[LB396 LB408 LB423 LB510 LB538]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 25, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB538, LB423, LB396, LB408, and LB510. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. I'm Mike Gloor. I'm the Senator from District 35, Grand Island. I'm Chair of the Revenue Committee. I'd like to welcome you today. We will take the bills in the order listed on the agenda that's posted outside the room and in various other places around the Capitol building. We have a couple of general rules. Would like you, please, to shut off your electronic devices, cell phones, or at least put them on mute. The order of our bill presentation today will be the introducer. Then we will go to the proponents of the legislation, opponents, neutral capacity, and then we allow the introducer to make some closing statements. If you're going to speak, we would ask that you fill out one of the green sheets--from committee to committee, I remember--fill out one of the green sheets and make sure you hand that to the clerk when you first come up here. If you have copies, we need 11 copies so that there are enough copies to go for all of the folks who need them on our side of the dais, so remember that. If you don't have 11 copies, now would be a good time to acquaint yourself with Matthew and Donald, who are our two pages today, and they will be sure and make copies for you. We have a five-minute rule. That is, you have five minutes to make your comments and then we'll ask questions of you if we have any afterwards. That doesn't mean that you need to use all of your five minutes. And, in fact, one of my pleas on a fairly regular basis is, if you have heard your comments two or three times before, we'd ask that you either...we are quick learners, so after we've heard it four or five times, we understand. You can shorten your comments or you're also welcome to fill out the white sheets on the back where you can state whether you're for or opposed to a specific bill, and that will find its way into the formal record. You can do that also. I also tell that to people because we will probably have a long day today and sometimes people are surprised and don't realize they have to leave and didn't get a chance to state their case. Well, you can, at least, have your case in the formal record that we will see and that other senators will see and that is by filling out the white sheet on the back. Please speak into the microphone so that we can pick up your every word. When you're testifying, we need you to give us your name. Spell your name, if you would please, so that we get it correct on the record. To my immediate right is committee counsel, Mary Jane Egr Edson; Krissa Delka is the clerk, who is at that end; and Kay Bergquist is our research analyst who is with us today and she's at the other end of the table. Now, I'll have committee members introduce themselves to you starting with Senator Brasch.

SENATOR BRASCH: I'm Senator Lydia Brasch, Legislative District 16. That is Burt County, Cuming County and Washington County.

SENATOR HARR: Burke Harr, Legislative 8 in Omaha.

SENATOR SCHUMACHER: Paul Schumacher, District 22. That's Platte and parts of Colfax and Stanton Counties.

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

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

SENATOR SCHEER: Jim Scheer, District 19, which is Madison and the other part of Stanton that Senator Schumacher does not have.

SENATOR GLOOR: And with that, I think we'll get started. We'll start first with LB538. Senator Watermeier.

SENATOR WATERMEIER: (Exhibits 1, 2, and 3) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r. I represent Legislative District 1 from southeast Nebraska at Syracuse, and I'm Chairman also of the Legislative Performance Audit Committee here to introduce LB538. The committee introduced LB538 to implement the recommendations of the LR444 Tax Incentive Evaluation Committee last interim. That study was introduced in response to a 2013 performance audit that found the goals of Nebraska's tax incentive programs were too broad to permit meaningful program evaluation. LR444 created a study committee consisting of members of the Audit Committee, along with then-Revenue Committee Chairman Hadley, Vice Chairman Schumacher, and Senator Davis, who was appointed by the Executive Board. The LR444 Committee spent the summer working with citizens, stakeholders, and evaluation experts at the Pew Charitable Trusts to craft recommendations for a tax incentive performance audit process tailored to Nebraska's needs. The primary goal of this process is to produce information that will allow lawmakers to draw clear conclusions about how well tax incentives are benefiting Nebraska's economy and meeting other program goals. Information from these evaluations will go beyond the information available now, which is generally limited to whether a company has met the conditions of its contract with the state. While that information is valuable, it is also important to conduct a broader review of how these activities in the participating companies compare to the state's economic needs, which is what the performance audits under LB538 would try to do. The final report of the LR444 Committee has set forth a framework for how the tax incentives performance audits should be conducted and LB538 would place the key components of that framework into law. First, the tax incentive performance audits would be conducted by our Legislative Office, working in cooperation with the Fiscal Office and others if needed. Second, the existing tax incentive programs and those created in the future will be audited at least once every three years. Third, the programs will be evaluated based on the broad goals the LR444 Committee recommended as well as any program-specific goals. The process used for these audits will be very similar to the existing process for performance audits. The Performance Audit Committee will oversee the audits but any relevant policy issues identified in the audits will remain under the purview of the Revenue Committee. To support that relationship, for the tax incentive performance audits, the Performance Audit Committee membership will include, as nonvoting members, the Chair of the Revenue Committee and one Revenue Committee member appointed by that Revenue Committee. Another key component is determining which metrics, or measures, the auditors will use in judging progress towards each program's goals. We did not include each measure in the bill, but the LR444 Committee intended that the auditors would use the metrics identified in its final report, if possible. The committee understood that the auditors will have to do additional work to determine whether the underlying data is available for each of the proposed metrics. Because of that, the committee realized that there may have to be changes. For example, if data are not available for a particular measure, it may have to be abandoned, or the auditors may identify additional metrics that should be used. Especially in the initial audits, there is going to be a learning curve as we explore the data availability for the different metrics. Ultimately, the Performance Audit Committee will approve the metrics that will be used in each audit. The tax incentive performance audits will also provide an analysis of the economic and fiscal impacts of the tax incentive program taking into account relevant factors, which might include the extent to which the tax incentive changes business behavior; the direct and indirect positive impacts of the programs, as well as any negative impacts on other Nebraska businesses; a comparison to alternative policies, incentives, or economic development strategies, and finally, incentive effects on local governments. Again, the Audit Office will be researching different ways of assessing each of these factors and the Performance Audit Committee will determine which ones will be included in each audit. The LR444 Committee recommended the capacity to conduct economic modeling be developed within the Legislature so that the Audit Office will not have to rely on an outside source, such as the Department of Revenue, which such modeling could be available for the performance audit process. The committee asked that the Audit Office and Fiscal Office work together to recommend a way to develop that capacity. I will discuss that more in the explanation for the fiscal note. Completed audits will be released publicly as currently done, and the bill requires that each report also be presented at a joint briefing of the Revenue and Appropriations Committee. Additionally, although the bill does not specifically require this, the LR444 Committee believed that results of the tax incentive performance audits should be presented at the annual meeting of the full Legislative Council. The bill also contains two technical changes. First, it modifies the sunset dates of the Angel Investment Act and the Nebraska Advantage Research and Development Act to allow for completion of one tax incentive audit cycle. Secondly, it makes a small correction to the underlying Legislative Performance Audit Act, which is to remove the requirement that draft audit reports be submitted electronically. Because draft audit reports are confidential, paper copies are preferred. The requirement for electronic submission was inadvertently added to the act in 2012. The fiscal note for LB538 reflects two expenses. The first is the cost of a new performance audit position to specialize in this area and for economic modeling software. The LR444 Committee recognized that the Audit Office needs an additional auditor due to the frequency and the complexity of the tax incentive performance audits. That new position would be dedicated to the tax incentive performance audits. The work cannot be absorbed by the existing Audit Office staff without significantly reducing the work the office can do on other topics of interest to the Performance Audit Committee. As I mentioned earlier, the committee also felt strongly that the Legislature needs to develop its own capacity to conduct economic modeling to use in these audits. The Fiscal Office believes that the initial purchase price of basic modeling software would be approximately $49,000, and there would be ongoing cost of $12,000 per year. These costs could cover not only the software but also ongoing training of our staff and technical support. If the Legislature would determine that additional modeling functions were needed, there are options for upgrading this software at an additional cost. Just in closing, I have provided you with an amendment relating to statutory sunset dates for tax incentive programs. The amendment would change all existing statutory sunset dates for these programs to December 31 of 2020, and would add that sunset date to the three programs that currently have none. This amendment would give the Audit Committee flexibility in determining the order of audits in the first three-year cycle under LB538. After completing the first cycle, we would come back to the Legislature with a proposal to modify the sunset dates. While the bill does not indicate the order in which each program would be audited, I believe that the first audit will be of the Nebraska Advantage Act and we would expect to see that report in late of 2016. The Audit Office will then work with the Audit Committee to determine which programs could be audited in each of the next two years. I would ask for your support of this bill. I probably made it too complicated in that and it is a complicated subject and I really do think we need to do this. It was great discussion we had last summer and I'd be open for any questions that the committee may have. [LB538]

SENATOR GLOOR: Thank you, Senator Watermeier. Senator Watermeier, how many programs are we talking about? [LB538]

SENATOR WATERMEIER: Six. [LB538]

SENATOR GLOOR: Only six programs that are going to be audited? [LB538]

SENATOR WATERMEIER: Six of them that...yes. No, six incentive programs, I thought you were talking about. [LB538]

SENATOR GLOOR: Yeah, there's six incentive programs, but if you put all those programs together, how many total audits are we going to be talking about doing? And over what period of time? [LB538]

SENATOR WATERMEIER: You know, let me...Martha Carter the Performance Auditor is going to be up behind me. She might have that. With a little warning, she might be able to come up with that. But like the Microenterprise...rural Microenterprise audit...or excuse me, Tax Incentive, I think that has...gosh, I want to guess, two or three hundred people that apply for that because it's a maximum of $5,000. And it's limited to $1 million, so... [LB538]

SENATOR GLOOR: Yeah, that one's the smaller one. [LB538]

SENATOR WATERMEIER: Right. But it's going to be part of the process that would be evaluated. [LB538]

SENATOR GLOOR: Okay. Senator Brasch. [LB538]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Senator Watermeier, for bringing this forward. I'm curious. I believe all 50 states have tax incentives. Am I correct? [LB538]

SENATOR WATERMEIER: I wouldn't know for sure all 50, but quite a few do. [LB538]

SENATOR BRASCH: At one point, it was all 50 unless that's changed. And the Pew institute came in to review this. Is it...have they done this for other states? How many other states have an audit process? [LB538]

SENATOR WATERMEIER: You know, I think Pew is here today and can testify in regard to that. Am I right? Yes. [LB538]

SENATOR BRASCH: Are they? Okay. [LB538]

SENATOR WATERMEIER: What I will tell you, though, is that we've heard repeatedly that we feel like Nebraska is almost ahead of the curve on some of this discussions. Nebraska actually has performance base where you have to do the investment, you have to create the job before you get the tax credit. Apparently in some other states, it's more loose than that and so I feel good in the fact that we're doing that. But we do need to do more to make sure that the legislative intent of each one of these tax incentives follows through with what we really intended. [LB538]

SENATOR BRASCH: Yeah, I'm aware we have benchmarks and qualifications. We're very diligent and give responsible incentives, but I was just curious on...and I'll ask the Pew institute when they come up... [LB538]

SENATOR WATERMEIER: Yeah. [LB538]

SENATOR BRASCH: ...on what their findings are. Perhaps some states have dropped out of incentive programs. [LB538]

SENATOR WATERMEIER: I can't answer that. [LB538]

SENATOR BRASCH: Very good. Thank you. [LB538]

SENATOR WATERMEIER: Okay. [LB538]

SENATOR GLOOR: Seeing no further questions, are you going to stay around to close or heading back to...? [LB538]

SENATOR WATERMEIER: Well, I'd like to. I have a bill across the hallway here I need to introduce shortly. If I can, I'll stick around. If not, I'll be open for suggestions, but I probably won't be able to close. All right. [LB538]

SENATOR GLOOR: Okay. Thank you, Senator Watermeier. [LB538]

SENATOR WATERMEIER: Thank you, Chairman. [LB538]

SENATOR GLOOR: A couple of quick announcements that I didn't make. One is I did mention the fact we have five-minute max and the way that works is you have a green light when you start. When you're down to one minute it will go yellow, and when your time has run out, it will turn red. And by that time if you haven't wrapped up, I will be asking you to wrap up. The other thing is, we do have senators who have other bills, as Senator Watermeier pointed out, and so you'll see us come and go if we have other bills that we have to present to other committees. That's the reason you'll see activity levels up here at the front. So with that, we move to proponents. Martha. A proponent? [LB538]

MARTHA CARTER: Thank you, Senator Gloor, members of the committee. For the record, my name is Martha Carter, M-a-r-t-h-a C-a-r-t-e-r, and I'm the legislative auditor. Just for the record, also technically audit staff do not generally testify in favor or in opposition to legislation because we view our position as neutral on policy issues, but since Senator Watermeier suggested I might be able to answer your question, I came up, but I can certainly come back at neutral if you'd rather. [LB538]

SENATOR GLOOR: I'm fine with you here. I'm not grinding my teeth at all that you're standing here in this capacity. [LB538]

MARTHA CARTER: Okay. Okay. That's all. I wanted to be sure. [LB538]

SENATOR GLOOR: So give me an idea of...if we're not taking a look at Microenterprise, we're looking at the more detailed audits that are going to need to be done, what kind of numbers are we talking about? [LB538]

MARTHA CARTER: The way we're envisioning this right now is...so there were six programs that the LR444 Committee included in its study last year and then there are two others that are added in LB538. So you have eight tax incentive programs, but you have in that number a range from the relatively small programs, such as maybe the Beginning Farmer Credit Act, Angel Investment, and then at the other extreme you have the Nebraska Advantage Act which is really, you know, a combination of a number of different incentives with the different tiers that are in that program. So eight programs, but a very different nature. So what we're envisioning right now is that the first audit we would do would be of the Nebraska Advantage Act, so the tiers of that. Then we want to wait and see...is just kind of see how that goes and we would divide up the remaining programs and do some in the second year and some in the third year to meet the requirements of LB538 that they all get audited at least once every three years. But part of the reason for asking that the sunset dates be extended a little bit is the LB538 says the Audit Office will determine the schedule for the audits, and if we have sunset dates that dictate when you want to review those programs, then that would tie our hands a little bit in terms of when we would do the audits. So if we push back the sunset dates a little bit for this first round of performance audits, then we would get them all done in the three-year period and then you could set new sunset dates. [LB538]

SENATOR GLOOR: Okay. Questions? Senator Schumacher. [LB538]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you, Martha, for your work on this project. As I looked through the various criteria by which the programs would be judged, I'm wondering if you feel we need more or less definition of some of these and how you would plan going about defining it, for example, creating high-quality jobs. Well, you know, some people may think one thing is high quality and other people will think not. And whether or not something is high tech and entrepreneurial, are we still in a gray area of what we're talking about? And how do you intend to address that so when you say, yes, this one is a winner, it creates high-quality jobs, we know it's not the $11.30 an hour job? [LB538]

MARTHA CARTER: The short answer is yes. We're still in a gray area in many of these definitions. The way that we would envision addressing that, is we would start with the discussion that's in the final LR444 report because last year, as you know, that committee spent quite a bit of time discussing, well, what would we really like to know? If we could know anything we wanted to know, what would it be? So we would start with the things that are in the report and, in fact, we had hoped to put a reference in the statute that required or directed us to do that, but that's not really typically done. So just to have it on the record, that that's where we would start is with those metrics. Then we're going to have to do a fair amount of work with what data is available, and I would think that the back and forth then, there's going to be two parts to that. One is that we will work with the Performance Audit Committee as the individual audits come up and they will ultimately, as is our standard practice, we will present to them, here's the question and how we think we're going to measure it. And then that committee would have input and potentially change those things if they didn't like the way we had outlined it. So that would be the first line, and then as we go along, we're going to just be learning more, I think, about what information is available and what is really useful and there are going to be situations where again, because we aren't...we don't make policy recommendations. So let's say with your salary example, maybe we find that there's a range of salaries and so the way I would envision that coming out in the audit report is that we would say, well, here's the range of salaries that we found and if the Legislature feels that that is sufficient and meets the intent, then no changes are needed. And if the Legislature does not feel that that's sufficient, then we would recommend that you introduce legislation to change the program guidelines. So, although, what we would be doing is comparing performance to some kind of standards, trying to do that, trying to say, here's the Legislature's goal, here's what we found, this is an area where it's not all going to be just absolutely black and white because of the kinds of things that you mentioned, Senator Schumacher. [LB538]

SENATOR SCHUMACHER: Then like on page 7 at (c) it says an assessment of whether there are adequate protections are in place to ensure the fiscal impact of the incentive does not increase beyond what it was expected to. In that context, does that give you a broad enough guideline so, for example, in the Advantage Act, one of the topics of discussion, I think, has been, gee, there's like a billion dollars of these credits floating around, but don't worry about that because most of them will be used. Does that...do you see that issue being addressed within these guidelines? [LB538]

MARTHA CARTER: Yes. We will try. I mean, one of the things, as you know, that is a little bit unusual about the way that the individual programs have been set up is that some of them have actual caps on the amount that can be spent and some don't, and the Advantage is one that doesn't. But that certainly would be part of the discussion in our audit. [LB538]

SENATOR SCHUMACHER: And then a final one. Again on page 7, it calls for a comparison to the results of other economic development strategies with similar goals and policies. Would in the purview of that the...an issue be addressed of whether or not tax perks are better than a really souped-up educational system? Is that what you're getting at there? [LB538]

MARTHA CARTER: I think it is, and the way that we would envision that is that the individual scope statements are going to have to prioritize some of these different measurements, especially for the first round of audits where we really are going to have to be doing a lot of finding out what the data is and whether we can get access to that data and those kinds of questions. So I'm really envisioning that the Performance Audit Committee, and again remember, for these audits, that will include two representatives of this committee that those kinds of...what we will probably do is ask that committee, okay, here are the things that we think we can do. You prioritize for us which are the most important ones. And so with the idea of different policies, again, we're not necessarily going to come to you and say, would you like us to look at how this would compare to (inaudible) across the board corporate income tax. But if that is something that the committee wants us to do, we will certainly do it. [LB538]

SENATOR SCHUMACHER: And you just raised one little tidbit of a question. You said whether we can get access to that data. What prevents you from getting access, and do we need any special access provisions in here? [LB538]

MARTHA CARTER: We may. I don't think we need any special access provisions in here because under the Performance Audit Act, we have broad access to everything that agencies have, including information that is confidential. However, we cannot release information that is confidential, and especially with tax records, the penalties are very severe for release of that information. And our access is tied to the tax statute so that we have the same potential penalties as anybody who works for the Department of Revenue. So, I don't think there's going to be a problem with access per se. What I don't know is...and you may remember when this came up a few times last summer, there may be times when in order to do an analysis, we've got to get information from a couple of different sources and put them together. So that could...that's where I'm not sure if we're going to need some additional legislation at some point to help with that. And there might be, because the Department of Revenue is under restrictions in terms of what can be released publicly, potentially there could be some need there to authorize them to release information. So best-case scenario, we would try and get that, those kind of things identified so that they could maybe be addressed next session and in time then to develop that first audit of the Advantage Act. [LB538]

SENATOR SCHUMACHER: Thank you, Martha. [LB538]

SENATOR GLOOR: Senator Brasch. [LB538]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Martha, for your testimony. You answered several of my questions but I'm still not clear. The businesses make an application through the Department of Revenue, correct? [LB538]

MARTHA CARTER: Uh-huh. [LB538]

SENATOR BRASCH: And there is criteria and benchmarks of things they must accomplish to receive a credit. So at this point, the Legislative Audit Committee and the Legislature is looking at a cost-benefit analysis of whether we will continue granting this specific company or business their tax credit? Wouldn't that be the role of the auditors at the Revenue Department? [LB538]

MARTHA CARTER: Yes, and it's a great question because as Senator Watermeier mentioned, we have very strong auditing requirements in the existing statutes. Businesses have to produce before they get their credits. So that part of the process is very solid. What this is looking at is saying, okay, stepping back from one individual business and what its requirements are under that contract. If we looked at for a two- or three-year period, all of the investments, jobs, other things that were brought to the table from the companies under the contracts in place at that time, how do those compare to the state's current economic needs. So as a very basic example, during the LR444 Committee discussion, one of the things that committee members discussed was that most of the projects under the Advantage Act have been in the more rural parts of the...I'm sorry, in the urban parts of the state. So there were some members of the committee who thought, well, maybe that's something we need to look at then. That suggests maybe there's something more we need to do for rural areas. So that's...it's a bigger picture view of what is the impact of these programs as a whole, not the individual companies so much, and how do you compare those to the state needs as a whole. [LB538]

SENATOR BRASCH: So we're becoming data collectors rather than enforcers, or is there some enforcement that we're anticipating? [LB538]

MARTHA CARTER: I don't think there's any enforcement in what we're talking about with these audits. I think what we're talking about is pulling information together in ways that it maybe hasn't been done before and presenting options for the Legislature's consideration in terms of, here's what the costs are, and again, those are not going to be, here is the cost, because, for example, with the Advantage Act, there's what has been earned by companies, there's what has actually been used by companies, and then there's the amount that they may still use. So, I think it's going to be incumbent on us to present things...to present the information in ways that you can use it to consider improvements to the programs. [LB538]

SENATOR BRASCH: Or create additional incentive programs that we have not thought of or a market that we need to try to capture and encourage it. [LB538]

MARTHA CARTER: Absolutely. Absolutely. Exactly. [LB538]

SENATOR BRASCH: You've explained that very well. Thank you. Thanks. [LB538]

MARTHA CARTER: You bet. [LB538]

SENATOR GLOOR: Seeing no further questions, thank you, Martha. [LB538]

MARTHA CARTER: You're welcome. [LB538]

SENATOR GLOOR: Additional proponents. Good afternoon. [LB538]

