETT: Thank you, Chairman Gloor. I'll make it quick. I know, again, the late hour. Last year was my first year in the session and I intended to bring a bill this year that would exempt 100 percent of military retirement from state income tax. I met with Lieutenant Colonel Anderson and the veterans' groups and decided to pick up Senator Janssen's old bill because essentially it's targeted towards the enlisted members. For a retiree who just has a single retiree income, it's \$24,000; it's \$48,000 for if both members are military, and it really targets our enlisted population so officers don't need that much...as much of a break as our enlisted force. So that's kind of the genesis of that. I support, you know, I'd love to see Senator Krist's bill go through that exempts Social Security as well. I'm hard over that, you know, we're just paying too much in taxes. We've got to do something. And the economic impact on these things, I know it's a hit on revenue, but for the life of me I wish we could figure out an algorithm that would calculate this second, third, fourth order effects of the economic stimulus when you give people...allow people to spend their own money, because I'm convinced of it, people will be doing home improvements, they'll be spending money in the local economy, and it'll generate additional revenue. So very passionate about this. You know, Senator Krist, Senator Kintner, Senator Crawford, we just...if I can borrow a phrase, we need to "git 'r done" this session. Thank you. [LB454]

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SENATOR GLOOR: Okay. Questions? Thank you. [LB454]

SENATOR GARRETT: Thank you. [LB454]

SENATOR GLOOR: And that will end the hearing on LB454. We'll now move to the hearing on LB614. Senator Kintner, welcome. [LB454]

SENATOR KINTNER: Everyone is still awake. That's a good sign. [LB614]

SENATOR GLOOR: It's early for the Revenue Committee. [LB614]

SENATOR KINTNER: That's right. Well, thank you, Mr. Chairman and members of the Revenue Committee. I'm Senator Bill Kintner, B-i-l-l K-i-n-t-n-e-r, and I represent Legislative District 2. I'm here to introduce LB614. And before I get started on my very, very brief remarks, I want to thank the veterans that came down today. They spent a long time, they drove through bad roads to get here, and I appreciate you coming down. And, you know, we say a lot that we appreciate your service, but we can show it right here by passing my bill, putting in on the floor, putting it out for a vote. LB614 would phase in for military, retired military personnel a \$33,000 standard deduction on military retirement benefit over three years. The first year deduction would be \$11,000, the second year would be \$22,000, the third year would be \$33,000, and that would be on and on thereafter for that. For a married couple who are both receiving military retirement benefits and filing jointly, the deduction threshold would be double in each of the phase-in years and thereafter. And this is described in the current fiscal note that you should have there with you. You know, I'd like to make the point, the right question is not whether or not we want to compete with other states regarding tax breaks for the military retirees. The fact is, other states are competing with us already. And in many cases, they're winning the competition to woo military retirees to their state instead of Nebraska. As this committee already knows, the remaining ways we, in the Legislature, can improve our tax climate and encourage economic growth and decrease the out-migration of skilled workers and retirees. And one way is to make incremental steps in our tax policies to arrive where we want to be, and the other way is a wholesale restructure of our tax system which is large steps. And I want to point out, two years ago, I introduced a bill to phase out the tax on all retirement income and the fiscal note was so big it wouldn't fit in the room. I mean, it was tough. So last year, I came in and said let's do one on Social Security and one on military retirement, two bite-sized pieces, because we need it for everyone. And this year I said let's just start with military. I think that's the one that hemorrhages the quickest. Those people are not native Nebraskans. They have less reason to be here than other people. And I thought we'd start with that and we'd do it in a very measured, in a very controlled way. And it offers just a very simple incremental approach that phases income tax relief for military retirees. I believe it's doable in our current financial situation. I believe it's a

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reasonable option, and I would hope that you would agree with that and move this bill out to the floor. With that, I am done. [LB614]

SENATOR GLOOR: Thank you, Senator Kintner. Any questions? I see none. I think everybody understands your bill. [LB614]

SENATOR KINTNER: Yeah, I think it's pretty simple. Thank you very much. I appreciate you all sticking around tonight. [LB614]

SENATOR GLOOR: Thank you, Senator Kintner. I believe everybody here has already passed along their support. Proponents? [LB614]

BETTY ALBANEZ: I failed to include this one. [LB614]

SENATOR GLOOR: No, we did get you I think before you left. [LB614]

BETTY ALBANEZ: That's fine. If you'd like, I could just step up and state my name for the record, that would be fine. Then they know about it. [LB614]

SENATOR GLOOR: Sure. [LB614]

BETTY ALBANEZ: My name is Betty Albanez, A-l-b-a-n-e-z. I'm also here representing my husband, Retired Senior Master Sergeant Richard L. Albanez, who retired in 2000 after 24 years of service. He does not qualify for the breaks that you've offered. We were really excited when we saw it. He does have frostbite in his right hand which I didn't realize yesterday until he told me that that's because an aircraft mechanic, an enlisted man, has to take off his glove to do the tinkering on the airplane to make sure the Looking Glass that was in the air 24/7 gets off the ground all the time. He wouldn't have pain in that hand if we moved to Pensacola. So Iowa, don't know if anybody mentioned the \$5,000 bonus also that they're offering, so please pass all of these. Military members are the...are we the 1 percent or I believe the 1 percent of people in America that have signed their name to the check that says I will give everything up to including my life for you to be able to say anything and do anything you want. Now it's time for you to take care of us. [LB614]

SENATOR GLOOR: Are there any questions for Ms. Albanez? Thank you. No, there were not. Anyone else? We've got the green sheets. Senator Kintner...wait, anyone in opposition? Anyone in a neutral capacity? Senator Kintner. Senator Kintner has the best waive of any of the senators.

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(Laughter) Thank you, Senator Kintner. And that completes our hearings for today. Please travel safely back to wherever you're headed and thank you for taking the time with us today. [LB614]