ROBERT ZAHRADNIK: (Exhibit 4) Thank you, Senator Gloor and members of the Revenue Committee. For the record, my name is Robert, R-o-b-e-r-t, Zahradnik, Z-a-h-r-a-d-n-i-k, and I'm director of state and local policy at the Pew Charitable Trusts. I'd like to thank Chairman Watermeier, Vice Chairman Kuehn, and Speaker Hadley and members of the Legislative Performance Audit Committee for inviting me to testify in support of LB538. Pew is a public charity that engages in research and technical assistance at the local, state, and federal levels. We have been doing research on economic development incentive evaluations since 2012. Our research has found that when states want to spur businesses to create jobs and make new investments, tax incentives are the primary tool they use. Despite the importance of tax incentives, in many states these programs have only been studied inconsistently or superficially, if they have been reviewed at all. Policymakers have been forced to make decisions based on anecdotes, rather than hard evidence. Regular, rigorous, independent evaluations can help determine which incentives are working, which are not, and how to create jobs and grow the economy in the most effective ways possible. Our research has found that momentum for incentive evaluation is growing. From 2012 to 2014, ten states and the District of Columbia enacted laws that will require regular evaluation of all major economic development tax incentives or will improve existing evaluation processes. Support for regular evaluations crosses political lines. In each of these ten states, the bills passed on strong bipartisan votes. States as politically, economically, and geographically diverse as Alaska, Arizona, Mississippi, and Rhode Island now regularly evaluate their major tax incentives and connect the results to the policymaking process. There is regional momentum as well. A number of neighboring Midwestern states are looking at implementing incentive evaluation. Legislation passed the North Dakota Senate recently. Oklahoma's governor discussed the need for incentive evaluations during her State of the State speech, and Iowa for several years has conducted periodic, in-depth reviews of various incentive programs. Incentive evaluation can help support economic development in the state. If an incentive is working well, evaluations can provide independent, reliable evidence of this fact. A Connecticut evaluation recommended expanding the state's enterprise zone incentive as a result of the program's strong results. The study found that the incentive increased Connecticut's gross state product and boosted employment. Evaluations can also point out ways that incentives can work better. For example, in Ohio, one of the state's key incentive programs once required local governments to provide matching funds in order for companies to qualify. A 2009 evaluation found that the incentives were generally working well, but the local matches cost businesses more in transaction costs than they were worth, while also placing a financial strain on local governments. Based on the report's recommendations, lawmakers eliminated the local match requirement. Based on our research, states need to take three key steps: make a plan, measure the results, and connect those results to the policymaking process. LB538 puts these three steps into practice. First, make a plan. The bill creates an evaluation schedule so that incentive programs are studied at least every three years. This evaluation schedule will allow the evaluators enough time to gather evidence...to gather the relevant data on each specific program. It will also make legislative review of incentives more predictable. Businesses will know in advance when the state plans to study incentives of interest to them and will have an opportunity to provide their perspective on whether the program is working as intended. Second, measure the results. The proposal houses the evaluation function with the legislative auditor, a respected, nonpartisan office experienced with program evaluation. The bill requires that evaluations include an examination of whether tax incentives are meeting their goals and an analysis of the fiscal and economic impacts of the program. And third, the bill connects the evaluation results back to the policymaking process by requiring that each tax incentive performance audit report be presented at a joint hearing of the Appropriations Committee and Revenue Committee, so information could be used to improve the effectiveness of incentives. Policymakers want tax incentives to provide the best possible outcomes for states' economies and budgets. For that reason, measuring the results of these programs is critical. When states have done so, they have been able to identify what is working and what is not. Then lawmakers have succeeded in using that information to improve the effectiveness of their incentives. In this way, regular, rigorous, policy-relevant evaluations of tax incentives stands to make states more economically prosperous and fiscally sound, to the benefit of businesses, workers, and taxpayers. Thank you, and I welcome your questions. [LB538]

SENATOR GLOOR: Thank you, Mr. Zahradnik. Let me ask you this. Has the process of evaluation by these other states been in place long enough to serve as a template for some of what we've done through this process? [LB538]

ROBERT ZAHRADNIK: I would say we're...Pew, we're here to help in the sense of we've...we have a lot of experience. We're very familiar with how other states do their evaluations. I think, I mean, the tricky part is that the quality of evaluations across states varies quite a bit. And so we've looked at just about every evaluation that's been done and we have a pretty good sense of kind of what works and what doesn't in terms of doing the evaluation. So, you know, we don't see our support for this effort ending...ending here. We're certainly going to be available to provide assistance and to point...to point the auditor shop in the direction of which states are doing this well, what are some methodologies that we think could make sense for Nebraska. [LB538]

SENATOR GLOOR: Well, and I...Senator Schumacher gave an example, but, you know, I'd look at this trying to develop a metric around impact on other businesses. If I'm one of the businesses in competition, I'm going to drag a wing and say this is bad. I mean, I...and feed information accordingly of all those ways that it doesn't work for me, or has put me at a disadvantage. And so, I'm thinking through, you know, how are we going to fairly evaluate that given, you know, privacy issues, the fact that corporate bottom lines aren't going to be shared... [LB538]

ROBERT ZAHRADNIK: Sure. [LB538]

SENATOR GLOOR: ...as part and parcel of this. And so, I'm just wondering, so how are we going to wrestle with it and what have other states done that seems to be a reasonable approach? [LB538]

ROBERT ZAHRADNIK: And I'll say, we're also...we're in the process of developing our methodology that we can provide to states, which is a way of sort of taking a step back and saying, okay, business have reported a certain amount of jobs to the state. Now let's take a completely separate independent look at using publicly available data, you know, how responsive are businesses? Because basically what a tax incentive is doing is it's lowering business cost by a certain amount. And the question is, how responsive is a business to that cost change, and are they going to do something that they wouldn't have done otherwise? There's also the question of, is this an export business? Export businesses will tend to create jobs that aren't displacing existing jobs. And we've seen evaluations where there was enterprise zone program in Louisiana that allowed retail, for example, to participate in the program. Well, retail, restaurant jobs, those aren't export jobs and basically you had businesses getting an incentive and they were just displacing existing jobs at retail establishments. And based on an evaluation, they went back and they refocused the program on manufacturing, which is an export-driven business. So there are ways to, sort of, take a step back and kind of compare the information that's being reported to what would have looked like if you did sort of an independent assessment of how businesses respond. And that's the kind of analysis that's possible and we're certainly available to help with that. [LB538]

SENATOR GLOOR: Okay. Senator Brasch. [LB538]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Mr. Zahradnik, for coming here today and your testimony. [LB538]

ROBERT ZAHRADNIK: Yes. Yes. [LB538]

SENATOR BRASCH: Are there any states that do not have a tax incentive program? [LB538]

ROBERT ZAHRADNIK: To my knowledge, the state of Michigan recently essentially got rid of all their tax incentives. There are a couple of other states that have...and I think...and one caveat is, while there are a couple of states that may not technically have tax incentives, every state has economic development incentives. In a lot of cases what a state does on the spending side looks very similar and plays a very similar role to what a tax incentive looks like. The reason that we've talked...the reason we've worked with states to focus on tax incentive evaluations is because it's not part of the budget process. So it just doesn't get the same level of review that on-budget expenditures get. So, I would say every state is in the business of economic development incentives...just about every state has a tax incentive. The few that don't have other types of incentives. [LB538]

SENATOR BRASCH: There are others... [LB538]

ROBERT ZAHRADNIK: Yes. [LB538]

SENATOR BRASCH: ...so there is for economic development, business purposes they may give land or building or training or... [LB538]

ROBERT ZAHRADNIK: Or grants or loans or subsidized loans, yes, or training, exactly. [LB538]

SENATOR BRASCH: So they...it's very competitive for all 50 states on business, correct? [LB538]

ROBERT ZAHRADNIK: Yes. Absolutely. [LB538]

SENATOR BRASCH: Are you familiar with what the incentives are in each state? Does your institute study that? [LB538]

ROBERT ZAHRADNIK: We have focused on evaluation and we're familiar with, from a sort of general...in a general sense, kind of...most states have, for example, some sort of job creation, you know, a tax incentive that's focused on job creation. But those take many different forms, and sort to the point of evaluation oftentimes there is a discussion that's about jobs, but there's more to it than just jobs. It's what is...are these quality jobs? You know, what are the wage levels, what are the benefit levels? Are they temporary jobs or permanent jobs? Are you trying to get jobs for residents, nonresidents? So oftentimes there's just sort of high-level discussion about jobs, but in an evaluation like this can at least try to answer some questions. Well, what are these jobs? Who is filling these jobs? Do we have a work force that has the skill level to actually compete for those jobs? Are we attracting people to the state and maybe that's a goal, are you trying to grow your population, are you trying to get folks that are unemployed to fill these jobs that are residents? That's...those are all the kinds of questions that can be answered. And to your question about other kinds of incentives, oftentimes states will have industry-specific incentives. You know, are they trying to incentivize manufacturing? Some...a lot of energy states have energy-related incentives. Agriculture in agriculture states. It just depends on what the strategy of the state is. [LB538]

SENATOR BRASCH: And along that line, are there rankings of which are the most job friendly...where would Nebraska fall is where I'm going with this? Are we in the middle or top or...? [LB538]

ROBERT ZAHRADNIK: That...what I'll say is, there are many, many rankings. And I'm not familiar with where Nebraska sits on the rankings and I do think...I mean, I think, sort...the rankings often take up a fairly broad-brush look at the state. I think the focus of this evaluation process is looking at these incentive tools that you've already put in place. You know, are they delivering the return on investment that you're looking for, and I think these evaluations really provide an opportunity to make policy changes, to design them in a way that get's the most...that get's the most effective outcomes that you're looking for, which is at a very different level than sort of your...those rankings are often about broader issues around your overall tax policy, or your regulatory climate. What is the education of your work force? Those are all important. This is really trying to take a narrow focus on, okay, this is the set of tools you're using. Are they the right tools and are they working? [LB538]

SENATOR BRASCH: And you mentioned that ten states just passed regulatory...basically, it's regulatory requirements, correct, or...? [LB538]

ROBERT ZAHRADNIK: No, it's an evaluation requirement. It's just like this. You know, states put in place a process where they are going to review their incentives just like this bill envisions, try to answer questions about how well those programs are working, and then report back oftentimes to a legislative committee that says, here's what we found, and here's some ways you might want to, you know, change these programs to better deliver the results you're looking for. [LB538]

SENATOR BRASCH: Very good. I have no other questions. Thank you, again. [LB538]

ROBERT ZAHRADNIK: Thank you. [LB538]

SENATOR GLOOR: Seeing no further questions, thank you. [LB538]

ROBERT ZAHRADNIK: Thank you. [LB538]

SENATOR GLOOR: I understand you're trying to catch a flight out? [LB538]

ROBERT ZAHRADNIK: I am. Is it still snowing? (Laughter) [LB538]

SENATOR GLOOR: Yes, it is. Thank you. Other proponents. [LB538]

DICK CLARK: Chairman Gloor and members of the Revenue Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k, and I'm testifying today on behalf of the Platte Institute. Thank you for this opportunity to speak in support of LB538. Senator Watermeier's bill would mandate development of an audit plan for tax incentive programs and require an audit of each such program at least once every three years. It would also mandate the setting of metrics for evaluation of program performance and extend some of those sunset dates as you've already heard so that that further analysis can take place. Today, there's not any provision in law mandating regular evaluation of the broad effectiveness or aggregate effectiveness of Nebraska's tax incentive programs. The proposed changes in this bill would help policymakers and members of the public to understand the return on investment that Nebraska gets from these incentive programs. This committee has in the past heard me describe the ample body of research demonstrating that lower taxes promote a more vibrant growing economy, and I think the best economic incentive of all is the business-friendly tax environment. The incentive programs referenced in this bill have a noble purpose to encourage economic development in Nebraska, but they were created to compensate for Nebraska's generally high and uncompetitive taxes. While new incentive programs are proposed and discussed, there's always a concern about the opportunity costs that might be involved, namely, whether we're trading broad-based tax relief that could help all entrepreneurs for tax incentive programs that could help far fewer businesses to succeed. While the Platte Institute would never come out against someone paying lower taxes, we believe that it's important to provide tax relief for every taxpayer not just a favored few. The Platte Institute is not advocating today the repeal of any existing incentive program, but good public policy is based on good evidence. This bill would help ensure that legislators have that evidence to consider as they make important decisions about how best to promote the growth of Nebraska's economy. I'd like to thank the Legislative Performance Audit Committee for their work on the LR444 interim study. I'd also like to thank Senator Watermeier for his continued interest in this topic and for introducing the bill as Chairman of the committee. Thank you for this opportunity to testify today and I'd be happy to answer any questions. [LB538]

SENATOR GLOOR: Thank you, Mr. Clark. Any questions? I see none. Thank you. [LB538]

DICK CLARK: Thank you. [LB538]

SENATOR GLOOR: We continue with proponents. Ms. Fry. [LB538]

RENEE FRY: (Exhibit 5) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of the OpenSky Policy Institute. I'm here to testify in support of LB538 and applaud the Performance Audit Committee and their staff for the good work they've been doing on tax incentives over the last couple of years. A lot of work has been done nationally looking at tax incentives. The Pew Center on the states, Good Jobs First, the Institute on Taxation and Economic Policy and many, many researchers have been studying tax incentives and making recommendations for how to best analyze their effectiveness. Much of the research has found that policymakers do not have the information they need to appropriately evaluate incentive programs or to make them more effective and accountable. Many states have responded, like Nebraska, setting up the structure for this analysis to take place. LB538 will be an important tool for conducting evaluations of our incentive programs and connecting these evaluations to the policymaking process. We find the bill to be very strong and thoughtful, and we have three suggestions that would address issues that have been raised during this process. First, while LB538 does identify the creation of high-quality jobs as a goal of the incentive programs, we would recommend that a more detailed analysis of wages and benefits of incentivized jobs be added as a factor under Section 3(b). The big incentive programs require a minimum wage of $11.33 without benefit requirements for an employee to count as a new employee. For example, a single parent with one child would be at roughly 148 percent of federal poverty level at $11.33. This means that the child would be eligible for the State Children's Health Insurance Program and reduced price school meals. For a single parent with two children, the family would be at 117 percent federal poverty level and eligible for SNAP and the childcare subsidy. The kids would be eligible for free school meals and for SCHIP. It was fleshed out by Senator Schumacher that since the wages are averaged, you could have one employee making $500,000 and everyone else making $11.33, and all employees would be eligible. Consequently, the state is subsidizing jobs that may be so low wage that these employees are also receiving other state benefits. Number two. We would suggest adding another factor that would evaluate whether an incentive causes Nebraska to grow more rapidly than it would have otherwise, including a comparative analysis of the growth of incentivized businesses to nonincentivized businesses. Three. Empower the legislative auditor to draw clear conclusions about how tax incentives are working and how they can be improved so that our policymakers are given information to make adjustments to our incentive programs when they aren't meeting their stated objectives, including dropping wasteful incentives and expanding those that are beneficial. Thanks for your time, and I'd be happy to answer questions. [LB538]

SENATOR GLOOR: Thank you, Ms. Fry. You know, the person that could figure out number two really should consider a career in horse race handicapping, I think, given what I think would be an incredibly difficult challenge of evaluating whether the rapid growth is, in fact, one of other phenomenon as opposed to these programs. I can't argue that it makes sense. I just can't (laugh)...the calculus of it, a bit overwhelms me. But I certainly understand the intent behind it. Has there been any further...did you have a lot of discussion about point number two? [LB538]

RENEE FRY: This came up quite a bit during all of the committee meetings that took place. I will tell you that as a business...we're a nonprofit and we report the number of employees we have and our growth to the Department of Labor every year, so. And we do it by sector so that information is collected currently by sector. So the Department of Labor, in theory, would know for certain types of sectors what sort of growth those companies are seeing, so there should be able to be a comparison. Now, will it be apples to apples? No, but you should be able to do an industry by industry, you know, contrast of those businesses that are incentivized and those that aren't to see whether there's any difference. [LB538]

SENATOR GLOOR: Okay. Senator Schumacher. [LB538]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Renee, for your testimony today. How does the fact that one of the underlying objects of these acts is to create employment interact with the fact that we probably, even though they may be low-paying jobs, we probably now are full or structural employment. I mean, what can we expect these things to do if we're there? [LB538]

RENEE FRY: Yeah, that's a great point. And so, I think we need to look at whether these jobs...are we pulling new people into the state? Mr. Zahradnik covered this as well...addressed this as well. Are we bringing new people into the state? Are we taking people that are currently unemployed and giving them jobs? You know, what is actually happening? Are we able to determine that or are we just incentivizing jobs that would have happened anyway? But I think that's a valid point. I mean we are at structural unemployment and it just depends on what the goals of these incentives are and whether they're being used for recruitment or retention. And are they, in fact...are they helping to keep our unemployment down, which may be an outcome of these incentive programs. But we don't know the answers to that which is why I think this evaluation is so important. [LB538]

SENATOR SCHUMACHER: Or are they just shuffling jobs from an unincentivized older business to a more glamorous incentivized business with not much improvement in jobs? [LB538]

RENEE FRY: Right. That could be happening too. We just don't know right now. [LB538]

SENATOR SCHUMACHER: Thank you. [LB538]

SENATOR GLOOR: Thank you for your questions... [LB538]

RENEE FRY: Thank you. [LB538]

SENATOR GLOOR: ...or your presentation. [LB538]

DOUGLAS KINDIG: (Exhibit 6) Good afternoon, Senator Gloor and the rest of the Revenue Committee. I'm Mayor Douglas Kindig, K-i-n-d-i-g, of the city of La Vista. I'm here today on behalf of the United Cities of Sarpy County, which includes Gretna, Springfield, Papillion, and La Vista. I'm here today in support of LB538 which would require audits of tax incentive programs under the Legislative Performance Audit Act and change tax incentive sunset dates. Many of you have heard me speak about the impact that the state's tax incentive programs have had on the city of La Vista. That's not why I'm here today. Rather, I want to convey to you our belief that the ongoing evaluation of the state's existing and future tax incentive programs is both necessary and critical to our lawmakers' abilities to determine the effectiveness of these programs. Today we don't have a mechanism in place that allows us to understand the impacts of tax incentives at either the state or local level. While it is likely that the state's tax incentive programs will always be the subject of debate, it is our hope that utilizing actual data will make for productive discussions and lead to continued growth of this state's economy. One of our frustrations with the state's tax incentive programs relates to the lack of transparency, especially when it comes to determining the impact on the local municipalities. Advancing LB538 would be a tremendous step in the right direction and as such we encourage your support. Thank you for your consideration. I'd be happy to take any questions. [LB538]

SENATOR GLOOR: Are there any questions for Mayor Kindig? Senator Schumacher. [LB538]

SENATOR SCHUMACHER: Thank you, Senator Gloor. One quick question. Should part of the analysis of these programs, and now that you interjected cities into it, be whether or not it's a war between cities just like we have a war between states, and should we be fostering a war between cities for who gets this new development? [LB538]

DOUGLAS KINDIG: Senators, as far as some of the incentive programs and...you know, it's usually the state that administers these programs so it starts at the state level and then there...by that time, the developer, the business, has probably picked an area or they're actively looking through for an area. And then that is the time then that, to be honest, you know, a lot of these incentive programs, the cities don't find out about it until after the incentive has already been given. So, is there competition between the cities? Not as far as the incentive programs go that the state offers. Obviously, the land that we have available, utilities that are already in place, those type of things, but it really doesn't create competition amongst the cities in the state, I don't believe. [LB538]

SENATOR SCHUMACHER: Like LB840 or TIF, you don't see that as...if it was a close case that was generated by the state incentive that the cities would sweeten the pot or get in the competition? [LB538]

DOUGLAS KINDIG: And again, those are local incentive programs that are available to us. And, yes, it does create competition amongst the cities. I think many other factors come into it though as far as location, work force, again utilities, all those type of things. But I think, I've said over the years, many, many times, that I've been in favor of incentive programs. I think incentive programs should be investments, though, and not giveaways, Senator. And so, I know that in my city that's how we've conducted business and I think the majority of the cities statewide have done that also. But incentive programs should be investments. [LB538]

SENATOR SCHUMACHER: Thank you. [LB538]

SENATOR GLOOR: Senator Brasch. [LB538]

SENATOR BRASCH: Thank you, Chairman Gloor and thank you, Mayor Kindig...is correct? [LB538]

DOUGLAS KINDIG: Yes. [LB538]

SENATOR BRASCH: Now, you...I didn't have a question until you just raised one. Do cities get notification by Department of Economic Development or...that may be an industry or company is shopping in Nebraska? Is there any type of a connection...? [LB538]

DOUGLAS KINDIG: No, Senator. [LB538]

SENATOR BRASCH: ...not Department of Labor or anyone that...? [LB538]

DOUGLAS KINDIG: We're notified after the incentive has been signed, sealed, and delivered. [LB538]

SENATOR BRASCH: Okay. So I'm just curious if there was an opportunity for, guess what, or maybe companies shopping are kept as secret shoppers or something, but to just get some sort of a bulletin out where cities could compete. [LB538]

DOUGLAS KINDIG: Right. We wish we could be at the table earlier and there are...and there, Senator, there have been cases of that. I've got a company in my town that not only along with the state incentives, they did ask us for some local incentives that we were able to give them. But in the majority of cases, the businesses approach the state or the state has approached them and the cities aren't made aware of those incentive programs until after they've been signed. [LB538]

SENATOR BRASCH: So there's no bid process amongst the cities to try... [LB538]

DOUGLAS KINDIG: Not in the majority of cases and that is something that I wish we could be at the table a little bit earlier. [LB538]

SENATOR BRASCH: Very good. I have no other questions. Thank you. [LB538]

DOUGLAS KINDIG: Okay. [LB538]

SENATOR GLOOR: Thank you, Mayor Kindig. We appreciate it. [LB538]

DOUGLAS KINDIG: Thank you, Senators. [LB538]

SENATOR GLOOR: Other proponents. Can I see a show of hands? How many more proponents are there for this bill? Okay. Thank you. Is there anyone here in opposition to this bill? Okay. Thank you. [LB538]

RON SEDLACEK: Chairman Gloor and members of the Revenue Committee. For the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, and I'm here on behalf of the Nebraska Chamber of Commerce and Industry in support generally...in support of LB538 and its provisions. Not going to describe the bill and the intent of the bill for you. You've heard that about four times already, but rather just give you our position on the legislation, and then just for a moment discuss a couple of areas that we thought might need a little bit of clarification and what's been thought about. And I begin on page 7 of the bill. We've had--on page 7, lines 13 and 14--some question as to what the intent of the language is or what is it aimed at, and it reads currently, "this consideration includes both positive direct and indirect impacts and any negative effects on other Nebraska businesses," and I've heard it now interpreted three different ways and thought you might want some clarification in regard to this to get to the intent that you want. But one way is reading it as "positive direct and indirect impacts," period, so to speak, but impacts on who though is the question. Or it could be impacts on other businesses or it could be indirect impacts and then negative effects which are different than the impacts and so is this on the business or...you know, that seems to read clearly. But at any rate, just suggest that that might be clarified, fleshed out to appropriate intent. The other question is, for example, if a new employer comes in, they have the incentive program, they're hiring people at a higher wage. And they are impacting now the labor market in that community. That's good in one sense. You know, you're getting wage growth, but that's a negative impact on a business potentially on the labor market in general in that market area. So is that to be scored as a positive, or is it to be scored as a negative, or I guess, it's in the eye of the beholder in that regard. Also, then on page 6, and this would be in relationship to the various economic impacts, on lines 30 and 31. You know certainly we want to increase employment and we'd like to create high-quality jobs as well, but feel that there are situations where there may be applicants who qualify for the credits and they are involved in, which I might call a more of an unskilled labor market or beginning skills, and the question is, is that valuable as well? You know, we certainly want to create higher paying jobs but we want to give opportunity for all citizens, even those entry level jobs, call centers, or those types of things, where they can advance if they get job experience. So, hopefully, this is weighted appropriately in that regard and recognized by the Legislature. We would suggest potentially an additional type of analysis and that would be, how has the program also stabilized a business presence. In other words, you may have a business who has the option of expanding or modernizing a plant, a facility, a manufacturing facility. And they could do it in Nebraska and they can do it in other states. And they shop the incentives and they decide to do so here in Nebraska. That probably is akin to buying an insurance policy, so to speak, in saying they have a commitment here now for at least another 20 years, or whatever it might be until that...until they go through the modernization again, but we now have a commitment to the Nebraska economy. And we feel that should be part of a measurement as well. With that, I'll conclude and entertain any questions. [LB538]

SENATOR GLOOR: Thank you, Mr. Sedlacek. Seeing no questions, thank you. [LB538]

RON SEDLACEK: Thank you. [LB538]

SENATOR GLOOR: Next proponent. Senator. [LB538]

LORAN SCHMIT: Chairman Gloor and members of the Revenue Committee, my name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t, to testify here today in support of LB538. Commend Senator Watermeier and the members of the committee for introducing the bill. As an early person who questioned the ability and the help of these bills, I've become a supporter of tax incentives recognizing that the Legislature when they create such a program have difficulty to determine what the eventual impact of the program might result. For example, when LB775 was enacted, Senator Vard Johnson predicted on the floor of the Legislature that the entire revenue loss for the program, or the life of the program, would not exceed $100 million and that not more than 8 or 12 companies would probably participate. But now we know that several hundred companies have participated and the cost has exceeded, I believe, $2 billion which has had a tremendous impact upon the work of this committee and the Legislature because of the, I guess, success of the program. Secondly, I believe it's important that we realize that there are different types of companies that will be enticed by these kind of programs. I'm not a great fan of companies which come to Nebraska and pay minimum wage, no benefit, to the employee. And where these small town wives and farmer wives work for 30 hours a week and then have to get another 30-hour week job to take home several hundred dollars a week. We also use the incentive plan to encourage the ethanol industry to become established. Cargill came to Nebraska rather than being enticed to Iowa because of the incentive plan. And if you've ever seen the campus at the Cargill area today, and visioned the production of the improvements that have been made to the state because of that, I think you can easily justify the investment that was made. We're sort of proud in the ethanol industry that we have identified to the dollar the amount of incentives that the farmers and the state have contributed to make that program work. It's about $350 million, $150 million of that was state funds, the balance was farmer-contributed funds. We are also very proud of the fact that the average salary paid at the ethanol plants is about 50 percent higher than the average salary in manufacturing. So we're very pleased with that. In addition, the fact that ethanol industry produces, as a dry product, distillery grains, it has created a feedstock which has encouraged Nebraska to feed more cattle and we are today the largest cattle-feeding state in the nation. So there are many of these factors that come into being and we ought to be willing as participants into these programs to subject ourselves to legislative scrutiny to make sure that the state is getting our money's worth. Mr. Sedlacek referred to the adverse impacts, and there are some. I know more than one local businessman has said, you know, Loran, we roll out the red carpet for a business that has never been in Nebraska, we give them all kinds of benefits and tax breaks, and we've been here for 100 years and we've supported the Boys Scout, we've supported the United Way, we've supported all the local programs, and we don't get anything. So there is that factor to be considered also. By and large, I believe the incentive programs have been a success. I agree that they need to be reviewed and very frankly, the fact that the ethanol program had a sunset date, I think was beneficial, because you knew that at a certain time this came to an end and if we wanted to create a new program, we'd have to come back to the Legislature and present it to the program and make a sale and have continuous open-ended program. That's all I have to say, Mr. Chairman. Answer any questions. [LB538]

SENATOR GLOOR: Are there any questions for Senator Schmit? Thank you. [LB538]

LORAN SCHMIT: Thank you. [LB538]

SENATOR GLOOR: Good afternoon. [LB538]

LYNN REX: Good afternoon, Senator Gloor, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in support of LB538. We deeply appreciate the Legislature looking at these programs. We think that these...both of these programs have been extremely helpful to municipalities and to our economy in the state of Nebraska. By the same token, as Mayor Doug Kindig indicated from La Vista, municipalities have also dealt from the refund side of it and the impact on their budgets. And it's been a huge impact. That being said, certainly if there's anyway that municipalities could be more of a player on the front end, that would be helpful. We appreciate, Senator Brasch, you asking the question about the notification because as Mayor Kindig indicated, municipalities don't know until it's at the end of that. And more importantly, just from a budgetary standpoint, it would be extremely helpful for municipalities to have some insight in terms of these sorts of programs. The Legislature has done quite a bit over the last few years, which we really appreciate, and this committee has provided great leadership in trying to assist municipalities on the back end of being able to access information. We were not involved in the...were not asked to be involved, nor were we involved, in the drafting of LB775 or the Nebraska Advantage Act changes. But again, we're so appreciative of the companies that have come to the state of Nebraska, appreciative of the companies that have stayed in the state of Nebraska and that have been here for a long period of time because they play a vital role in our municipalities. And as municipalities grow and prosper, so does the state of Nebraska and so does your economy. With that, I'd be happy to respond to any questions that you may have. [LB538]

SENATOR GLOOR: Thank you, Lynn. You've had a busy past couple of days, I know, but have there been representatives of the League over here for hearings the past couple of days? [LB538]

LYNN REX: Yes, there have been. [LB538]

SENATOR GLOOR: And have they been in the Urban Affairs Committee? [LB538]

LYNN REX: Yes, sir. We've been bonding with the Urban Affairs Committee quite a bit yesterday afternoon. [LB538]

SENATOR GLOOR: Isn't it interesting that there were TIF bills that were being considered in Urban Affairs, and then today, we're hearing the Performance Audit on Tax Advantage bills. [LB538]

LYNN REX: Yes. [LB538]

SENATOR GLOOR: Did that ever cross your mind, isn't that an interesting paradox in some ways of the bills that find its way to Urban Affairs, yet we're considering the Performance Audit of those programs here? [LB538]

LYNN REX: Well, the bills that are being considered by Urban Affairs Committee yesterday were all three bills we opposed, municipalities across the state opposed those, and those are bills that deal with tax increment financing which is solely constitutionally a municipal and a local program. So that is fundamentally different. And, of course, what is also different is that our partners on the local level, schools, counties, others, they are given notice before TIF is actually...before an area is even declared substandard and blighted, they are given notice about the companies that are involved in tax increment financing. And, obviously, they are...especially the schools, the primary beneficiary since they have the largest part of the tax dollar. So there's a fundamental difference in terms of the types in notifications and partnerships in the local level, and in stark contrast to the way which these programs operate on a state level. But again, if you want to look at just bills that impact the economy of the state of Nebraska, no question about it, I agree with you that the tax increment financing combined with these programs have driven and been the economic drivers for the state. [LB538]

SENATOR GLOOR: Thank you for the education. [LB538]

LYNN REX: Thank you very much. [LB538]

SENATOR GLOOR: Senator Scheer. [LB538]

SENATOR SCHEER: Just a quick follow-up to Senator Brasch. Part of the problem with having front-end knowledge as far as communities on economic development, normally has to do with the confidentiality that the businesses require coming in rather than necessarily communities trying to pit each other against each other, would you say that's a fair assessment? [LB538]

LYNN REX: Yes, sir, I think that is a fair assessment and what is happening, though, I think concurrently, and I believe this to be true based on what some of my mayors have shared with me, is that you will have some of these companies that are working with the state of Nebraska on trying to get the incentives to apply and go through that process. But they're also concurrently, without telling the municipality when they're meeting with them, asking for tax increment financing, which is always an important tool dealing with this. So, I think that perhaps you have companies doing both things. And if I was representing the company wanting to get the maximum benefits and decide where to locate, which state to locate, I would be doing that. I'm not being critical of it, I think that's just what they're doing. But what I am saying, Senator Scheer, is that the difference is when company X is here in the state of Nebraska working to try to get and apply for those benefits, and then they're talking to, for example, the city of La Vista, they're not sharing with La Vista, oh, by the way, not only are we asking for tax increment financing, but we're also trying to get those state tax incentives so just a heads-up that once we qualify and once we've met the performance requirements, we fully intend to get those benefits. That is what cities don't have. That's the missing piece of the puzzle in terms of how it's impacting their budgets, because obviously, they are grateful to have those companies and also the companies that are here. But, thank you so much for the question. [LB538]

SENATOR SCHEER: Thank you. [LB538]

SENATOR GLOOR: Senator Brasch. [LB538]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Ms. Rex, on your testimony. One thing that I have been told by our...one of my municipalities is, yes, they're grateful for the incentives. However, if they aren't given adequate notification by the Department of Revenue when those taxes, incentives mature, it leaves their school in dire straits. And I had talked with the State Chamber of, do we need legislation? They said, no, it should be done in the Revenue Department and it is done normally by the Tax Commissioner. But are you seeing other municipalities or many...you know, is that the norm? Do they have enough time to prepare their school budgets and things when an incentive becomes deliverable? [LB538]

LYNN REX: Well, as it applies to the schools, they're really not...I don't want to say they're not a player, but they're really not a player in it. From a municipal...and the reason for that, Senator, is because it's a local sales tax option dollars that are subjected to a refund once these companies meet the performance standards. So when that happens...in this committee, when we really appreciate the hard work your committee counsel over a period of years, and I'm sure her frustration in having to work with us, but trying to pass legislation which you folks have been...we're very grateful that you have done. So that municipalities now at least have one budget year within which they will have...where the state of Nebraska will, in essence, pay those refunds so that indeed their budgets are not impacted for a year if, in fact, the amount of the refunds exceed 25 percent of the last years. So, but that does not apply, by the way, to Lincoln and Omaha, but some of these...and, of course, the reason why that's so important is because some of these refunds by the time the company qualifies and meets the performance audit...pardon me, performance standards, the cities are given notice of that mid-budget year. I can remember when I believe it was Chadron or Alliance and had a $300,000 type refund, which for them is huge, it may not mean much and doesn't in terms of the overall amount of what the state of Nebraska's budget is, but for their relatively small budget, oh, my gosh, to get notice that you're not going to get $300,000-some of local sales tax revenue, which is built in to fund your local budget for this year, that just had a draconian impact. So, we really appreciate the fact the Legislature has passed legislation in recent years to say that the state of Nebraska, if it is a significant refund of that magnitude, would pay it out and then they would take it out of the next year's allocation to municipalities. It isn't that the city isn't going to pay those refunds, but it's just that they're just given a year so they can build in their budget and make sure that they understand that up-front. That being said, would it be helpful to know in advance so that when some of these negotiations are going on that the municipalities would be a partner in that. I think that would be extremely important because, obviously, when many of these companies are now working with municipalities, whether it's Grand Island, Columbus, any of these municipalities, they're also asking for confidentiality when they're meeting on a local level just to see whether or not they're even going to consider coming to La Vista, Nebraska. So, and, of course, what the company does and I would do the same, they come to them and say, okay, in Iowa, here are the kind of benefits we can get. Can you match them, can you exceed them? We're looking...if you're a Cabela's, we're looking at expanding. Here's what we can get in South Dakota. Here's what we can get in California. Can you match it or exceed it? And that is what's happening across the state. But these programs have been extremely beneficial and, frankly, if it wasn't for these programs, Nebraska could not be competitive at all in the arena of economic development that nationwide. [LB538]

SENATOR BRASCH: Very good. Thank you. [LB538]

SENATOR GLOOR: Thank you. Seeing no further questions, thank you. [LB538]

LYNN REX: Thank you. [LB538]

SENATOR GLOOR: Any final proponents? Anyone here in opposition? Anyone here in a neutral capacity? [LB538]

BRUCE BOHRER: Good afternoon, Chairman Gloor, members of the Revenue Committee. Bruce Bohrer, appearing on behalf of the Lincoln Chamber of Commerce. We are supportive of the concepts under LB538 and certainly support the idea of evaluating our tax incentive programs that are identified under the bill. I would say we're in a supportive posture and really the only thing that keeps us neutral are some of the questions that were asked earlier. Feel a little bit more comfortable about it today, hearing that we probably will be using the LR444 metrics. I think Ms. Carter did mention that there are still some gray areas, and I guess that's really what kind of keeps us from saying...testifying today in support. But like I said, we are supportive of the general objectives under LB538 and look forward to being involved. We're glad that you all and the LR444 Committee have been involved. Certainly pleased to see Pew involved. This organization is very well-known in this area and very experienced in this area, so hope to be part of the conversation moving forward. I'd be happy to answer any questions you might have. Oh, for the record, my last name is spelled B-o-h-r-e-r. [LB538]

SENATOR GLOOR: Thank you. There was a...we've instituted a $50 fine for people who walk away. (Laughter) We haven't figured out how to collect it yet, though, so. Thank you. Good afternoon. [LB538]

RANDY THELEN: Good afternoon, Chairman Gloor, members of the committee. Thank you for the opportunity. My name is Randy Thelen, R-a-n-d-y T-h-e-l-e-n. I serve as a senior vice president of economic development for the Greater Omaha Chamber and lead the Greater Omaha Economic Development Partnership. Chairman Gloor, to your point, I won't repeat the comments we've heard from others here today. I know you've been here for a while. We, too, are neutral on this. And we certainly agree and support the idea of studying our incentives and making sure there's a positive return on investment on the decisions that are made...the investments that are made. We have concerns about sort of the qualitative metrics that are in there and whether or not that's an analysis that can, in fact, be accomplished. We would encourage to focus more on the quantity of aspects of it, and really looking at the return on investment. We put out dollars as taxpayers. What kind of tax revenues do we get in return? We think that's a simple quality metric that we can accomplish and we can study and learn from and to apply to all the incentives that are in our bailiwick. I will tell you, tomorrow marks my first-year anniversary in Omaha and in Nebraska. I moved here from Michigan a year ago, and I suspect nobody has studied incentives quite as much as I have over the past year. So I'd be happy to take any questions that you might have. [LB538]

SENATOR GLOOR: Any questions? Senator Schumacher. [LB538]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. Have the Omaha Chamber taken a poll or confidential, or maybe not, of its membership as to how many of its members receive incentives, or what population that is employed by them are percentages of incentivized companies versus nonincentivized? [LB538]

RANDY THELEN: We have not. In a lot of ways that's the study that's being proposed here. We have not taken that. I can tell you last year our efforts, economic development efforts supported 73 projects across the region generating 3,200 jobs, just north of 3,200 jobs in $600 million of investment. And from memory, about two-thirds or 70 percent of them had some form of incentive attached to them. [LB538]

SENATOR SCHUMACHER: Thank you. [LB538]

SENATOR GLOOR: Senator Brasch. [LB538]

SENATOR BRASCH: Just one quick. Thank you. Since you did say you were from Michigan and the Pew institute had just said that Michigan dropped their incentives. I think I know why...they left. [LB538]

RANDY THELEN: All right. That's not quite true, but, yeah. [LB538]

SENATOR BRASCH: It's not quite true? [LB538]

RANDY THELEN: No, it's all right. [LB538]

SENATOR BRASCH: Any comment to that now? [LB538]

RANDY THELEN: So, they took...the state of Michigan took their version of Nebraska Advantage and converted it to a grant program. And so, if you follow the headlines now, they're going through a fairly challenging transition. But once they're through the transition, I think it will, to his point, and he's right, it will be a much simpler budgeting process. It will be more visible, more transparency attached to it, but they certainly have...continue to have very aggressive incentive programs. [LB538]

SENATOR BRASCH: Very good. I have no other questions. Thank you. [LB538]

SENATOR GLOOR: Thank you and welcome to Nebraska. [LB538]

RANDY THELEN: Thank you. [LB538]

SENATOR GLOOR: And you may have noticed the sun shines here a little more in the wintertime than it does in Michigan. [LB538]

RANDY THELEN: I noticed snow, snow outside today, so. [LB538]

SENATOR GLOOR: Today notwithstanding, of course. [LB538]

RANDY THELEN: Thank you very much. [LB538]

SENATOR GLOOR: Thank you. Anyone else in a neutral capacity? And I don't see Senator Watermeier. He cautioned us of that and so we will close the hearing on LB538 and move to the hearing on LB423. Senator Nordquist. [LB538]

SENATOR NORDQUIST: (Exhibit 1) Senator Gloor and members of the Revenue Committee, my name is Jeremy Nordquist. I represent District 7 in downtown in south Omaha, here today to introduce LB423, a bill that provides tax credit for renewable energy producers. This is an exciting time to be discussing renewable energy development in Nebraska because as our nation seeks to become more energy independent, there's some unique opportunities for our state to become a leader in this industry resulting in job creation, increased revenue, and economic development potential. Last session, Senator Davis passed LB1115 which studied Nebraska's existing transmission infrastructure. In December, the results of the study were presented to the Legislature and it showed there's a significant growth potential, both short-term and long-term for renewable energy generation in our state. The study also showed that further expansion of the state in regional transmission system could make room for more renewable electric generating capacity up to a maximum of 10,000 megawatts, and that Nebraska has the capacity to build and export more renewable energy generated by windfarms than it does now. I introduced LB423 to take advantage of this once-in-a-lifetime opportunity for our state. Current statute provides a tax credit equal to .05 cents per kilowatt-hour for any producer of electric...electricity generated by renewable energy sources capped at $50,000. This bill provides for a credit that is either, but not both of the following: A producer can choose a credit of 1.5 cents for each kilowatt-hour of electricity generated by a facility that begins operation on or after the effective date of the bill. This credit may be on for the first ten years of operation, or they can choose a one-time credit equal to 30 percent of the total cost of construction of a facility that begins commercial operation on or after the effective date of the act. But that portion, that 30 percent of construction cost would be capped at $2 million. The taxpayer must select which option they're going to use and notify the department of their selection. Reports show the economic benefits of wind energy in Nebraska to include between 500 and 1,000 total in direct and indirect jobs. About a...so far, about a billion dollars of capital investment and annual land-lease payments of over $1.3 million. We've heard from...many of us in the Legislature and certainly our Governor talk about the need for the importance of property tax reduction. Investing in wind energy development will help relieve the burden and provide significant property tax relief in rural Nebraska. It's really one of the few ways to actually create property tax relief and create new property tax value that's before us in this state. For a recent report showed that specifically a 200 megawatt windfarm would generate about $1.3 million in property tax revenue annually. If you placed that 200 megawatt windfarm in some of our rural counties, it would increase their property tax revenue by 40 percent, obviously a very significant benefit to the local governments in those areas over, you know, the decades that that wind project would last. We know that Nebraska has the wind resources to meet our need and capitalize on exporting to other states. We know, we obviously import a lot of coal from our neighbor in Wyoming, and we are exporting our dollars to them as well. And it's no wonder that they are able to not have a state income tax. A state production tax credit as proposed in this bill is necessary to help us compete against some of our neighboring states and other states in the region. Oklahoma and Iowa are two of the top competitors. Exporting wind-generated electricity, as I said, it's once-in-a-lifetime opportunity, and I hope this committee will help us move this forward. Thank you. [LB423]

SENATOR GLOOR: Thank you, Senator Nordquist. Questions? Senator Scheer. [LB423]

SENATOR SCHEER: Thank you. Senator Nordquist, I know earlier we had some problems even trying to develop it because of transmission lines as far as being able to export it. [LB423]

SENATOR NORDQUIST: Right. [LB423]

SENATOR SCHEER: Are we still in the same situation, or...? [LB423]

SENATOR NORDQUIST: Senator Davis could probably speak as eloquently about it as anybody. There certainly are...and people behind me as well too. There are opportunities. The issue is a little bit of a chicken and egg. For us to have major export, there would need to be additional transmission, but there are developers who are interested in doing that and doing that to states to our south, Kansas and Oklahoma. Kansas doesn't have a production tax credit, but they also have a no property tax on any wind projects, so that is a very lucrative tax incentive there. So Kansas and Oklahoma there are private developers coming in, taking that transmission. The real potential future market from the developers--they'll talk behind me--for export is going to be the southeast moving forward where they don't have wind potential. They rely a lot on coal now and as...there is slowly, whether it's slowly or more quickly depending on future regulations from the federal government, there will be a transition that way and that's where the export market is and that's where there are private investors who are interested in building transmission in that direction. [LB423]

SENATOR SCHEER: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: Thank you, Senator Gloor. Senator Nordquist, can you talk a little bit about some of the other production tax credits in the other states around us? [LB423]

SENATOR NORDQUIST: Right. The reason we went with 1.5 cents in this bill, that's what Iowa has. They're at 1.5 cents. Oklahoma is at .5 cents, but they have other tax components and I think there are some people behind me that can probably elaborate a little bit more on that. But, you know, 1.5 cents would certainly make us a very attractive place. I think there has been some analysis done in looking at all of the components, what would it take to get us there? We could probably get there on a little bit less and I think with where the fiscal note is, I'm certainly willing to work with this committee on finding the number that makes us competitive and also is a fiscal number that we can handle moving forward in our budget. [LB423]

SENATOR DAVIS: And has Iowa always had this 1.5 cents? [LB423]

SENATOR NORDQUIST: I don't know what year it was put in place. We do know that, you know, the federal tax credit--just to remind people--went away in December. That was 2.3 cents per kilowatt-hours, $23 for megawatt, and that went away in December. Projects had to either be pretty much in the works or even shovels in the ground by the end of year for them to take effect of...take advantage of that. But now that that's gone away, it's a little more competitive on the state-by-state basis. [LB423]

SENATOR DAVIS: Thank you. [LB423]

SENATOR GLOOR: Senator Harr. [LB423]

SENATOR HARR: Thank you, Chairman Gloor. Thank you, Senator Nordquist, for being here today. I really have two questions, and the first is addressing the fiscal note which gets, you know, rather high towards the end, $26 million. [LB423]

SENATOR NORDQUIST: Right. [LB423]

SENATOR HARR: And part of it is because of the way we do fiscal note analysis. It doesn't talk about all the new production we get. We're taking advantage of, as you stated, a once-in-a-lifetime opportunity. Would you be willing to address how much new productivity you think we would get based on this tax credit? [LB423]

SENATOR NORDQUIST: You know, it is a little bit taking a shot in the dark, I would say. So, essentially the fiscal note's estimating, my understanding is, about one and a half...one to two, so I'm just guessing one and a half, 80 megawatt projects a year coming on line. And again, this bill...and I probably wasn't very clear in my opening, to qualify under this, you have to be in C-BED. You have to qualify for that. So far the projects that we've seen come through C-BED, there's been one 80 megawatt project and then couple really small projects, one was 3 megawatts, one that was 2 megawatts. So, you know, it's tough to put a...to say that we're going to have, you know, multiple 80 megawatt projects a year. That might be a little aggressive, but. [LB423]

SENATOR HARR: What would you say is the proper way to audit this to make sure it's a good program? (Laughter) Just kidding in light of the last hearing. [LB423]

SENATOR NORDQUIST: Well, I was sitting in the back and listening to most of that. That was a great question though. I don't have an answer. [LB423]

SENATOR HARR: Thank you. [LB423]

SENATOR GLOOR: Senator Smith. [LB423]

SENATOR SMITH: Thank you, Mr. Chair. Senator Nordquist, so this is...this is all for export, or not necessarily? [LB423]

SENATOR NORDQUIST: No, it wouldn't necessarily have to be for export. [LB423]

SENATOR SMITH: Not necessarily be for export, but... [LB423]

SENATOR NORDQUIST: But the potential...the potential for export, which we don't have export facilities now, but the potential is great and it's getting bigger. And that's why when I say once in a lifetime, again, we don't know what's going to happen with the EPA regulations.

They're being challenged in court and everything, but there's no doubt that in the long term, whether over 20 years or even further, the shift is going to be in that direction as developers are making those decisions. If we're not in the mix when it comes to the right incentive package, we're going to miss out to the investments in Oklahoma and Iowa and other states. [LB423]

SENATOR SMITH: So in the absence of having a market, a known market for export, the intent with this would be to sell it to the...on to the local grid or the state grid. [LB423]

SENATOR NORDQUIST: Right. Right. And the developers would have to have their purchase, you know, their purchase agreements in place, so. [LB423]

SENATOR SMITH: There would have to be a purchase agreement in place first. [LB423]

SENATOR NORDQUIST: I believe...I believe before they would put shovels in the ground that would be the case. [LB423]

SENATOR SMITH: All right. So you would not perceive this being used to build a project without a purchase power agreement in place. [LB423]

SENATOR NORDQUIST: I would think that that wouldn't happen, no. [LB423]

SENATOR SMITH: Okay. All right. Thank you. [LB423]

SENATOR GLOOR: Seeing no further questions. [LB423]

SENATOR NORDQUIST: Thank you. [LB423]

SENATOR GLOOR: Are you going to stay around, Senator? [LB423]

SENATOR NORDQUIST: I probably will depending on how late it goes. I might try to get on the road a little early. I have to get back to Omaha to pick up my daughter and the wide roads might be a little slick, so. [LB423]

SENATOR GLOOR: Ah, yes, we understand. Can I see a show of hands of those who are proponents and wish to speak as proponents of this bill? Those who would speak as opponents of this bill? And anyone in a neutral capacity? Okay. Thank you. We'll start with proponents. [LB423]

SHELLEY SAHLING-ZART: (Exhibit 2) Good afternoon, Chairman Gloor and members of the Revenue Committee. For the record, my name is Shelley Sahling-Zart, S-h-e-l-l-e-y, S-a-h-l-i-n-g-Z-a-r-t. I'm vice president and general counsel for Lincoln Electric System, the municipal electric utilities serving you all here in Lincoln. And we are here...I'm here on behalf of not only Lincoln Electric System and our administrative board, but also on behalf of the city of Lincoln in support of incentives for wind energy development, so supporting that concept from LB423. Some of you may be aware that Lincoln Electric System has recently added a significant amount of wind to its portfolio. Last year we added 100 megawatts of wind in the Arbuckle Wind Farm in Oklahoma and in December we made a fairly major announcement where we were adding 173 megawatts of wind, 100 megawatts at the Buckeye Wind Project in Kansas, and happy to say, 73 megawatts at the Prairie Breeze project in Senator Sullivan's district here in Nebraska. We also, as part of that announcement, are adding a 5 megawatt solar farm just west of Lincoln. It will be near the Interstate. By the end of the year, you will all be able to see that, so we're pretty excited about that. Those additions are going to bring our portfolio of renewables to 48 percent of retail sales, as percentage of retail sales by next year. We're pretty pleased about that. If you look at it on a nameplate capacity basis, it's a third or a third wind, a third natural gas, and a third coal. So, we've made some pretty aggressive plans to both, address some of the regulatory things we're seeing, address climate change concerns, and still provide low-cost, reliable electric service to our customers. We have received mostly praise and a little criticism for our wind purchases in Kansas and Oklahoma, which is why we're here to tell you that incentives are probably a good thing to promote additional renewable energy development in the state of Nebraska. The prices that we got in the responses to our proposals for wind didn't necessarily point out incentives, but if you look at the proposals and the pricing that we got from states like Oklahoma, and that you look at what their state incentive is, I think you can see that incentives have played a significant role in that most likely. I would also point to you...I don't know if this committee has seen it, but you all as a body last year approved LB1115 which commissioned a report that was completed by the Brattle Group on behalf of the Power Review Board. That report is done and it looked at some of the impediments, particularly to wind for export, and there is a significant section in there on page 38 that there's a table that talks about some of the incentives in our neighboring states and what the relative difference is compared to what is or is not offered in Nebraska. Based on that, you'll see that the difference between Oklahoma and Nebraska is about $3 a megawatt-hour or 3 cents a kilowatt-hour. So, you're looking at...you're looking at a $15 a megawatt-hour production tax credit in this bill. I'm not here to talk about what level that should be set at. I think that's a fiscal decision for you all to make, but some of the information in this report might be helpful for you as you consider what that is. So, I'm here simply to say that from our experience the federal incentive has certainly been very helpful in making the price of wind attractive for us to invest in. The uncertainty of that moving forward probably makes a state incentive a little more attractive as well. So, we're here to say that we think you should look at incentives of some type. We're going to leave it to you to figure out what it should be and what level it should be at, but I can tell you from our experience, we think it's helpful to promote development in the state. I'd be happy to answer any questions. And I had the letter that was distributed from Mayor Beutler on behalf of the city of Lincoln. [LB423]

SENATOR GLOOR: Thank you. Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Maybe I misunderstood, but did you say LES owns some wind generation in Kansas? [LB423]

SHELLEY SAHLING-ZART: We executed a power purchase agreement, so we don't own the windfarms themselves. We actually entered into power purchase agreements for 100 megawatts of wind from the Buckeye Wind Farm. So we will be buying the output. We are not building...we don't own the turbines. [LB423]

SENATOR SCHUMACHER: Okay. And then under this bill, would LES be eligible for this credit if...(inaudible)? [LB423]

SHELLEY SAHLING-ZART: The developers would. [LB423]

SENATOR SCHUMACHER: Why wouldn't you? [LB423]

SHELLEY SAHLING-ZART: We would, most likely, purchase energy through a power purchase agreement so the incentive goes to the developer of the wind. [LB423]

SENATOR SCHUMACHER: Why wouldn't you just build it yourself? [LB423]

SHELLEY SAHLING-ZART: Great question, but from our standpoint given some of the variability in our weather pattern and things, I think we think it's a better lower-risk investment for us to simply do a power purchase agreement. Not to mention the fact, we typically cannot avail ourselves of these credits. The federal production tax credit was not available to public power entities. It's available to private developers. [LB423]

SENATOR SCHUMACHER: But this one is transferable, it would be. [LB423]

SHELLEY SAHLING-ZART: It's not clear in this one whether that would be applicable to public power entities, but I guess I would have to go back and read it. I didn't read it with that in mind. But typically a lot of the incentives have not been available to public power entities. [LB423]

SENATOR SCHUMACHER: So you prefer not to take the risk and let somebody else take the risk of these things failing? [LB423]

SHELLEY SAHLING-ZART: Well, from our standpoint it has been more favorable, like I said, because of the federal production tax credit, it helped lower the cost. So for us to build it, we'd build it without the federal production tax credit, which means we build it at a higher cost than we could simply buy it from a developer. Does that make sense? [LB423]

SENATOR SCHUMACHER: That makes sense, but you indicated that you kind of wanted to avoid the risk. [LB423]

SHELLEY SAHLING-ZART: That's part of it. From our standpoint, it's just...that makes more sense for us this way. It's mostly a financial risk. [LB423]

SENATOR SCHUMACHER: And in the case of these credits, a third of that would be borne by the state. [LB423]

SHELLEY SAHLING-ZART: Correct. [LB423]

SENATOR SCHUMACHER: Thank you. [LB423]

SENATOR GLOOR: Senator Sullivan. [LB423]

SENATOR SULLIVAN: Thank you, Senator Gloor. What is the status of the federal production tax credit? [LB423]

SHELLEY SAHLING-ZART: It expired at the end of last year, and it's...there are efforts to try to extend that, but I can't predict what the likelihood of that is right now. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: So you bought the wind in Kansas because primarily of the federal production tax credit. [LB423]

SHELLEY SAHLING-ZART: Uh-huh. [LB423]

SENATOR DAVIS: But do you know, did Kansas also supplement their wind development with a local tax credit? [LB423]

SHELLEY SAHLING-ZART: You know, we don't know when we get the proposals. We put out an RFP for additional wind. And we got...we had 15 different vendors that responded and that represented 115 different distinct proposals, which now, I could probably do a shameless plug. We did some public workshops to discuss how we evaluated those 15...115 proposals, the different criteria that we evaluated, which is not only PTC, a Production Tax Credit, but proximity to transmission, how much transmission would be involved, the Locational Marginal Pricing, which is a Southwest Power Pool term, but we're having another one of those workshops just for you all that Senator Haar will probably be inviting you to. That if you're interested in that, on March 23, we're going to do it at noon hour, and that might be very helpful for you to understand some of what I'm talking about in greater detail. But, so, we get those proposals and they give us a price. The price frankly is confidential. I can't tell you what those prices are because they ask us to hold those in confidence because they're proprietary and competitive to the developers. But...so we get a price. We don't really know what's in it. They don't tell us that so much of it is due to a federal production tax credit, so much of it is due to a state tax credit. So we don't know that. What I can tell you of the ones that we...as we narrowed down, we did not consider those that weren't already prequalified for the federal production tax credit. So in other words, those that were already prequalified, we have pretty high confidence level that that production tax credit had been factored into their pricing. The others who were not already prequalified, it was a little more uncertain. And to be prequalified, you either had to be under construction, or I think there's a certain percentage that you have to have invested already. [LB423]

SENATOR DAVIS: So is the price the overriding decision? [LB423]

SHELLEY SAHLING-ZART: No. No, and that's what this workshop will show you. It is not clearly price. It's those things I mentioned. It's price, it's how much transmission is going to be involved. When you look in the Southwest Power Pool, price today, our market changed about a year ago. All of the utilities in Nebraska, the major utilities are members of the Southwest Power Pool and they started this new market where we bid all of our resources in and then we buy back out what we need. So it's a different market than we've ever dealt with. So that has changed some of what we do, so. But the pricing of where you're entering the wind into the market makes a difference. And one of the things you would... [LB423]

SENATOR DAVIS: You mean geographically? [LB423]

SHELLEY SAHLING-ZART: Geographically. One of the things you would see in it, a lot of it has to do where there's transmission congestion today. Where there's transmission congestion, the prices are more depressed from a seller's standpoint, meaning you make less money to offer in as opposed to other areas. Right now, if you looked at, we call it a heat map, if you looked at a heat map of pricing within the Southwest Power Pool, which if you come to this workshop will explain in great detail, but it would show that the pricing from that standpoint right now is more favorable frankly in Oklahoma than it is in Nebraska, which was a huge consideration for us in looking at some of the wind in the south. But what we also looked at...so the question then becomes, well, why did you purchase 73 megawatts in Nebraska? Well, the other thing that we looked at is we...one of our goals at Lincoln Electric System is to have a lot of diversity of resources. It's geographic diversity and it's fuel-type diversity. So in this case we were adding wind, but just like we have coal facilities in Wyoming, Nebraska, and Iowa, we also wanted to have some geographic diversity of our wind resources. So, number one, if the pricing changes within the Southwest Power Pool, or if, you know, major storms come through and take out resources, you don't have all your resources congested in one area. Which is why now, after these purchases, we have about 104 megawatts of wind in Nebraska, 100 Kansas, and 100 in Oklahoma, which was a risk mitigation strategy on our part. So that factored into it as well. So there are several things that go into that. It is not solely price driven. That was a long answer to your question, I'm sorry. [LB423]

SENATOR DAVIS: No, it was a good one. So you said that congestion in Oklahoma is less than it is here? [LB423]

SHELLEY SAHLING-ZART: In some places. And that congestion can change, frankly, by the hour. If you have transmission lines that go out, or you have generating units that go out, you know, that trip off-line unexpectedly, your congestion patterns change pretty quickly. So that can change. So what we looked at was, we kind of did our modeling on the averages of the SPP pricing. [LB423]

SENATOR DAVIS: So, do we...I guess then the question is, do we have enough transmission to alleviate these congestion issues so that the pricing would be better for Nebraska then? [LB423]

SHELLEY SAHLING-ZART: You know, we're hoping that changes over time. You know, you're well acquainted with where the best wind regimes are in Nebraska and we don't have a lot of transmission in those areas today. [LB423]

SENATOR DAVIS: Right. [LB423]

SHELLEY SAHLING-ZART: NPPD is pursuing the R-Plan, which is one plan that hopefully will alleviate some of that. Will we need some more transmission to add the amounts of wind that they talk about in the Brattle Report? Probably. But you know, that's doable. It's not that that is something that can't be done. And then, you know, there's been a lot of talk about moving wind energy to the west which is a little bit different animal because you have to cross the AC/DC tie and it's just a different structure. [LB423]

SENATOR DAVIS: Thank you. [LB423]

SENATOR GLOOR: Senator Smith. [LB423]

SENATOR SMITH: Thank you, Mr. Chair. So, can you explain to the committee a little bit about a purchase power agreement and how that comes about? So there's a determination of a need somewhere. [LB423]

SHELLEY SAHLING-ZART: Uh-huh. [LB423]

SENATOR SMITH: And so, let's say this is with...if it's all native load within Nebraska, so LES makes a determination that there's a need that they want to...they have a particular demand, they want to purchase a certain amount of energy. [LB423]

SHELLEY SAHLING-ZART: Uh-huh. [LB423]

SENATOR SMITH: So that drives...that comes before the purchase power agreement, so there's a proposal? [LB423]

SHELLEY SAHLING-ZART: Right. We made a determination that we were looking for up to...our board actually approved a resolution authorizing us to go out with an RFP for up to 200 megawatts of wind. [LB423]

SENATOR SMITH: Without any...and at that point, you're not specifying a certain amount that you're willing to pay. You're saying, we just want to know what's available out there. [LB423]

SHELLEY SAHLING-ZART: Correct, because the reality is, we didn't have to take any of them. We might have rejected them all and just decided we weren't going to move forward right now. [LB423]

SENATOR SMITH: Okay. And so, and the scenario might be in this particular case that there's a qualified owner out there that is qualified to build one of these facilities and get this type of an incentive where they get roughly a third of their investment back. So they make a proposal and they quote you a certain amount and maybe something from out of state that is subsidized with federal tax credits, maybe they make a proposal as well. And they come in equal, you may choose to go with the Nebraska-generated project. The one coming from out of state is not funded with any Nebraska taxpayer dollars and they're low because they're using federal dollars. And so, maybe the citizens in the other state are not subsidizing that; the federal government is subsidizing that. But in Nebraska, we're having to subsidize it with taxpayer dollars and produce it at a lower rate...or offer it at a lower rate to you, you take that...those dollars...you take that purchase agreement and so, then you price it out. You're able to price it out at a lower electric utility rate because you were able to purchase that at a lower rate. I mean, you pass those savings on to the ratepayer. [LB423]

SHELLEY SAHLING-ZART: Sure. [LB423]

SENATOR SMITH: Okay. [LB423]

SHELLEY SAHLING-ZART: Yeah. For example, the Arbuckle...the Arbuckle...well, all our 273 megawatts of wind that we have contracted for in the last two years, collectively, and aggregate, those three projects will save our customers over the next 20-25 years in excess of $400 million. That's compared to a business as usual. So, yes, that savings comes back to the ratepayers in the form of, hopefully, lower rates over time. [LB423]

SENATOR SMITH: And kind of that assumption is, is that whoever that qualified owner was that produced that, or that project, that they are actually offering it to you at a third less than what it would have otherwise been, but we already know because it's kind of market-based. [LB423]

SHELLEY SAHLING-ZART: Right. Without the incentives would we have purchased it? Probably not. [LB423]

SENATOR SMITH: Probably not. [LB423]

SHELLEY SAHLING-ZART: I don't know that for sure, but probably not. [LB423]

SENATOR SMITH: So we're going to take the subsidized cost, it's going to be a lower cost based on tax incentives from Nebraska and we're going to redistribute those lower costs to LES customers in the form of a lower rate. [LB423]

SHELLEY SAHLING-ZART: Now, I probably shouldn't even say, probably not. It kind of goes back to the depends because I have to tell you even with the projects that we had in Oklahoma, we had some Nebraska responses that were pretty competitive even without an incentive here. They were fairly competitive. Would an incentive make them really competitive? Yeah. [LB423]

SENATOR SMITH: All right. Thank you. [LB423]

SENATOR GLOOR: Thank you. Appreciate your time. [LB423]

SHELLEY SAHLING-ZART: Thank you. [LB423]

SENATOR GLOOR: Continue with proponents. Good afternoon. [LB423]

ADAM HERINK: (Exhibit 3) Senator Gloor, members of the committee, good afternoon. My name is Adam Herink, A-d-a-m H-e-r-i-n-k. I'm testifying today on behalf of Bluestem Energy Solutions. We're a Nebraska-based company in the business of developing renewable energy projects throughout Nebraska. We have numerous projects throughout the state including counties of Cherry County, Platte County, Hamilton County, just to name a few. We have projects varying in size. We will be marketing our projects domestically to domestic utilities and we do have a project that is specifically for export, which we'll be marketing that project out of the state of Nebraska. To date our experience has been Nebraska has lost out on opportunities domestically to the LES projects. And I respect their decision because I think it was a fiscally sound decision based on the facts before them, but we lost out on 180 megawatts domestically because Oklahoma and Kansas have a different tax climate. As we look at the export market, we believe there's going to be opportunities to sell our wind outside of Nebraska. We will be competing against those same states and we do not believe we have the tax climate to be competitive to build those wind projects. And so, when I talk about what are we losing as a state, I have a handout here. And I think it's important to talk about where we're losing that. We're talking an investment in the hundreds of millions in dollars in an area of Nebraska that peaked in population in 1930. The majority of these projects will be built in rural Nebraska. We're down to a population in rural Nebraska that we last saw in the 1880s. This is the area of opportunity that these projects will be built. The consequence on the next page is obvious. We have less people paying for the same or more amount of infrastructure. So we have higher property taxes in these areas. We have a population problem in this area. Nebraskans on average pay $1,584 in property taxes. Wind turbines pay $3,518 in nameplate capacity taxes. One utility scale wind turbine equals 3.77 Nebraska...rural Nebraska property taxpayers. This is what we're missing out on because we do not have the tax climate to compete with the projects in these other states. We believe this production tax credit will allow us to build more windfarms in Nebraska and compete on a level playing field between Kansas, Oklahoma, and Iowa. With that, I'd be happy to take any questions. [LB423]

SENATOR GLOOR: Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. When you say we don't have the tax climate, this has nothing to do with the taxes that are being paid or our income tax rates or corporate tax rates, but the fact that we aren't giving as much tax subsidy that can be transferred off to somebody else. [LB423]

ADAM HERINK: Yes, that's right. We don't have the tax incentives some of the competing states have. [LB423]

SENATOR SCHUMACHER: And by tax incentives, really when we give a credit that can be transferred away, we're in fact giving away a tax dollar. And so what we're basically saying is the state isn't throwing enough money into the project. [LB423]

ADAM HERINK: I look at it a little differently. I think that there's an opportunity to incentivize an industry, a billion dollar industry that wants to invest in Nebraska, and the economic development implications of that incentive will be much greater than throwing...it's not just throwing money at it, there's a return on that. [LB423]

SENATOR SCHUMACHER: And how? [LB423]

ADAM HERINK: How? So, 180 megawatts that we lost through LES, if I look at these numbers back here, would equate to 400 taxpaying entities that we lost in rural Nebraska. Four hundred taxpaying entities, turbines, that would have paid property taxes. And they're better than people because they don't send kids to school, they don't create potholes, they just pay property taxes. So, if we have incentives where we would have built the 180 megawatts that we lost to Kansas and Oklahoma, we would have been paying more property taxes, we would have more landowner lease payments in the state, we would have more construction activity, we would have more jobs. We didn't get that. They went to Kansas and Oklahoma. [LB423]

SENATOR SCHUMACHER: These turbines don't generate many jobs after they're created though, are they? [LB423]

ADAM HERINK: They create jobs and they create economic activity. I think it's better than jobs, to be honest with you. On our projects, the landowner lease payments puts dollars into the leaders of these communities. It's not a retail job. It's not a 10, 12 hour job. It creates economic activity. We send trucks from Omaha to Keya Paha County, one of the poorest counties in Nebraska on a consistent basis now because we have a wind project there. We eat in the restaurants. We don't stay up there because they don't have a motel, but we're sending people there constantly. We're writing checks to the landowners. So, no, it does not create a lot of full-time employment opportunities but it does create sustainable long-term economic activity in counties that really need it, our rural counties. [LB423]

SENATOR SCHUMACHER: And by really needing it, you're saying basically it generates some property taxes. [LB423]

ADAM HERINK: Property taxes, landowner lease payments, construction activity, ongoing operation and maintenance activity. [LB423]

SENATOR SCHUMACHER: Thank you. [LB423]

ADAM HERINK: We have a small little farm in Springview, Nebraska, two turbines. We're sending people up there constantly, that is just ongoing economic activity, not alone what happens at an 80 to 100 megawatt farm. [LB423]

SENATOR SCHUMACHER: Do they live up there? [LB423]

ADAM HERINK: They do not live up there, no. [LB423]

SENATOR SCHUMACHER: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: Thank you, Senator Gloor. Thank you for coming. I appreciate it. So, we know that your average turbine is paying $3,518 in property tax, correct? [LB423]

ADAM HERINK: Yeah, per megawatt, yes. [LB423]

SENATOR DAVIS: And I don't want to get into your business, but what's a landowner, roughly, going to get out of that? So, I mean, you're going to add...and you made reference to this, but you're adding to the income tax receipts on the landowner part. [LB423]

ADAM HERINK: Definitely. Landowner lease payments vary throughout the state based on the productively of the land from an agriculture perspective. I've seen anywhere from $3,000 to $7,000 to $8,000, depending on the land. Those are annual rent payments to the landowner every year for 20 to 25 years. [LB423]

SENATOR DAVIS: So, for 100 turbines, you would have... [LB423]

ADAM HERINK: Two to three hundred thousand, you know, dollars, or more. [LB423]

SENATOR DAVIS: In dollars that's going to be taxable by the state of Nebraska as income tax. [LB423]

ADAM HERINK: Definitely. Yep. [LB423]

SENATOR DAVIS: Plus you're going to generate, 100 times $3,518 in property taxes... [LB423]

ADAM HERINK: Yes. [LB423]

SENATOR DAVIS: ...which drives down the need for state aid, etcetera. I think that's it. Good presentation. [LB423]

SENATOR GLOOR: Senator Harr. [LB423]

SENATOR HARR: And just to clean up, the Springview people don't live there because you have two turbines. If you had more turbines, you'd probably be able to hire someone to live up there full time. [LB423]

ADAM HERINK: Yeah, definitely. I think...so there's a project right down the road that is owned by NPPD and I believe it's 40, 60, or 80 megawatts. I think they have four or five full-time employees there that are living in the area, so. [LB423]

SENATOR HARR: Okay. Thank you. [LB423]

SENATOR DAVIS: I've got one more question, Senator Gloor. [LB423]

SENATOR GLOOR: Okay, Senator Davis. [LB423]

SENATOR DAVIS: Sorry, I thought you were done. [LB423]

SENATOR GLOOR: Go ahead, Senator Davis. [LB423]

SENATOR SMITH: Thank you, Mr. Chair. So, I'm trying to understand. So, let's say this is all for export. And I want to kind of figure out where's the benefit to Nebraskans to offset that fiscal note, that fiscal note of about a...what was it, 80...80 megawatts, or this one was two 80 megawatt projects. [LB423]

ADAM HERINK: I believe so. [LB423]

SENATOR SMITH: So 160 megawatts, is that roughly right? Okay, assume that's the case. And all that goes to an outside state and subsidized by...if everything goes out, if everything is exported and you have purchase power agreement somewhere else and it all goes outside of Nebraska, so we've spent that amount of money in Nebraska with taxpayer dollars to subsidize it, bring down the cost, we have probably seen all of the components for the construction of projects come from outside of our state, and last I checked, we don't build those components in our state. The construction jobs, a lot of those come from outside the state as well. There would be a nominal number of operation jobs, as Senator Schumacher was pointing out, not a lot of employment related directly to operating of a windfarm. And then we have the offset of the property taxes. We still have a net loss for Nebraskans if I calculate everything out correctly, just with those factors. And what we're gaining, what's being gained from that is, supports the private business plan of the developer, and it supports lower rates for those consumers outside of Nebraska's borders. What am I missing? [LB423]

ADAM HERINK: You're missing...well, that's well said. We could have hundreds, if not thousands, of wind turbines in rural Kansas, Oklahoma, the Dakotas and Wyoming, and Nebraska just continues down this path. I mean, you know, where's...it's economic activity in an area of our state that's in a dire position. [LB423]

SENATOR SMITH: At some point doesn't the economy drive it to the point where it's in the best interest...then it will be in the best interest of Nebraska's taxpayers, I mean, without those incentives at some point? [LB423]

ADAM HERINK: I mean, I would say we're already in that situation. If you look at this right here, I mean, we're already in a situation where it's lopsided, right? [LB423]

SENATOR SMITH: Right. [LB423]

ADAM HERINK: If we can bring a billion dollars of investment to the rural piece of this and the property taxes and the economic activity, I would need to go through the numbers and I'd like to get back to you, Senator Smith, but I'm not convinced that if we looked at that in detail with real numbers, that it wouldn't be convincing to support this. [LB423]

SENATOR SMITH: Yeah, I'd like that. And maybe there will be others that come up following you and testimony that I can shed some light on that as well. [LB423]

ADAM HERINK: Sure. [LB423]

SENATOR SMITH: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: Thank you, Senator Gloor. So, if we don't incentivize you with production tax credits, is there going to be any development? [LB423]

ADAM HERINK: What I'd like to see, if you don't incentivize the great landowners of Cherry County because it's their project, I would be very concerned that the development will never ever reach its potential. [LB423]

SENATOR DAVIS: And it will go to some other state. [LB423]

ADAM HERINK: In some other rural area in a surrounding state will capture that opportunity. [LB423]

SENATOR DAVIS: So that said, does that neutralize the fiscal note in some respects? [LB423]

ADAM HERINK: Meaning? [LB423]

SENATOR DAVIS: Meaning the fiscal note is premised on these projects taking place and this exemption being put in place, but if the projects are never going to be built, how does it affect the fiscal note? [LB423]

ADAM HERINK: You're exactly right. If we don't build more winds in Nebraska and this bill passes, it doesn't cost anybody anything. If a wind turbine goes up and isn't maintained and stops running, you know, you lose...you have to produce to get this. And so, yes, I agree with you. It's...the incentive only comes with economic activity through a windfarm. [LB423]

SENATOR DAVIS: And so, and I think this is just as a follow-up to Senator Smith's question. As I understand it, if someone comes into Nebraska and works here as a construction worker for three months, they owe Nebraska income tax. Is that correct? [LB423]

ADAM HERINK: Yes, I believe so. [LB423]

SENATOR DAVIS: Okay. I think that's it. Thank you. [LB423]

SENATOR GLOOR: Thank you. [LB423]

ADAM HERINK: Thank you. [LB423]

JOHN HANSEN: (Exhibit 4) Mr. Chairman and members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union and I am in support of LB423. As I'm passing out this information, let me just walk you quickly through it to give you a bit of an idea of the lay of the land, or in this case, so you'll have a better sense of how the wind blows and gets harvested. So as you look at...if I were giving you a wind capacity map, you would be looking at a corridor that would run from North Dakota to Texas that has world-class wind resources in it. And that entire corridor has approximately the same amount of wind capacity potential to be developed. And as we look at where we're at, this is the fourth quarter of 2014 data as collected by the American Wind Energy Association. Nebraska has 812 megawatts of wind. At the end of that snapshot period, Iowa has 5,688. You can see how we sort of stack up in the neighborhood going north to south, both North Dakota and Texas with substantially more than us. Texas, in particular. So we as...that particular map is useful to see how we compare nationally. The map on the back is the best single map that you can get, thanks to the help of Nebraska Public Power District. This is the most updated map, so it gives you the first project starting in '98 running down through 2015. And you can see that in about a three-year period we've gone from 459 megawatts of wind capacity, we will be at 1,280. And that is the result of the Lincoln Electric System and their 73 megawatts, but also primarily the Omaha Public Power District buying 200 megawatts and 400 megawatts, as well as NPPD buying two sets of 75 megawatts. And so, as we look at...this generation is the most generation that we've ever had during a period of time in our state. We're almost tripled our wind capacity in a little over three years. The other two sheets are the most recent data information available from the American Wind Energy Association relative to what's going on in the pricing market relative to solar wind. Solar is down 40 percent since 2010 and wind down 50 percent over the last five years. So you're seeing kind of...a bit of a snapshot of what's going on in renewable energy. The last sheet gives you more of the Nebraska specific numbers relative to the importance of renewable energy. Renewable energy markets represent the future. These are the future markets. So as you look at all of this data, the question is, how are we doing on domestic development? We've made a lot of progress, not...I mean, it's the best that we have ever done by a good margin. How are we doing on exports? That would be none, zero, nada. We are not exporting out of our state. And in fact, we have one of our utilities, as previous testimony has indicated, has seen fit to buy 200, not 180 megawatts, but 200 megawatts of wind, 100 in Kansas and 100 in Oklahoma and that's because Nebraska simply has not kept pace with the competition in that red zone that runs from north to south, from North Dakota to Texas, and we have neighboring states with comparable wind capacity regimes that simply have, through a series of public policy decisions, made their wind more competitive than ours. So if we want to participate in that Saudi Arabia of wind resource that we have and participate in this market, we have to be competitive in the game. And so, because of that, we support LB423. I'd be glad to answer any questions if I could do so. [LB423]

SENATOR GLOOR: Mr. Hansen, I have a question for you. On this sheet that shows that 8...says 8 percent of Nebraska's electricity comes from renewable sources. There are two numbers as relates to renewable electrical production, as I recall. One has to do with what's produced, the other has to do with what's used. In other words, we could be spinning generators all night long, but if there's no need for it because people are in bed, TVs are off, no ovens are running, it's not electricity that's being used. Do you know what that 8 percent represents? Is it generated or is it used? [LB423]

JOHN HANSEN: This is a new report that was just done and put on the AWEA Web site and I have not thought through that data enough to be able to answer it. And so, I just...I went to see kind of what was the new status report for where Nebraska is at. And I thought it was interesting and I thought some of the data on the back was maybe more helpful than that on the front, but I can't answer that question with certainty. We always have regardless of whether it's wind or nuclear or coal, we always have a certain amount of stranded capacity, so we're never really consuming all that we generate except for certain periods when it gets really tight. And so, some of the offsets, for example, in the case of wind is, it doesn't...it doesn't blow all the time, although we can much more accurately predict when it does blow so that we can use our resources much more efficiently in anticipation of when we know it's going to be coming on line. But we also have a lot of capacity for nuclear and coal which are not very adjustable, and so once you turn them up, when demand goes down, that power just pretty much goes down the creek or wherever it is the electrons go. I've only been studying this for about 20 years, and I find that the flow of the electrons about as clear in my brain as tax policy, all told. But it all flows somewhere, but somehow there's a lot of capacity that gets produced that doesn't get used at a given point in time and sometimes the demand is much tighter to use. So it's, you know, it's an amazing system that we have. It's considered one of the technological wonders of the world. [LB423]

SENATOR GLOOR: Well, of course, the technological challenge we have is coming up with batteries that will store renewable power because, as you pointed out, we have to keep the nuclear plants cranked up and we have to keep the coal shoveled in for the coal-powered plants to make up for those variabilities that we have in wind power, as an example. But the reason I ask is, I know at least the numbers that I saw a couple of years ago, Texas was one of the leading wind producers in the world, not just in United States, but in the world. But the difference between what they produced and what actually found its way to homeowners and business was about a third of all the power they produced, which is a remarkable reduction when you think about it. But it isn't when you think about it from the standpoint of the variability that's out there. So I would, you know, to the extent we can figure out what this 8 percent represents, I'd be curious in knowing if it's 8 percent of what we actually use, or if it's just the production of all the power that we generate in the state. [LB423]

JOHN HANSEN: Storage capacity would be very helpful for wind, but it would also be very helpful for excess capacity... [LB423]

SENATOR GLOOR: Sure. Absolutely. [LB423]

JOHN HANSEN: ...that's just going down the creek from the other as well. So there is a need, in my view, from a technical standpoint to try to do a better job of being able to store excess capacity when you have it from any source, as we're trying to make our overall system more efficient. And, you know, our frustration in this issue over time is that we just...we have this enormous resource and it is world-class wind and yet somehow we have not been able to compete effectively with our neighbors in order to be able to be in the export market. [LB423]

SENATOR GLOOR: I think we've got some questions. Let me start with Senator Scheer and work my way up here. [LB423]

SENATOR SCHEER: Thanks for coming, John. Following Senator Smith's comments, I'm not an expert at this by any stretch, I think what he was getting at is, including the tax that they may pay the landowner for the use of the ground, so you would end up with the income tax from whatever that amount might be, and you also have the per kilowatt in lieu of tax to your school districts, and so forth. If what the state is paying for the tax credits is more than those two, I mean, we're not Nebraska Furniture Mart, we can't make it up on the volume, so how do we come out? [LB423]

JOHN HANSEN: We're getting all in on property tax relief a substantial amount of money in addition to nameplate capacity. So we're creating...so as you look at that total revenue of that project, the income to landowners is very substantial. That's money that almost all of that money goes to the local economy. That's all stuff that helps generate economic activity in those local communities. The other is the fact that these are targeted to C-BED projects. We did some major overhaul of the C-BED authority last year to make it much more easier for Nebraska to expand the list of qualified owners so that Nebraska corporations could invest. But all of the data that we've seen, and there's a half a dozen studies or so, but from the general accounting office who says there's 3.1 times more economic development benefits with C-BED projects than none, C-BED projects to the Oregon State Study which is about 3.4 to the National Renewable Energy Laboratory, Nebraska's specific study that said that at a minimum it was right at twice the benefits. So you're targeting an incentive here to an economic structure that by its...by its legal structure, is a lot more likely to generate a lot more revenue coming back in than a conventional project. And so that...the more local services that you use, the more local construction that you use, the more local professional services and labor, and all of those other things you use... [LB423]

SENATOR SCHEER: But those are all one-time deals. I mean, you're going to erect the facility, I mean, that may be there for, I don't know, three months or a year, but, I mean, once they're erected, all that goes away. So those are one-time infusions. I'm not trying to minimize that infusion, but it's not like they're there ongoing. [LB423]

JOHN HANSEN: Well, a certain amount of the professional services and all of the indirect economic activity when you look at the economic analysis, those are ongoing. So the landowner payments, the local tax revenues, the indirect benefits, those are all ongoing. And so you've also maxed out up-front with the construction. And so, you know, our point has been from the beginning, if you're going to do this, apples to apples, why wouldn't you want to do it in the fashion that maximizes the economic benefits back to the state. And that's good for the economy, it's good for the taxpayers. [LB423]

SENATOR SCHEER: So from your perspective, the amount of dollars that the state is providing in dollars for this for an installation, whatever size it might be, is...there will be more tax dollars generated from that facility in total. I mean, that there's a net income to the state with this participation. [LB423]

JOHN HANSEN: Generally going back to even the sales tax abatement for C-BEDs, yes. And we're...you know, we went through the same discussion and the same consideration relative to sales tax abatement going all the way back to 2007. And so... [LB423]

SENATOR SCHEER: But I wasn't here in 2007. [LB423]

JOHN HANSEN: ...I have not run the numbers frankly, Senator, I have not run the numbers so I can't... [LB423]

SENATOR SCHEER: I mean, that's what I'm...I mean, I'm having...I understand everything that everyone said other than if the net outflow of tax dollars is greater than the income of those area residents and landowners and so that income comes back into the state, if the state is going to lose .1 cents for every megawatt that it produces, where is the benefit to the state? I'm not trying to be flippant, but I just... [LB423]

JOHN HANSEN: Just to my mind without even running the numbers, to me the amount of energy that Nebraskans would be buying from this particular kind of incentive is money in, money out because you're paying that much less money as a user because you bought down the cost of the electricity, which is then a benefit. So that's a money in, money out, just my top of the brain, back of the envelope analysis. The export is, to my mind, a separate...a separate running of the numbers in an economic assessment. And I...I would just opine that the other states have decided that it was worth their while to do the things that they have done in order to try to incent their wind development. And that's not to say that the other states could, in fact, all be wrong, but the reality is, they're doing it. So if we want to be in the hunt at least to be competitive in the export market, we need to look at some kind of incentive at this point. And we have historically...I got to tell you, our shop has not supported it historically. You know, we said, we got to see how this shakes out and all those things, but we're not being competitive in the export market. And one of the tells for me, it was a huge, you know, kind of a slap in the face, is that we not only weren't exporting in a competitive way with competition in the neighborhood that's all a part of the Southwest Power Pool, but we actually have our own public utility shopping and buying away from home and buying 200 megawatts of wind in...you know 100 in Kansas and 100 in Oklahoma. And that they could do that more cost effectively than they could do it in our own state which said, well, maybe we need to take a look. [LB423]

SENATOR SCHEER: Well, part of her response would be that they were minimizing exposure of it in three different locations rather than all in one. I don't know that that falls true. I understand what you're saying, but it caught me off guard when last year I read that they had bought that down there when we had been talking so much about production here. So I'm not trying to minimize that, but her theory was that they were trying to diverse themselves. [LB423]

JOHN HANSEN: Well, all of our landowners, who are organizing in the landowner associations and are sitting on projects that are waiting for PPA, felt very badly about the whole operation and were extremely disappointed and they would represent what was offered up earlier as a little...a little criticism. Our guys were a little unhappy... [LB423]

SENATOR SCHEER: Oh, I'm sure. [LB423]

JOHN HANSEN: ...because they're...you know, they're saying, they're saying, we, you know, what's the matter with us? Why can't we be competitive? And these projects are big deals for the communities that have them. It dramatically expands the tax base. They transform rural communities that get these kinds of projects, there's no question about that. [LB423]

SENATOR SCHEER: Thank you. Thank you, Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Senator Sullivan. [LB423]

SENATOR SULLIVAN: Thank you, Senator Schumacher, and thank you, John. Is it fair to say that the C-BED component of this adds to the economic advantages? And if so, can you elaborate on the C-BED component? [LB423]

JOHN HANSEN: The Community-Based Energy Development structure, which is what we originally approved in order to open up the private-public partnership between public power and the private sector in Nebraska was done in 2007. And it was done in a way to try to protect the integrity of the public power system but also to be able to harness the opportunity for private sector investment to be able to use those federal production tax credits that public power could not use. And so, that original legislation was also thought to be beneficial because of the ownership structure. And the way that it was set up, it would provide more economic development benefits back to rural communities and the state as a whole than conventional ownership. So, there's a lot of different models. I mean, there's the investor model, there's the C-BED model, there's...those are the two primary ones. There's public power that the Ainsworth project at...is 60 megawatt project that NPPD built in 2005. And so you've got all these different models, but public power could not move forward with wind development because they couldn't harness the tax benefits. And so, that was the start of the process and so as we've gone forward, we saw fit last year to do the necessary and appropriate changes in the C-BED model in order to make it more usable. And that's to expand the number of qualified owners, that's to expand the criteria for local services and goods. The more local...the more local folks that we use in this process, the more economic benefits that we get. More of that revenue enters to us as a community, as a state. So that's a good model. So the C-BED model, whatever the numbers show when you do the specific number crunch all in consideration of the numbers, it is likely to, at a minimum, based on the most conservative estimate that I've seen so far, would at least double the chances or double the benefits, is a better way to say it. Double the benefits of that economic activity. So, I think that that model is still a model that would be beneficial for our state to use. I'm glad to see more smaller projects. I'm glad to see more REA starting to use those kinds of things, and I've been a part of a C-BED project that was a 40 megawatt project and I know...I know who the owners were. They were all Nebraska landowners. I know where the money went. It went to...we really worked hard in making sure that our investment money stayed in the state. So, it's a good model. Other states have used it in a very...Minnesota has used it much more aggressively. But, you know, we're trying...this is all a work in progress. And so I think we're kind of at the point where we did the things we needed to do for sales tax abatement in LB104 and LB402, and so now, I think given the reality the marketplace, we've got to take a look at what are the rest of the guys in the neighborhood doing. [LB423]

SENATOR SULLIVAN: Thank you. [LB423]

JOHN HANSEN: Thank you. [LB423]

SENATOR SCHUMACHER: Senator Harr. [LB423]

SENATOR HARR: Thank you. And this is going to start with a little editorial and move on to a question, but last year we expanded historic tax credits and we included transferability. And I was originally against that, but there was argument. Senator Nordquist flashed his beautiful blue eyes and said, we need this for the Sisters of the Poor, they're nonprofits. We have an issue here today and I've heard Senator Scheer and Senator Smith say, yeah, you know what, we might get more tax refund than we do actually taxes collected, or would have been collected. And, you know, these businesses, we've heard are all for-profit. You know, the not-for-profits, you're public power districts don't get involved in these farms. Would the answer to solve Senator Scheer and Senator Smith's problem be just to not make these tax credits transferable? Because that way, you would only receive the value for the taxes that you would pay in. And that's the question. [LB423]

JOHN HANSEN: Well, I think that, I think that the obvious answer from my point of view is, I don't know. [LB423]

SENATOR HARR: That's fair. I will save it, which I intended to originally, for Mr. Levy who I see over there. Thank you. [LB423]

JOHN HANSEN: But I would say that one of the qualified investors that has really been underutilized, in my view, relative to C-BED, are nonprofits. [LB423]

SENATOR HARR: Okay. Thank you. [LB423]

JOHN HANSEN: And so...and so, that means that the local education, the local schools' education foundation, that means all of them. In our particular case, there were three nonprofits... [LB423]

SENATOR HARR: Well, I think you answered my question. We got a lot of testifiers here today, so thank you. [LB423]

JOHN HANSEN: Yep, yep. [LB423]

SENATOR GLOOR: Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Just a quick observation of the map of the capacity of...you know, Nebraska doesn't have much for population except right around the Omaha-Lincoln area as far as density. Do you know the position of the windfarms relative to the population centers in Kansas, Oklahoma, and Texas? Do we have long wires going from the windfarms, short wires? [LB423]

JOHN HANSEN: Well, you have in the case of Kansas, you've got a private sector state with REAs also helping serve, but you've also got private sector utilities, and you've also got a large private sector for-profit transmission system toward the south end of the state that also takes a lot of the excess capacity to larger population markets elsewhere, as well as in Kansas City, etcetera. In the case of Iowa, a lot of that...a lot of that export capacity goes next door to their high-population neighbor in Illinois in the Chicago area. [LB423]

SENATOR SCHUMACHER: So, I mean, when I look at Texas, Texas has got 14,000 compared to our 800, but Texas also has 26 million population compared to our 1.8 million. And so, except for Kansas and Oklahoma, Texas and Nebraska are about comparable for per population generation. So that leads me to the question of where are these windmills at? Are they close to population centers, and is that why they're more viable and economical and a real market reason why there's more activity there than Nebraska? [LB423]

JOHN HANSEN: Good question. I don't know. I suspect that there's...that may be a good part of it, but they're also closer, as you go south and as you go east, you run into a lot of population and you run out of a lot of the wind resource. So they're also closer to that market than we are. [LB423]

SENATOR SCHUMACHER: Well, I mean, one thing that seems to reoccur before this committee is, well, taxes drive everything. The little tax tail wiggles the dog, but really the driving force is often real economics rather than tax manipulation. [LB423]

JOHN HANSEN: We're...in the Southwest Power Pool, we are the northwest corner of that Southwest Power Pool and so we are in the southwest part of the eastern grid and the east and west grid runs north to south and catches the west end of Nebraska, which is on the other side of the grid. And so you've also got the ERCOT grid, so we have three grids in the U.S. that gets about two-thirds of Texas, the southern part of Texas. So, you know, also depending on where you're at relative to that grid, that has something to do with where you can move power because you have to go through these, you know, facilities that change the frequency, etcetera, to put it on a different frequency, which is expensive and there aren't very many of those portals. So, but I think that the export market in the south and the east part of the Southwest Power Pool is where there is the most...there's the highest density of population with the least amount of wind. And I think that our competition in northern Texas and Oklahoma and Kansas are able to meet that need more cost-effectively because they're closer. [LB423]

SENATOR SCHUMACHER: Do you happen to know over, say, a thousand miles, what percentage of power is lost, just to do the heat on the wires and things like that? [LB423]

JOHN HANSEN: I once did and I can't tell you what it is. [LB423]

SENATOR SCHUMACHER: Because we were going to sell our electricity in Chicago and if 10 percent of the signal was lost, we'd have to be 10 percent more efficient just to hold even with the plant in eastern Iowa. Thank you. [LB423]

JOHN HANSEN: Yes, and it depends on the size of the system because you get significantly different line losses based on the... [LB423]

SENATOR GLOOR: Thank you, Mr. Hansen. [LB423]

JOHN HANSEN: Thank you. [LB423]

SENATOR GLOOR: And I appreciate those of you who wish to testify who have moved up-front. If you are planning to speak in either favor or in opposition, it will save us a little time with the coming and going. Thank you. Good afternoon. [LB423]

TODD ADAMSON: My name is Todd Adamson, T-o-d-d A-d-a-m-s-o-n. I thank Senator Gloor and the committee for your time. I'm a 4th generation rancher in Cherry County. My dad and my grandfather have been county commissioners up there, so it's been ingrained into me that forward-thinking. And as stated earlier, we're in an area up there where our kids are leaving. We had a good year in the cattle industry this year, but we know that's not going to last forever. So, about four years ago there was a committee formed. We have forward-thinking commissioners up there that realized that we have no coal, we have no oil, we have no natural gas. We've got grass and water and we want to keep our water and so we're not really on a level playing field with our neighbors to the west or the north as far as our cows or...if you figure that amount of acres it takes to run a cow, they've got a sixty-dollar bill on their back in property tax right out of the...right off the start while our neighbors to the west have zero. So, anyway, with that being said, we formed Cherry County Wind, got 75 landowners, 450,000 acres. When it was formed, to my knowledge, the largest land...wind association in the United States. And we have a very unique way. We know that the towers...nobody knows where the towers are going to end up, but we've made the compensation plan to where everybody wins. And the ranchers, the landowners that were involved that knew we may never get a tower, they hope to get enough revenue to pay their property tax. We also put in there that 5 percent of the revenue would go into a trust fund that surrounding communities or our community could dip into for scholarships, community buildings, that sort of thing. I just ran the numbers and I don't want to repeat anything that's been said here today, but I do believe what we're talking about, cowboy common sense tells me that we're just wanting to be on a level playing field with other states. And if all this...we're in the top five in wind energy development, but the last I knew we were twentieth or twenty-second...I mean, wind energy potential, I'm sorry, but twentieth in development. We've got a way to reduce property tax. I ran the numbers on our school district at Cody because they're landlocked between a state line and a national forest, they have required, oh, about 55 percent of their budget as state aid. And just on a small 50 megawatt farm, that would reduce that state aid by 20 percent. That's huge for our area. We're trying pretty hard out there. My wife is involved with a student-run grocery store, which I think might be one of the two, maybe, in the world. That way we're trying to develop ways to keep the kids there to...this property tax deal is way out of hand. The commissioner told me yesterday that we're looking at another 15 to 20 percent increase in our valuation. And it has gotten out of control. We're so far removed from the earning power of our land out there based on like-sales, we're seeing big money come in, buy these places for well more than, you know, what you can make it with a cow. So this is a way, and with all due respect, we've studied this for about four years, this group. I'm representing 75 landowners involved, but it would benefit not only them but our area and, I think, the state of Nebraska. And it's a six-hour drive down here so you don't see us very often. This is an important issue and our commissioners, our group have worked hard on it. We've got people up there just waiting and just asking to be on a level playing field with surrounding states. And so with that being said, the state aid deal is a big deal to us and if we can reduce the state aid going out to western Nebraska by that much with these windfarms, I think it would be a big deal for the state of Nebraska. Like I said, we don't get down here very often. We trust you folks are doing the right thing to help out Nebraska and we appreciate what you're doing. So I thank you for your time. [LB423]

SENATOR GLOOR: Thank you. Senator Sullivan. [LB423]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Mr. Adamson, for your comments and all you're doing for the area and your wife, too, running that grocery store with the kids. [LB423]

TODD ADAMSON: Thank you. [LB423]

SENATOR SULLIVAN: Where are you with working with a private developer in this project? [LB423]

TODD ADAMSON: We are currently working with a private developer and we've been...we've collected wind data for about three years. And we are really wanting to take the high road. We're fortunate to have a guy on our board that he knows a lot about environmental issues working close with Game and Parks, Fish and Wildlife to do it the right way as far as environmental concerns. [LB423]

SENATOR SULLIVAN: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: Thank you, Senator Gloor. Thank you, Todd, for coming down here. Something that you said really struck me about keeping our water. So one of the things that I think is valuable about wind energy is, it doesn't use water, which other types of energy need for their functioning. But I wondered if you could just talk a little bit about the wind studies you've done in Cherry County and what kind of potential there is there, if we can get something developed. [LB423]

TODD ADAMSON: Without...I can tell you that our preliminary wind studies that the potential we have up there to make these windfarms more efficient are...well exceed the wind where a lot of money has been spent on windfarms. So we believe that the windfarms up there would be more efficient because of the wind capacity that's been collected. I don't know if that answers your question without getting into the specific numbers. [LB423]

SENATOR DAVIS: I get that. So I've heard that the turbines at Springview were actually moving about 95 percent of the time, something like that. Do you think that would be the case where you are? [LB423]

TODD ADAMSON: Well, no, it would be more in the 50 to 55 percent range, I think, at Springview. I don't know their numbers, but we have a lot of wind, but at nights it goes down. So on a 24-hour period, I would think it would be closer to 50 than 90. [LB423]

SENATOR DAVIS: Okay. Thank you. [LB423]

SENATOR GLOOR: Seeing no more questions, thank you and thank you for making the trip, Mr. Adamson. [LB423]

TODD ADAMSON: Thank you. We're going to get up there before the snow gets deep, I think, so I'm leaving. [LB423]

SENATOR GLOOR: Actually it stopped. It's all moved to Kansas. I'm sure it's moving turbines. (Laughter) [LB423]

TODD ADAMSON: Thanks for that weather report. [LB423]

SENATOR GLOOR: More proponents. Good afternoon. [LB423]

GRAHAM CHRISTENSEN: (Exhibit 5) Good afternoon, Chairman and members of the Revenue Committee. Thank you for having me. My name is Graham Christensen. That's G-r-a-h-a-m C-h-r-i-s-t-e-n-s-e-n, and I'm the president of Burt County Wind. It's an LLC that was put together in 2010. It's comprised of 22 family...farm families in the Burt County area. We have broad-based support across the area and we have had several goals that have been talked about today which include property tax revenues and additional new revenues, which I'm going to try to break down for you a little bit easier. Hold those pages on page 3 because that's right where we're going to in a little bit. Hedge against some of the rising energy costs and some of the concerns with the EPA that we've heard earlier and also our goal is to be a true C-BED by initial definition so we can localize our project as much as possible, therefore retaining revenues in Burt County, Nebraska and the surrounding northeast Nebraska part of the state. Basically, we want to keep all of the revenues that we can humanly possible in Nebraska by teaming up with other folks that are doing these kind of things too. This bill helps meet all of these goals, especially with the built-in C-BED requirements. That gives this bill an advantage to what other states have done with tax credits because it is already requiring that a certain amount of the local revenues have to stay in. And so right there, we have an advantage from other tax credit bills that we've seen in other states in the past. Furthermore, in-depth look, let's do...turn to page 3 of the packet that I handed to everybody. Right now, we're in the process of renewing an interconnection agreement or resubmitting an app that would lead to an interconnection agreement. We're pricing different turbines now, so these numbers are going to change at some point. They're very fluid. Nothing is certain until we have a power purchase agreement, which we don't. But that is the ultimate goal of Burt County is to sell wind energy. But if you look at these different revenue streams, these are all revenue streams that are created from wind energy. You see that there's a dark line right through the middle and what that does is it separates the first four from the bottom three. The bottom three are standard. Most windfarms produce these kind of revenue streams. But the top four using C-BED methods, such as our project, and this is based on...this is a small project, six large-scale turbines for a total of 12 megawatts. These numbers are over the 20-year period of time, the life of the project. But what it shows is that construct...our goal is to pop all four of these. Local construction, Nebraska-based construction. There are folks out there like Boyd Jones that are already doing this kind of stuff, especially at this scale that serve as principal and interest to Nebraska banks. I will say that there is interest from our small local banks in putting together a small network that could team up to be able to do this. We can't go any further until we have that power purchase agreement in the conversations, but we know that they want to hear more. And also, of course, it's a local investment project so the 22 families are invested in this project, they've also put up their risk of this project as well as in-state tax equity return. That would be working with...and with goals of trying to team up with some of our local partners in the more urban areas. Naturally, First National Bank and some of those folks come to mind, but I haven't had those conversations yet and I don't plan to until there's an interconnection agreement in place. This is a $22 million project as sits on these numbers with a total net electricity revenues of about $61 million. So that's how much it generates over the life based on this $22 million investment. These revenues, all these local revenues equate to about almost $40 million. So that shows, if we're able to pop all of these things, 65 percent of the revenues compared to usually about 10 percent of what typical windfarms do, about 65 percent of the revenues can be returned locally. In closing, because I see I have the red light, if you look to the next page, no, don't take it from me, take it from Nebraska Public Power District. Their economist Ken Lemke did an analysis on this a couple of years back when we were having some of these discussions, and it showed the Burt County wind per megawatt is getting close, and I consider these very conservative estimates but nevertheless very telling, Burt County wind is getting almost two to one per megawatt both in local input and in local jobs. And then just finishing up, the next handout on your page--this one right here--this one shows investment opportunity. Our windfarm to show folks that local people can invest in these, have put some money into an investment on to a windfarm. In Iowa, the spending. Our goal is that as Nebraskan, through and through, that we never have to invest in an Iowa windfarm again. We should be able to have these opportunities here in Nebraska. And there's multi-tier investments all the way from individual farmers to a tier for, you know, folks that want to play a little bit bigger and, of course, our equity investor partnerships. With that, I would gladly take any questions and just do the best I can to be able to answer at least what I know. [LB423]

SENATOR GLOOR: Thank you, Mr. Christensen. Are there any questions? Yes, Senator Brasch. [LB423]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Mr. Christensen, for coming forward today. And as you know, Burt County is in District 16 and I have been made aware of the great deal of work you have gone to working through, I believe, public power districts, different, various entities. Half of the members are under the age of 40 in your group here. And can you bring me up to speed what other interests have you had in Burt County Wind? [LB423]

GRAHAM CHRISTENSEN: I sure can. I had to take a year off due to a busy work schedule in 2014, so we're trying to gear back up for those kind of conversations right now as we speak. But after some of that time, I've a little bit of rethought, you know, the approach for the smaller kind of wind project. And what it seems to me, and, of course, we can't do this without the help of our public utilities. They're going to be involved one way or the other, but for us, I think, you know, the answer is going to lie with the rural electric association or with the muni like the city of Grand Island, for instance, where we've actually been engaged in very preliminary talks with the G.I. muni and also there's opportunities that have been used in the past by Nebraska Public Power to allow folks to hedge the price of energy that...or in the manufacturing or production industry. There's one particular in the Grand Island region, a big huge ag manufacture facility. You're probably...probably don't have to name it for you to be aware of, that we've had preliminary talks with as well. They like the word "group of farmers." They like that we can, you know, have the...that we think we can save them money and so they're interest in using that as marketing. That's the direction that a lot of these businesses are happening. In Columbus, Becton Dickinson has already taken, you know, that approach and used this method that NPPD has created. So, you know, after this year off, I've rethought some of those opportunities, but my talks with some of the leaders in the munis are that there's more interest than there was before. So, we're looking forward and hope we can find, you know, some possible solutions to our little bit different model, the windfarm. [LB423]

SENATOR BRASCH: Very good. Thank you for coming here to testify today. [LB423]

GRAHAM CHRISTENSEN: Thank you, Senator Brasch, and we appreciate some of the dialogue that you've created as everyone is very grateful. [LB423]

SENATOR BRASCH: Thank you. [LB423]

SENATOR GLOOR: Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Not to consume too much time here, but you indicated $22 million investment, $60 million returned over 20-year life. Is that after you pay your expenses and everything? [LB423]

GRAHAM CHRISTENSEN: Yes. And I would say that this does incorporate also a...the federal tax credit that was in place. [LB423]

SENATOR SCHUMACHER: So that's with the federal money kicked in. [LB423]

GRAHAM CHRISTENSEN: It is. [LB423]

SENATOR SCHUMACHER: Okay. And if you were to take the same $22 million, if you can believe our state retirement program, invest it at 7 percent interest or better, then you would end up with about $80 million. So why work? [LB423]

GRAHAM CHRISTENSEN: That would...hey, I don't have any complaint about finding ways to make those investments yield more return, but I guess, basically, what I do know is there is a solid return here and we do have good resources and our resource is good in Burt County, but in Cherry County those numbers would be even higher, so. [LB423]

SENATOR SCHUMACHER: So basically, this is...returns a little bit less than what our state retirement program claims to return? [LB423]

GRAHAM CHRISTENSEN: Yeah, you could probably look at it that way. I'd want to see the numbers myself because I'm not aware of that, but appreciate that. [LB423]

SENATOR SCHUMACHER: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: Well, just to editorialize a little bit, Senator Schumacher, I don't suppose that Mr. Christensen has $22 million to invest in the state retirement plan. You heard Todd Adamson talk a little bit about the effect on the school system. You got any idea what that's going to do in Burt County? [LB423]

GRAHAM CHRISTENSEN: Yes, I have run some preliminary numbers on that and I think if I turn it over right here, I can get an estimate of what those are. Actually, here they are. This is not the most scientific method. This is based on a study that was put out by Boyd Jones and Bluestem so that's where I got these numbers. And if anybody is aware of what's going on in Burt County right now, major school consolidation, conversation happening between Oakland-Craig, Tekamah-Herman, and Lyons-Decatur. These revenues, we need them. We need them bad, but what I have figured out is that...this is actually, there's two sister sites so there's three turbines on one site and nearby there's three turbines on another site. The school district goes right in the middle of them between Oakland-Craig and Tekamah-Herman. So in this case, there would be payments going to each school respectively in an equal amount. And I have that figured to be $28,620 for each school year. And that's for 12 megawatts. And that's the little guy. Just imagine what some of these, you know, other big windfarms can do for property tax revenues. [LB423]

SENATOR DAVIS: So that's $56,000 for the two schools. [LB423]

GRAHAM CHRISTENSEN: Correct. [LB423]

SENATOR DAVIS: So half a teacher paid for, basically, for school. [LB423]

GRAHAM CHRISTENSEN: Yeah, you know how many books that can buy? [LB423]

SENATOR DAVIS: So you know, this committee does...all we talk about is tax exemptions here, tax credits here. Why is this a better tax credit than any other one that comes before us? [LB423]

GRAHAM CHRISTENSEN: I think you just take a look at all these revenue streams that we're creating and I think with the C-BED language that we have and we're tying this bill to, that it has more potential...if there's ever been a doubt with tax credits in any other state, it should be quashed now because these requirements, these C-BED ties, they open up the door for more partnerships across the state and new opportunities to help the supply chain along as well. And we haven't even mentioned the consulting. I didn't have the availability to use Nebraska-based consultants when it came to wildlife studies, for instance. And we could start using more of those kind of folks too, and I'm sure if this stuff pops a little bit, people will be lining up here to help, you know, help us to get to the finish line as well. [LB423]

SENATOR DAVIS: I think we had a question about transferability earlier. [LB423]

GRAHAM CHRISTENSEN: Yeah, I don't claim to be an expert on transferability, but to me I would think that our risk would be a lot less if there was transferability in case something were to happen or a great option came by, we'd want to build a transfer of those credits to the next buyer. I would think it would be risky to move this bill, you know, forward without transferability. Either... [LB423]

SENATOR DAVIS: Because you don't think it would be used? I mean, it would be harder to use it. [LB423]

GRAHAM CHRISTENSEN: I just think if that's a risk if you don't have the ability to transfer these credits if, say the project is bought out, you know, for the farmers that have invested that money in this project. [LB423]

SENATOR DAVIS: Thank you. [LB423]

SENATOR GLOOR: Senator Scheer and then Senator Schumacher. [LB423]

SENATOR SCHEER: You said it's a 12 megawatt and how many dollars worth of, in lieu of payments were you saying to the two school districts? [LB423]

GRAHAM CHRISTENSEN: What I have figured based on that rough study, I think was $28,000 apiece. Is that what I said? Yeah, $28,000 apiece per year. That's for 12 megawatts. Six megawatts each, I should say. [LB423]

SENATOR SCHEER: Well, I'm not doubting your numbers, but one of the previous testifiers said it was about $3,500 per megawatt and that's substantially different than what you're figuring. So I'm at a loss... [LB423]

GRAHAM CHRISTENSEN: It's $4,000 a megawatt per year just into the school system, $6,000 a megawatt per year overall in property tax revenues, and you take that times 12 megawatts and split it up. I believe that's where I got my numbers. [LB423]

SENATOR SCHEER: Well, I'm just going by the numbers he presented and said the average was $3,518 per megawatt and that's about 40, not 60. So I mean... [LB423]

GRAHAM CHRISTENSEN: Well, I'm absolutely... [LB423]

SENATOR SCHEER: ...50 percent difference, so I'm just... [LB423]

GRAHAM CHRISTENSEN: I'm absolutely willing to check my math and like I said earlier, I would use the more scientific formula. I'm just basing this off of study that I read and I was transferring those numbers from that time which was probably a year and a half, two years ago now into this project. So I think there's some consequences...or I mean, not some consequences, but some factors. [LB423]

SENATOR SCHEER: Could be. There was just a huge difference though. [LB423]

GRAHAM CHRISTENSEN: Yeah, no it's a point well taken and I'm always willing to check the math and make sure we have those questions right. [LB423]

SENATOR SCHEER: I'm sure your math is right. It just comparing to somebody else which is... [LB423]

GRAHAM CHRISTENSEN: It's a fair question. [LB423]

SENATOR SCHEER: Thank you, Senator Gloor. [LB423]

SENATOR GLOOR: Senator Schumacher. [LB423]

SENATOR SCHUMACHER: Maybe I misunderstood you. Senator Davis' question raised it. Do you have the $22 million? [LB423]

GRAHAM CHRISTENSEN: We will not be able to have firm commitments for that until we have a power purchase agreement in place. And so to understand the model a little bit that we've used, we have 22 families that have put in $10,000 and that's a small percentage of what this takes. That's kicked in to buy the developer, do all the feasibility studies, and get us into a place where we can negotiate a power purchase agreement. At that point, after I get this interconnection agreement in place, which is really a big step, I will turn around and have those talks. And we'll have to have those talks and come up with some soft agreements at the time before this project can go forward. [LB423]

SENATOR SCHUMACHER: Is the game plan to sell stock or borrow the money? I mean, where does the $22 million come from? [LB423]

GRAHAM CHRISTENSEN: We'll use...we plan to use our local banks as much as possible and we also plan to team up with equity investors that, in this case, you know, for the purposes this bill would be able to have the ability to get the tax credit, but would help us finance it. [LB423]

SENATOR SCHUMACHER: Are you looking to angel investors there then? [LB423]

GRAHAM CHRISTENSEN: Well, first of all our developer, Juhl Wind Energy, they have lots of ties. But my goal here, and so I'm not so worried about bringing in those folks after we get these agreements, because there's lots of people in this game that will help. But what my goal is, is to expand on the relationships that they have and try to work with Nebraska folks that can do the same thing and keep the revenues here. [LB423]

SENATOR SCHUMACHER: Thank you. [LB423]

GRAHAM CHRISTENSEN: Thank you. [LB423]

SENATOR GLOOR: Senator Smith. [LB423]

SENATOR SMITH: Thank you, Chairman Gloor. So your purchase power agreements, you're not there yet. Is it because of the interconnection in the line capacity issues? [LB423]

GRAHAM CHRISTENSEN: In our case, no. We've done some transmission feasibility and system impact studies and what they showed...and remember earlier I talked about localizing, so we went off of the big lines and on to smaller lines. There was less regulation and there's less cost so it made it less risky for us to do that. We worked with...in partnership with NPPD. We hired them as a consultant to do the testing on these local transmission lines in Burt County to see if that amount of juice can actually go on this without, number one, bumping onto the Southwest Power Pool. So we have all these other different kinds of criteria we can go through or overload Tekamah, or Oakland in this case where the energy would be diverted for. And what we found out, which was a big deal for us, is that we have none of those issues where we've chose to interconnect to on both of those sites. [LB423]

SENATOR SMITH: So you're saying the line capacity is not an issue at all with the purchase power agreement at this point? [LB423]

GRAHAM CHRISTENSEN: It's not with ours. [LB423]

SENATOR SMITH: Okay. Thank you. [LB423]

GRAHAM CHRISTENSEN: Thank you. [LB423]

SENATOR GLOOR: Senator Davis. [LB423]

SENATOR DAVIS: I've got one more and then this will be it. What about your local REAs, can you sell this power to them? [LB423]

GRAHAM CHRISTENSEN: There are restrictions. Right now, I'm in the contracts they have with NPPD that would limit us or make it very hard for us to be able to sell our full amount. I'm very aware that right now these contract discussions are going. I don't know what the latest is on them, but I have heard encouraging news that are rural electrics out there that would like to do a little bit more than what the current contracts do. And my hope is that they will open an avenue where, you know, local projects can team up locally if that's what makes sense. So that's a challenge. I think the discussion is happening and I think we're working on it. And I know, you know, we would absolutely love the chance to team up with Burt County Public Power or maybe it's not just Burt County Public Power, maybe it's Burt County Public Power, Cuming County Public Power, and Stanton County Public Power. You know, this is theoretical right now, but I think we're close to that point and I...you know, I continue to advocate that we're all open-minded into finding different kinds of ways that we can make that happen, because that could be a really unique and neat relationship that would also create a competition mechanism within public power that I think we need. [LB423]

SENATOR DAVIS: And you'd still have to have a power purchase agreement. [LB423]

GRAHAM CHRISTENSEN: Yeah. Yeah, you absolutely have to have a power purchase agreement, no matter what, for this thing to be real. [LB423]

SENATOR DAVIS: Thank you. [LB423]

SENATOR GLOOR: Thank you, Mr. Christensen. Appreciate it. [LB423]

GRAHAM CHRISTENSEN: Thank you, Chairman Gloor. Thank you, everybody. [LB423]

SENATOR GLOOR: Good afternoon. [LB423]

RICK NELSON: Good afternoon, Chairman Gloor and senators of the Revenue Committee. My name is Rick Nelson, that's R-i-c-k N-e-l-s-o-n, the general manager of Custer Public Power District. Custer serves about 8,000 square miles in the central part of the state, which includes about 10,000 meters. I'm testifying in support of LB423's concept. I've been an advocate of any generation source that is reliable and affordable. Nebraska Public Power District is Custer's 100 percent wholesale supplier of electricity. NPPD has added wind over the years that I believe has associated costs that are higher than fossil fuel generation. Therefore, at the end of the day when NPPD adds more wind, it costs my customers more in their electric bill. If you believe in more wind in Nebraska, this is one mechanism that could open that door. It's also a mechanism that could open a door for wind for export and in doing so, could reduce the financial burden on my customers, if and when NPPD adds more wind. Therefore, from my perspective, passing this bill would decrease the financial burden on my customers. It will also provide economic benefit to those counties that would be receiving new projects. Now that, in turn, would drive economic benefit to the entire state. And with that, Mr. Chairman, I will take any questions. [LB423]

SENATOR GLOOR: Thank you. Are there questions? Senator Smith. [LB423]

SENATOR SMITH: Thank you, Chairman Gloor. So if I understood you, you said adding wind increases the cost to your customer. [LB423]

RICK NELSON: Uh-huh. [LB423]

SENATOR SMITH: But it sounds like your reasoning for being supportive of this is you're seeing that it's inevitable we're going to add wind, so if we're going to add wind, let's provide this incentive to reduce the cost...the increasing cost to you. [LB423]

RICK NELSON: In my mind it would be better for the state to provide that incentive instead of my customers footing that bill. [LB423]

SENATOR SMITH: Okay. Thank you. [LB423]

RICK NELSON: Thank you. [LB423]

SENATOR GLOOR: Any other questions for Mr. Nelson? Seeing none, thank you very much. [LB423]

RICK NELSON: Thank you. [LB423]

SENATOR GLOOR: Are there any more proponents? [LB423]

DAVID LEVY: (Exhibits 6 and 7) Good afternoon, Chairman Gloor and members of the Revenue Committee. David Levy, D-a-v-i-d L-e-v-y, here on behalf of Northeast Nebraska Public Power District, in particular as registered lobbyist. We also represent most of the active wind developers in the state and have done so since that started happening in about 2008. I'm going to do something here today which I don't usually like to do in testifying, which I am not going to give my prepared testimony because there are a lot of questions that have come up and I'd like to try and address some of those and I don't think there's time for both, and you've been here for a long time. So, I will try and run through some of the questions in a coherent fashion. You are receiving two items. One is an article published by a gentleman from Berkshire Hathaway Energy which is an owner of MidAmerican Energy and it details why Berkshire Hathaway thinks wind is a great investment, and it's the biggest economic development thing going in Iowa. The other item is a study of the property tax benefits of wind energy that my firm did along with a client, wind developer of ours, in the fall of 2013 based on the actual property tax payments by an operating windfarm in the state of Nebraska. And let me start with that, Senator Scheer. You had asked about the $3,518 on the property taxes. That's only part of the property tax that a windfarm pays. That's the nameplate capacity tax which is an excise tax that replaced the personal property tax. So, in a sense, $3,500...$3,518 per megawatt per year is the property tax, if you will, on everything above the ground. There is also real property tax paid on the foundation, on the roads, on the operations and maintenance building, etcetera. So, what we found in our study and what I know to be true from other projects is the actual property taxes paid by a windfarm are about $6,500 per megawatt per year. So, a 100 megawatt windfarm pays about $650,000, plus or minus, per year annually in property taxes. The nameplate capacity tax, while it operates like an excise tax by statute, is divided and returned to the taxing entities in exactly the same way and proportion that the real property tax is. So, I think Mr. Christensen's numbers sounded correct to me and from what I've heard, maybe even a little bit conservative in terms of how much of that goes to the schools. So, take care of that one, hopefully, that clears that up. Senator Smith, you asked about power purchase agreements currently under Nebraska law. One would not be able to sell wind-generated energy without a power purchase agreement. That's in the statute for an export project and that's certainly the way the Power Review Board has operated for domestic projects. In terms of the subsidy and where that flows and this gets into, Senator Harr, a little bit, transferability as well, the subsidy...and Shelley from LES alluded to this a little bit or talked about this a little bit, to the subsidy is essentially baked into the price. So the subsidy at the end of the day that we're talking about here isn't some bad thing that through transferability flows off to some big out-of-state corporation, it flows to the end user of the electricity. And so in terms of a project that uses this incentive, it's a C-BED project, as you heard which really doubles down on the economic development benefits and the repayment to the state, that subsidy is going to flow to, let's say, Lincoln Electric System and then it's going to flow to their customers. So one party that this is ultimately subsidizing is the ratepayers of the state of Nebraska. It's doing so in a way that's also creating economic activity and investment and adding new property taxes that wouldn't be here without these projects. In terms of an export project, without this subsidy, that project won't get built. That's the evidence that we've seen in Nebraska. Those export projects that LES is buying from them, and I don't blame them for finding the best price for their customers, those are getting built in Kansas and Oklahoma because the price is cheaper. Okay. Again, that subsidy is flowing down the line to that wholesale buyer to that end-use customer. Four minutes went by fast. But, hopefully, that helps explain that. And with regard to transferability, the idea in all of this, or one idea in all of this, is to bring investment into our state. In doing the historic tax credit bill, I discovered that Nebraska went over a million in population in 1890. We haven't gone over two million. Our state is not growing. Our economy is not growing like it could. We have this great natural resource and as we develop it, and in developing it, we want to grow our state. We want to grow our economy. And the way to do that is to bring money into our economy from out of state. Transferability of tax credits is necessary to do that because if I'm an Illinois company or a California company and I want to do one of these projects in Nebraska, and the only way I can do it and make it price competitive so I have a project with the PPA, because my price was low enough, is to use this incentive. But the only way I can use this incentive is to sell it to Nebraska taxpayers. And so the ultimate tax benefit, the ability to use that tax credit, comes back to Nebraska and in the form of that out-of-state investment that comes in building the project and gets help subsidized with those tax credits. So my light is on, I did my best. And I don't think I got them all covered, but I'm happy to take anything further. [LB423]

SENATOR GLOOR: Thank you, Mr. Levy. Senator Scheer. [LB423]

SENATOR SCHEER: Okay, I get using the rationale that it may help subsidize some communities, but I don't know that that's the job of the state to be selective to subsidize part of the state's electric bill and not others. But those that...I mean, the big deal, I mean, we can't use that much, so the big deal is selling it and exporting it. And in that case, we don't have that additional resource that the state can say it's part of the cost of that. And it's really hard for me to buy that just because somebody else is doing that incentive that we should lose money providing other people money, and especially out-of-state folks additional dollars for them to harness our wind to produce electricity for some other part of the country. I mean, that's just counterintuitive to me. [LB423]

DAVID LEVY: Great question. Let me try and address that. If we don't have that project here, the project is going to go somewhere else. Having that project here creates very long-lasting economic development and property tax relief to the community, to the host county. The subsidy ends after ten years. Those property tax benefits, those property tax receipts carry on for the life of the project, which is, typically power purchase agreements go up to 40 years. So the benefits, the economic benefits of the project to the community where the project is located, and we're talking about an export project now, are going to last four times as long, three, four times as long as the subsidy went on. State aid to schools will be benefited by that new additional property tax revenue for those 40 years. [LB423]

SENATOR SCHEER: How long would we have to amortize a project that would be export only in order for it to be...I mean, obviously past the ten years, so how long would that have to be amortized out to even for the state to break even? [LB423]

DAVID LEVY: Before we've kind of broken even. Great point also. And, you know, that's one of the other things about this particular proposal being tied to C-BED because to be a C-BED, you could have up to 25 percent of the ownership of the project. So 25 percent of the profits, the revenues from the project, flowing to Nebraskans. They'll pay Nebraska income tax on that in significant quantities. I did a--kind of back of my yellow sheet--calculation as I was sitting here because it's a very good question you all have asked. And I don't have Ernie Goss here with me to talk about, to calculate the economic multiplier which is a very important point. That landowner is going to go out to dinner and they're going to buy shoes for their kids and they're going to hire somebody and that all creates more revenue for the state. When we did the Historic Tax Credit Program, Rutgers University studies those things. They've been around for a long time in a lot of states. And what they found was in those types of programs the state got paid back in five to seven years. I don't know exactly how comparable that is, but that's one example where there's empirical data. My calculation says that it would be more like the 11 or 12 years until the state got paid back. So the subsidy ends after ten years, the state's been made whole, if you will, in new property taxes and new income taxes, new sales taxes, new economic activity in ten, 12, 13 years. Let's call it 15 years. You have those income taxes and those property taxes and those multiplier effects, those spin-off economic development benefits carrying on for 40 years and probably longer. We're seeing in California, projects that are 35 years old that are being, what they call, repowered. Turbines replaced, the project goes on for another 35 years. So I think the return is here. The state is going to forgo some tax revenues for a period of time. No question about it. That's how this works. As I can calculate it, I think the state will be paid back within 15 years, I think less. And like I said, these benefits go on for much, much longer than that. [LB423]

SENATOR SCHEER: Okay. Thank you. Thanks, Senator Gloor. [LB423]

DAVID LEVY: Sure. Thank you for the question. [LB423]

SENATOR GLOOR: Senator Smith. [LB423]

SENATOR SMITH: Thank you, Chairman Gloor. Mr. Levy, I'm going to end with a question, but I just want to comment on what Senator Scheer was saying. So this subsidy, at the very best, it creates a tax shift. And I'm going to let you respond here in a moment. I think the best case can be for domestic consumption of the energy. I mean, if you start talking about exporting then you get into, are we passing along the benefits of a lower cost energy to non-Nebraskans subsidized with Nebraskan tax dollars. But if you consume it inside the state, it's not going to be a one-to-one...at the very best, it will be a tax shift. At the very worst it's going to be an incentive to, first of all, the developer is going to make money off of it and you're going to take a broad section of Nebraska tax dollars and you're going to redistribute that to local energy consumers with lower rates. But those lower rates are not going to be a dollar for dollar. It's going to be a...maybe 50 percent of that expenditure is going to be realized in that lower rate, maybe at best. And we don't know and we can't really control how much of that incentive is consumed by the developer and so that's an unknown. But the very best, it's a tax shift and maybe at the very worst, it's few people are getting the benefit of those tax dollars. But...and then on market factors, in my interpretation of this, market factors are going to eventually create a correction to where if we have this abundant supply of land that's rich for harvesting wind generation, at some point it's going to become a greater need and it will be developed out without having to require those incentives. But, finally, you gave a handout here from The Hill and this was...and it's a Berkshire Hathaway Energy Company. But it's interesting, Berkshire Hathaway Company, MidAmerican Energy across the river has used...they've dumped federally subsidized wind generation on to the export market that has pretty much crippled public power net exports over the last number of years, which has cost increases in public power rates in the state. And so you brought some evidence here, Berkshire Hathaway, they love this because they cripple public power with those federally subsidized tax dollars. Comments. [LB423]

DAVID LEVY: Sure. Thank you. You know, Senator Smith, I would...I agree there are some tax shifts going on here. One of the things you all know infinitely better than I is that we have a property tax issue before us that we're trying to address. And so, if through this incentive we're shifting some income tax for a period of time to a use that will permanently generate new property taxes, that may be an okay tax shift. That's up to you all, but I've thought about that and I think you raise a fair point. But I think, like I said before, when we're creating new property taxes for decades, that's what...that's true property tax relief. That is the truest form of property tax relief is growing the base. I would respectively...I agree with you that in some ways the best case scenario here is domestic sale. Right. Then we have even more benefits coming in the state and multiplying, radiating from this. I think that 50 percent number is probably low. I know from clients I've represented with wind projects where we've been to the Power Review Board and they're selling it domestically and they're using the state...or, I'm sorry, the federal production tax credit, those public utilities in the state to whom they're selling are very smart. They know exactly what the incentive that developer is getting and that incentive if not entirely, close to entirely, is flowing through to that utility. I don't know in what proportion that utility flows it through to their end-use retail customers or their wholesale customers, but I've got to think it's pretty high. What the incentive does in that case...you know, you may be sitting there thinking, why would they do this if they're essentially giving the incentive away? Is because it makes it price competitive and this makes us price competitive against other states. If you don't have the incentive, you don't have the project, then you don't have the new property tax revenue, you don't have the new income tax revenue, you don't have the new economic activity. I fully acknowledge, this is not free, but it is an incentive. It is a way to grow our economic activity in our rural communities in a significant way. We're talking many multibillions of dollars of investment and the resulting property taxes. There are hundreds of millions of dollars for decades. If the energy is sold within the state, back to your point, it may be a small group of consumers that benefits that, but NPPD, I think, has customers in 89 counties. So it's going to be fairly widespread for the most part. And as for Berkshire Hathaway, you know, if that's how they've operated, that's unfortunate. That federal production tax credit is available in Nebraska also. I mean, that's part of the thing. We're getting out-competed. We're getting surrounded. It is a market out there. It's a fairly open market with the Southwest Power Pool and so forth. Competition is more open and freer and different than it was when I sat here for LB1048 in 2010, or whatever it might have been a couple of years even after that. So, I would submit that if we don't get to competing, and like it or not, economic incentives, you all know better than I, are what it takes to compete, we will soon be surrounded. This is a finite opportunity. I think you alluded to that and I agree. [LB423]

SENATOR GLOOR: Senator Scheer. [LB423]

SENATOR SCHEER: I'm sorry, just one real quick. I had asked somebody about transmission lines and having the capacity to handle whatever it is that we're trying to accomplish. Your perspective of where we're at on that, because I know NPPD is having trouble even with the ones that they're trying to put in now that potentially would have the capacity to move that, but that doesn't cover but a small part of the area that we would be talking about I'm assuming. [LB423]

DAVID LEVY: Sure. No, thank you for bringing that up. A couple of responses and I'll try and be quick. LB1048 created a statutory process for the Power Review Board to approve a project for export. In that statute, it says it requires in Nebraska law that that private wind energy developer pay for all of the transmission upgrades that they necessitate, require, cause to be needed through their project. So if there are transmission upgrades needed, they're paid for by the private developer. The second point, and last point on this, there's a company called Clean Line. I was hoping you would have a letter from them today. You will, I think, have one soon. They're a company that is a private company that develops high-voltage direct current transmission lines, direct current transfers electricity long distances with far less line loss. They, five years ago, were very interested in locating the western terminus of a line called the Rock Island Line in northeast Nebraska. It follows the Rock Island Railroad all the way to Illinois into what's called the PJM Market where electricity prices are much higher. That's where you want to get your PPAs if you're a wind developer and that would be tremendous opportunities develop in Nebraska, use that to get that power east. They went away from Nebraska for a number of reasons, but one was because we didn't have any incentives that Iowa did to get the windfarms to locate along the line. Hearing about this bill, they're interested in Nebraska again. It may be too late. The long and the short of it is, large windfarms in particular can afford and it's part of their pro forma to pay for their transmission upgrades. It's pretty common. It's a feature of Nebraska law in our export statute. So, you know, the Brattle Group Report, LB1115 report talked about $4 billion in public investment in transmission. It may or may not be $4 billion some day, but I would definitely disagree that it's all got to be public money. I think a lot of it would be more private investment in addition to the generation. [LB423]

SENATOR SCHEER: So the...essentially you have to have something of quite scale, quite a bit of scale to make it work in the far western areas that would be very, very rural. You know, it might...in Burt County it might work because they're close enough to some other smaller lines, but out there, you're really talking about having to develop new lines to feed into some of these. [LB423]

DAVID LEVY: Yes. [LB423]

SENATOR SCHEER: At the expense of whoever's putting it up, is what you're saying. [LB423]

DAVID LEVY: Yep. [LB423]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB423]

DAVID LEVY: Yep, yep. Correct. Thank you. [LB423]

SENATOR GLOOR: Thank you, Mr. Levy. Senator Davis. [LB423]

SENATOR DAVIS: Thank you, Mr. Levy. So when Mr. Hansen handed out the documents talking about the number of projects, I guess, and Kansas has 2,967 and we have 812, so I'm assuming it's the incentives in Kansas that's what makes that work. Is that correct? [LB423]

DAVID LEVY: It's incentives. They don't charge...they don't require property taxes from the windfarm from day one. It's a heck of an incentive. It wouldn't fly very well in Nebraska. They're closer to some of the big loads in the Southwest Power Pool. They got on this opportunity more quickly than we did. Their wind is about as good as ours typically. [LB423]

SENATOR DAVIS: So Senator Smith indicated that because of what's happened in Iowa, NPPD has lost their markets. Would you like to elaborate on that? Can you? [LB423]

DAVID LEVY: I know that NPPD in particular sells a lot of electricity, what they call off-system, into the market. The price may or may not be what they would like it to be. I think earlier...early in 2014, my understanding was they were doing very well doing that. I know Lincoln Electric has some off-system sales. It is an...it is an open and competitive market, there's no question about that. And that's part of the reason we're sitting here today. [LB423]

SENATOR DAVIS: And part of that is a function of the fact that we're now part of the Southwest Power Pool. Did that change things? [LB423]

DAVID LEVY: Dramatically. And a year ago in March when the Southwest Power Pool when it went to a day-ahead integrated marketplace, almost a real-time market, that really changed things. [LB423]

SENATOR DAVIS: So Kansas has no property tax? [LB423]

DAVID LEVY: For the windfarm. [LB423]

SENATOR DAVIS: So that's on the local level or is that a state property tax? It's a local exception? [LB423]

DAVID LEVY: Local property, yeah. [LB423]

SENATOR DAVIS: Okay. Thank you very much. [LB423]

DAVID LEVY: Okay. [LB423]

SENATOR GLOOR: Thank you. [LB423]

DAVID LEVY: All right. Thank you all very much. Appreciate all of your time. [LB423]

SENATOR GLOOR: Are there any final proponents? [LB423]

KEN WINSTON: (Exhibit 8) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Ken Winston, K-e-n W-i-n-s-t-o-n, and I'm Ken Winston appearing on behalf of the Nebraska Sierra Club. I'm having a letter handed out. I'm not going to read that because of the fact that most of the topics have previously been covered. But just a couple of things that I did want to mention that other folks haven't talked about and that's the fact that right now we send a lot of our energy dollars out of state. Approximately $400 million went out of state to purchase coal in 2013. I don't have 2014 numbers yet, but I'm presuming that the numbers went up. And then there's been a lot of focus on larger projects and I've heard some discussions from some of the smaller municipal folks who think that they might be able to use this for developing solar projects, for example, in their own communities. And I guess one of the things that's been discussed, just to follow-up on the comments that Shelley Sahling-Zart made was the fact that tax incentives have resulted in reduced cost to the customer-owners of our public power districts. And that does present and does produce an economic benefit for the customers and provides benefits for the entire community. And one of the other things, I guess the final thing that I wanted to mention that no one else has mentioned, is the fact that renewable energy is a big economic draw. In addition to other things that Iowa...Iowa has lower electric rates than Nebraska does. At the same time that they've also...that they produced nearly five times, more than five times the amount of renewable energy that Nebraska does, but they've also attracted big businesses, cutting-edge businesses like Facebook and Google and Microsoft. And these are the kinds of businesses that we'd like to attract to Nebraska. And I know that there was competition for some of those businesses and we might have been able to get them. And I know that, for example, OPPD is out recruiting businesses and they're using their renewable energy portfolio as a means of attracting business. So there's lots of opportunities here and we would encourage the committee to advance LB423. [LB423]

SENATOR GLOOR: Thank you, Mr. Winston. Are there questions? Seeing none, thank you, Ken. [LB423]

KEN WINSTON: You bet. Thank you. [LB423]

SENATOR GLOOR: Any more proponents? Are there any opponents? Anyone in a neutral capacity? And Senator Nordquist is waiving closing. All right. That ends the hearing on LB423. We will take about a five- or ten-minute break before we continue with the last three bills on our hearing agenda. [LB423]

BREAK

SENATOR GLOOR: LB396, Senator Riepe. Welcome to the Revenue Committee. [LB396]

SENATOR RIEPE: (Exhibit 1) Thank you, sir. Thank you, Chairman Gloor and members of the Revenue Committee for the opportunity to introduce LB396. I am Senator Merv Riepe, spelled Merv, M-e-r-v, Riepe is R-i-e-p-e, and I'm from District 12, which is Omaha, Millard, and Ralston. The baby boomers are aging and we cannot afford to ignore the realities of long-term care expenses looming on the horizon. We must educate and incent Nebraskans to prepare for long-term care costs. Further, we must reduce the state's Medicaid liability going forward. Senator Gay introduced LB159 in 2009, which looks almost identical to LB396. LB159 was advanced from General to Select with 34 votes and was eventually placed on final reading but was IPPed at the end of session. This bill allows Nebraskans the ability to take a tax credit up to $250 for individuals and $500 for joint filing for those who have purchased long-term care insurance. The amount will be equal to 25 percent of the premium paid during the taxable year for the long-term care insurance policy. The individual or couple may claim the credit for up to three years. This bill is a tax incentive for Nebraskans to prepare for long-term care costs. Further, once a long-term care insurance plan is initiated, the probability the policyholder will continue coverage is extremely high. Right now 29 states plus the District of Columbia provide a credit or a deduction for long-term care insurance. Two of those states allow the choice between a credit or a deduction. Why now? Long-term care insurance reduces Medicaid expenditures. There are approximately 7.4 million long-term care insurance policyholders in the United States. Studies have shown a savings of over $6,000 per policyholder, which translates into Medicaid savings of almost $500 billion over the lifetime of the 7.4 million policies. We must use every tool in order to encourage fellow Nebraskans to plan for long-term care needs. We need to encourage them to be personally responsible and halt the spending of Nebraska taxpayers' money for long-term care needs via Medicaid. I know there are some questions regarding the fiscal note. My office has talked to the Fiscal department and they have determined there are approximately 90,000 long-term care policies in Nebraska. And I am planning on confirming those numbers with the Department of Insurance. The Fiscal department projects approximately 28,000 policyholders to take advantage of LB396 for the first three years. After the first three years the loss in revenue will plateau out at about $1.7 million. Further, the fiscal note does not take into consideration secondary impacts as stated previously, such as the benefits received from seniors using long-term care insurance rather than Medicaid. Additionally, I know there is the argument this tax credit is not really an incentive because the people who will initially benefit already have long-term care policies. That is why I have presented you with an amendment--I will give it to you--it's AM529. AM529 amends LB396 so only new policyholders can take advantage of the tax credit. This will adjust the fiscal note and truly make LB396 an incentive to purchase a long-term care insurance policy. The people who are here to testify in favor of LB396 have the knowledge regarding long-term care insurance policies and the secondary impacts. Thank you for your consideration of LB396. And I'd gladly accept any questions you may have regarding the effect of creating a better management of Medicaid costs. [LB396]

SENATOR GLOOR: Senator Riepe,... [LB396]

SENATOR RIEPE: Yes, sir. [LB396]

SENATOR GLOOR: ...do you have any idea what impact it will have? Have you done any estimates on what your amendment will do to the fiscal note? [LB396]

SENATOR RIEPE: Well, it will cut off people like me. That of those 28,000 that currently have long-term...it's simply going forward. So it's more of a reward on that. So that should make a significant impact in terms of it takes away the "gift" idea and gets it down to the idea. And this goes back a little bit, Chairman Gloor, too. I know Governor Heineman was on this campaign about trying to get more people covered just because of this impending balloon of baby boomers coming forward. [LB396]

SENATOR GLOOR: Okay. Other questions? Senator Schumacher. [LB396]

SENATOR SCHUMACHER: Just quickly...and thank you, Senator Gloor. This language, have you run this past anybody for constitutionality? As I understand it, if you ever in your life had paid an insurance policy, you're out. Not if you have one now, but if you ever in your life had one, you're disqualified. [LB396]

SENATOR RIEPE: Is that because of the insurance companies or is that just... [LB396]

SENATOR SCHUMACHER: Well, I think...it just strikes me, this language, no taxpayer shall be entitled to a credit if he or she paid long-term care insurance policy premiums prior to the tax year in which a credit was first claimed. [LB396]

SENATOR RIEPE: So if you had it and dropped it, you're not eligible to come back in? [LB396]

SENATOR SCHUMACHER: Kind of that's the way I read this. But I just want to get that in the record because it's something we can remember later. [LB396]

SENATOR RIEPE: Okay. And we will follow up with that because it's critically important to know, because that would disqualify a number of people, I'm sure. [LB396]

SENATOR SCHUMACHER: Thank you. [LB396]

SENATOR RIEPE: Yeah, thank you. [LB396]

SENATOR GLOOR: I don't see any other questions right now, Senator. [LB396]

SENATOR RIEPE: Thank you. Thank all of you. If I may, I'll be excused to go back to HHS. We're hearing on expanded Medicaid; close to my heart. [LB396]

SENATOR GLOOR: You have, I'm sure, everybody's permission; not that you need it. But we understand, certainly. [LB396]

SENATOR RIEPE: Thank you, sir. [LB396]

SENATOR GLOOR: Well, let's start with proponents for LB396. And while that's going on, let me read into the record...going back to...we have no correspondence on LB538, the Performance Audit review. LB423, Senator Nordquist's proponents were John O'Connor with Olsson Associates; Don Zebolsky, OTOC; Lauren Kolojejchick-Kotch of the Center for Rural Affairs; Mark Shults with the Northeast Nebraska Public Power District; Cynthia Tiedeman with the League of Women Voters; Rich Lombardi, Wind Coalition. (Exhibits 9-14, LB423) No opponent letters. Neutral, Len Sloup from the Nebraska Department of Revenue. (Exhibit 15, LB423) And as relates to this bill, LB396, we have one neutral letter from Len Sloup with Nebraska Department of Revenue. (Exhibit 2, LB396) Thank you. Galen. [LB396 LB423]

GALEN ULLSTROM: (Exhibit 3) Thank you. Chairman Gloor and members of the Revenue Committee, my name is Galen Ullstrom, that's G-a-l-e-n U-l-l-s-t-r-o-m, I'm senior vice president and registered lobbyist for Mutual of Omaha Insurance Company, testifying today in support of LB396. From a little historical perspective, I think I first testified in front of the Legislature in favor of a tax credit for long-term care in 1999. And as Senator Riepe mentioned, the last bill before this group was in 2009, which did make it all the way to final reading but, as you recall, that was when we had the downturn in the economy and the budget shortfall based on the recession of '07-'08 and it did not come up on final reading, so. And there's not been a new bill since. But as Senator Riepe mentioned, this bill is patterned after that bill. There is a clarifying amendment which will clarify that it only applies going forward. I still read it...when I read it, I read it as applying prospective but a clarifying amendment is necessary. It should only be an incentive. I've got long-term care but I don't think it's needed for me, it's needed for people to buy it forward. Long-term care, unlike other products like life insurance, health insurance, major medical insurance, even auto and homeowners are not considered a necessity. It's something that somebody buys and has to sell to you. I think that's primarily because most people don't think they'll need it. They don't know what it costs if they need it. Or they think some other government program, Medicare, Medicaid will provide it if I do need it. I handed out a letter, and this is authored by our two national trade associations, the American Council of Life Insurers and America's Health Insurance Plans, which outline some of the benefits of the bill and the reasons for it. I won't go into the details except to reference a couple of paragraphs. The second paragraph talks in terms of why you may need it. It's anticipated that over 70 percent of individuals age 65 will need some type of long-term care need in their future. And individuals over 85, some 50 percent will need assistance in everyday living. And that's what long-term care is out to protect. If you go to the second page of the letter, the last section dealing with the value of long-term care insurance to Medicaid, it talks about in general that for people in facilities, in in-home nursing facilities, for example, fewer than 5 percent of the people with those long-term care policies will ultimately spend down. And the ultimate cost...I've seen numbers between $50 billion...this one cites in the third bullet, $75 billion and Medicaid savings of up to $500 per year per policy. I've seen conservative numbers going to $300. But they're out there and there is a savings. And I think that's why the states that have already enacted long-term care tax credits still have them. Again, the purpose of this bill is to provide the incentive for somebody to look at it. And I think down the line there will be savings to Medicare. I think you don't understand what it's kind of like until you experience it personally, until you've had a relative in a nursing home facility. My mother spent six years in one and when she went in in '85, it was about $1,800 a month. When she passed away in 1991, it was up over $3,000 a month. And so the cost here, which is illustrated by the letter, is like...nationally is $80,000 a year, expected to go to $190,000 a year by year 2030. So we've got a tremendous cost going forward and Medicaid is going to pick up a large percentage of that if we don't incent the private sector to help and make people accountable for their own personal needs. So that really concludes my testimony. I wanted to be short, you've had a long day. And if I can answer any questions, I'd be glad to. [LB396]

SENATOR GLOOR: Are there any questions for Mr. Ullstrom? Yes, Senator Scheer. [LB396]

SENATOR SCHEER: Real quick. Sorry, I know it's late. But were the numbers the same in 2008? I mean, was it same $500 credit or...? [LB396]

GALEN ULLSTROM: Yeah. The numbers in 2009 were exactly the same as this bill. Originally, they were phasing in over a period of time. But I think the bill that came out of committee and the bill that was sitting on Final Reading was exactly the same as this. It's a 25 percent credit up to a maximum of $250 for an individual and $500 for a couple. [LB396]

SENATOR SCHEER: Okay, thank you. Thank you, Senator Gloor. [LB396]

SENATOR GLOOR: Seeing no further questions, thank you. [LB396]

GALEN ULLSTROM: Thank you, Senator. [LB396]

SENATOR GLOOR: Next proponent. [LB396]

MARK INTERMILL: (Exhibit 4) Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I'm here today on behalf of AARP. Many of the issues that you deal with pertain to trying to incent some sort of behavior that's considered to be in the interest of the state. And I think that's the purpose of this bill as well. I included a graph on the first page that indicates what the state's interest in this is. And that's the $433 million that we spend on Medicaid for long-term care services. We see that the importance of incenting individuals to be able to take care of their own long-term care needs is important. Long-term care insurance I think is best characterized as asset protection. As a person goes into a nursing facility, they begin to...since the cost of care is greater than most people's income, they start to draw down their resources. A long-term care insurance policy can protect those resources and slow down that spend down. We do have a long-term care savings plan in Nebraska that is a...contributions are deductible. And the long-term care savings plan proceeds can be used to pay long-term care insurance policies. I think there are a lot of issues that we need to consider how these things all work together. And I also think we need to take a look at how...which individuals might be able to benefit from this and what their risk of Medicaid eligibility are. On the second page, I included a chart from a survey that we did that we sought the opinions of our members and asked them which types of expenses do you have difficulty affording. One of the things we asked about was long-term care insurance. We found that a lot of the individuals who responded did have long-term care insurance, 55 percent overall. And then we had the breakouts of age and income. We found that it's more likely that you'll have long-term care insurance at a higher income. But still, nearly half of those who said their income was under $30,000 said they had a long-term care insurance policy. Those are individuals who are probably more likely to become eligible for Medicaid upon admission to a nursing facility. I think we have...we fully support efforts to try to make sure that people have tools to save for long-term care so they can take personal responsibility for that cost. I think this is something that could be part of the mix. But I also think there are a lot of questions to be answered about how all these things fit together, whether it's the long-term care savings plan, this particular deduction. There are other products that are emerging that help people afford the cost of long-term care, whether they're life insurance or annuity products. So we think that this has some merit, but we also think it needs a little bit more study. And I guess our recommendation is, I think it's worthy or your consideration but maybe it needs an interim study or an Aging Nebraskans Task Force review to make sure that we are getting the desired effect of realizing some savings from whatever policy we implement. So I got done before the yellow light, so I'm going to bank those minutes. [LB396]

SENATOR GLOOR: Good luck with that. Mark, I've got a question for you. You and I have had some discussions a couple of years ago, I know, related to long-term care policies. And as far as I know, Senator Scheer may have already had contact from people who were concerned about rate increases for long-term care insurance that were not affordable. And it was a quandary because the Insurance Commissioner okayed the rate increases, knowing that if they didn't the companies likely would no longer be able to offer the product, stay afloat, whatever the case may be. And so we had the predicament of difficult actuarial adjustments with our aging population. And I'm just wondering, is that an example of some of what we need to take a look at here? [LB396]

MARK INTERMILL: No, definitely that is a concern and I also, just in terms of...and I understand the impetus behind the amendment to try to control the cost, but we do have some people who are seeing significant increases in their premiums that could use a break. And those examples of the company Ability was the company that was putting some pretty significant increases in the cost of premiums, almost to the point of squeezing people out of the market. Those are the individuals who really could use a break. The people that we talked to who are in that situation weren't...didn't have a lot of assets. If they didn't have long-term care insurance coverage and went into a nursing facility, they would probably be Medicaid eligible within a year. So there's a balance there to be struck, too, about...by not providing the benefit to the individuals who are currently...have done what they're supposed to do, we might be squeezing some people out or at least avoiding them being squeezed out of the market. [LB396]

SENATOR GLOOR: Okay. Senator Scheer. [LB396]

SENATOR SCHEER: Thanks for the information, by the way. [LB396]

MARK INTERMILL: Sure. [LB396]

SENATOR SCHEER: I guess something that sort of jumped out at me is, in your comment you said Nebraska has the fifth highest long-term insurance penetration rate in the nation. [LB396]

MARK INTERMILL: Yes. [LB396]

SENATOR SCHEER: If we're already 5th out of 50, why would we have to be incentivizing people to do this if we already...and based on your information--now granted that's your membership, not necessarily the population as a whole--but you're showing well over half of your membership have that coverage. So I'm wondering the necessity of trying to incentivize something that it seems like on a national basis we already do a pretty good job as a state. [LB396]

MARK INTERMILL: And pretty good is relative. Pretty good is 11.2 percent of the 40-plus population has long-term care insurance. And that's...we were tied with North Dakota. Farm states tend to do better in terms of long-term care penetration. It's a form of asset protection, making sure that in the event that a parent needs to use nursing facility care that there's some protection for that asset. So we do tend to see farm states--the upper Midwest--have a little bit better penetration rates than some other states. But 11.2 percent is the rate that we have that puts us in fifth place. [LB396]

SENATOR SCHEER: It's still fifth place. [LB396]

MARK INTERMILL: It's still fifth place, yeah. [LB396]

SENATOR GLOOR: Other questions? Seeing none, thank you, Mark. [LB396]

MARK INTERMILL: Thank you. [LB396]

MICK MINES: Senator Gloor, members of the committee, my name is Mick Mines, M-i-c-k M-i-n-e-s, I am a registered lobbyist for the National Association of Insurance and Financial Advisors, NAIFA. In the interest of brevity, we do support this bill. We've not seen the amendment that would carve out existing policies. We have long supported this concept and we simply urge you to advance this bill to General File. Let's have discussion. And I would answer any questions if you have them. [LB396]

SENATOR GLOOR: Are there any questions for Mr. Mines? Seeing none, thank you. [LB396]

MICK MINES: Thank you. [LB396]

RON SEDLACEK: Chairman Gloor and members of the Revenue Committee, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, here on behalf of the Nebraska Chamber of Commerce in support of the legislation. I'll be very brief and considering the time and the other bills you have following. But the State Chamber does support the legislation and would like to see it go deeper. We feel that this is part and parcel to addressing the cost of Medicaid and the budget of Nebraska. Any questions? I'd be happy to entertain them. [LB396]

SENATOR GLOOR: I see no questions. Thank you, Ron. [LB396]

RON SEDLACEK: Thank you. [LB396]

KENT ROGERT: (Exhibit 5) Chairman Gloor and members of the Revenue Committee, my name is Kent Rogert, R-o-g-e-r-t. I'm here today representing LeadingAge Nebraska, it's a coalition of nonprofit and government-owned long-term care and assisted living facilities in Nebraska. And I'll simply say what they said. Answer any questions. [LB396]

SENATOR GLOOR: Are there any questions for the senator? [LB396]

SENATOR SCHEER: I enjoy that. [LB396]

SENATOR GLOOR: Thank you. Mr. Faustman. [LB396]

NICK FAUSTMAN: (Exhibit 6) Good evening. Nick Faustman, N-i-c-k F-a-u-s-t-m-a-n, I'm with the Nebraska Health Care Association, which is the parent entity to a family of associations, including the Nebraska Nursing Facility Association and the Nebraska Assisted Living Association. Both NNFA and NALA support LB396 for reasons stated before me. We urge the committee to advance the bill to General File. [LB396]

SENATOR GLOOR: Are there any questions? Senator Sullivan. [LB396]

SENATOR SULLIVAN: Just what is the average cost of a nursing home stay and assisted living stay...annual? [LB396]

NICK FAUSTMAN: In Nebraska it's approximately $60,000 per year. Assisted living--it's been a while since I looked at that--but I think it's approaching $40,000. [LB396]

SENATOR GLOOR: Thank you. [LB396]

NICK FAUSTMAN: Thank you. [LB396]

KORBY GILBERTSON: Good afternoon, Chairman Gloor, members of the committee. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n, appearing today as a registered lobbyist on behalf of the Nebraska Association of Health Underwriters in support of this legislation. And the only thing I wanted to add and talk about just a little bit was, a lot of discussion has been made about incentivizing people to take care of themselves. And we thought it would be interesting, but I know that they cannot give you the amount of money that the state will save in Medicaid. And I know that this has a big fiscal note. But everyone we talked to thinks that you would probably be saving a lot more money in Medicaid if you could incentivize more people to have long-term care insurance. So that's all I have. [LB396]

SENATOR GLOOR: Here's just a brief question. And somebody might stop me afterwards or catch me in the next week or so. There's a degree of transferability of those policies, is there not? In other words, if my parents decide to move to where I have a brother living, that policy would be active in Missouri or Kansas? [LB396]

KORBY GILBERTSON: That's my understanding. Now, I don't work for one of the companies so I can't give you that for sure. But that's my understanding. [LB396]

SENATOR GLOOR: Yeah. So I'm trying to decide do we have a lot of elderly who, in fact, end up leaving the state to live with family who live outside of the state. I mean, it certainly would affect the Medicaid...the impact on Medicaid. I would rather guess we still have a large number who stay in the state and use state services. [LB396]

KORBY GILBERTSON: Oh, absolutely. I mean, you look at someone who's in later stages of needing more severe care and could have used long-term care insurance. I can tell you personally, looking at bills topping $1 million for five months of care, it would be...people would be very well advised to try to do some of this on their own. [LB396]

SENATOR GLOOR: Well, and for the record, just in case my parents pay attention to the record, I'm not encouraging them to move in with my brother in Missouri. Any other questions? Thank you, Korby. [LB396]

KORBY GILBERTSON: Thank you. [LB396]

JAN McKENZIE: (Exhibit 7) Senator Gloor and members of the Revenue Committee, it's nice to be in front of a different committee for a change. For the record, my name is Jan McKenzie, spelled J-a-n M-c-K-e-n-z-i-e, I'm executive director and registered lobbyist for the Nebraska Insurance Federation, which is the Nebraska domestic industry for the Revenue Committee members who don't know who we are. I have a number of members who sell long-term care insurance but that number has dwindled. So I'm handing out...actually, one of the things I'm providing just for your information is a report that Minnesota issues out of their legislative office in the House every year. They've had one of the longest running incentive credit programs. And it's interesting to look at having it started in 1999, it's still in existence. But I thought you'd be interested in seeing what they've looked at in terms of some other states and how they are doing what they're doing in terms like if you look at New York, the amount of money that they are spending and the number of people who are accessing the credit or the incentive, but of course they have a lot of people. This is the 17th time I've testified on a bill before Revenue in my tenure in long-term care credit insurance. And I want to just answer, Senator Gloor, your concern that you brought up, because you were on Banking, Commerce and Insurance Committee and, Senator Schumacher, you may remember this also. Couple of years ago in Banking we heard some concerns about long-term care insurance and premium increases that were outrageous. And we had a discussion at that time about the point that it had become a serious problem across the nation because a number of companies who had sold long-term credit policies underestimated the fact that people would keep them, because in the life insurance business or long-term care insurance business there's always some assumption that people will stop buying the policy. So there's some actuarial underwriting that goes into determining maybe 3 percent, so. But what happened is, people who buy the policies don't drop the policies. They keep paying for the policies and there was an underestimated amount of cost per person and the length of time that the person would use the long-term care insurance. So what happened was similar to kind of what we saw with a CoOportunity situation. Actuarial projections and assessments were incorrect and they had to ask for increases in premium rates that were very high. It became such a big issue that the NAIC established a separate committee to study it. They have spent the last few years looking at the issue and are going to be implementing new, stricter standards for long-term care insurance policy regulations, I believe Galen told me, next year. [LB396]

SENATOR GLOOR: Okay. [LB396]

JAN McKENZIE: So we may see that in Banking, Commerce and Insurance Committee as a department bill to make sure that that problem is solved, so. I just thought you might be interested in knowing where that was. [LB396]

SENATOR GLOOR: Senator Scheer. [LB396]

SENATOR SCHEER: Thanks, Jan, for the information. [LB396]

JAN McKENZIE: Sure. [LB396]

SENATOR SCHEER: Just getting back to Nebraska has 10 percent, based on your information about Minnesota, 2 percent claim on returns. Two percent, and if you look at the numbers by the states on the second page, they are miniscule. I mean, New York, 137,000 is the total for all New York. I mean... [LB396]

JAN McKENZIE: Those were the numbers of people claiming the credits on their...yeah, on their returns. Right. [LB396]

SENATOR SCHEER: Well, any accountant is going to claim it. I mean, I don't care if you go to H&R or not, so. I mean, it's... [LB396]

JAN McKENZIE: Yeah. In the many years that we've talked about it, the problem is that what I think--I know Senator Gay, in particular--was trying to encourage people younger, as in 40, to purchase so that when the prices were the lowest and most affordable that you would keep it because once you start to look at it at my age you go, whew, okay, I'll take my chances. Knowing for all you that I'm turning 60 on Saturday, so. [LB396]

SENATOR SCHEER: Would you like us to sing? [LB396]

SENATOR GLOOR: Who knew? [LB396]

JAN McKENZIE: Any other questions? [LB396]

SENATOR GLOOR: Senator Davis. [LB396]

SENATOR DAVIS: Thank you, Jan, and maybe you can't answer this question. But so, somebody 60, how much is it, about? [LB396]

JAN McKENZIE: Honestly, I do not know. [LB396]

SENATOR DAVIS: And that's kind of a thing. My point is that... [LB396]

SENATOR SCHEER: You know...excuse me, but from Mutual of Omaha's I think it said at 60 was $188 a month, I think is what I read in this sheet. [LB396]

JAN McKENZIE: And I think it depends somewhat on which type of policy you purchase because I know there are different levels of coverages and lengths of coverages. [LB396]

SENATOR SCHEER: Length of time for coverage. [LB396]

JAN McKENZIE: Right. As I understand, I haven't talked about it for a couple of years, but that's what I remember from the last bill, so. [LB396]

SENATOR DAVIS: Thank you. [LB396]

SENATOR GLOOR: Any final questions? Yes, Senator Sullivan. [LB396]

SENATOR SULLIVAN: Thank you, Senator Gloor. You may not know this, Jan, but do you have any idea what the average stay is in a nursing home once a person enters long-term care? [LB396]

JAN McKENZIE: Well, once they enter long-term care? [LB396]

SENATOR SULLIVAN: Yeah. How long do they end up staying in a nursing home before they pass? [LB396]

JAN McKENZIE: I...honestly, I don't know that. Sorry. [LB396]

SENATOR SULLIVAN: Okay. All right, that's fine. [LB396]

JAN McKENZIE: I could maybe ask somebody behind me. [LB396]

SENATOR SULLIVAN: That's fine. That's fine. [LB396]

SENATOR GLOOR: Thank you, Senator. [LB396]

JAN McKENZIE: Thank you. [LB396]

SENATOR GLOOR: Happy birthday. [LB396]

JAN McKENZIE: Oh, thank you. [LB396]

SENATOR GLOOR: Are you a testifier or... [LB396]

SENATOR KOLTERMAN: Yes. [LB396]

SENATOR GLOOR: You're a testifier, okay. [LB396]

SENATOR KOLTERMAN: My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n. I wasn't going to weigh in on this. I know we're still going over in HHS as well. But in answer to your question, Senator, the average stay is about 2.5 years. And this is becoming a real issue in the industry because it's becoming harder and harder to underwrite these policies. And we've lived through a lot of these major rate increases, as agents. And what happened was, as you know, people were going on claim, they underpriced the policies dramatically when they first wrote them. And so now they're increasing rates. But the NAIC has put a stop to a lot of that. Our local Department of Insurance has really been good about limiting the amount of increases that the companies can charge. And in some cases, we're seeing where they'll say, well, we're going to allow 18 percent this year and we're going to allow maybe another 18 percent next year over the next two years. But those are concerns that we share in the industry, marketing the product. But we also see a real need in marketing the product for figuring out some rationale because of what was talked about earlier. If we can keep people off the Medicaid program, we're going to save the state a bunch of money. We do have a savings account for long-term care at the present time. It doesn't get utilized simply because there's not enough value there. And so this would go a great way to help at least incent people to go on the plan from a state perspective. So I would encourage you to give it serious consideration. And I would try to answer questions you might have. [LB396]

SENATOR GLOOR: Are there any questions? I think not. [LB396]

SENATOR KOLTERMAN: Thanks. [LB396]

SENATOR GLOOR: Don't leave that chair. It may be that you're just going to be back there in 60 seconds. Are there any more proponents for this bill? Are there any opponents for this bill? Is there anybody in a neutral capacity? I'm serious, Senator. Oh, you need to get your stuff. Seeing none, that will end the hearing for LB396. I think I've already read letters in. And we'll start with LB408. [LB396 LB408]

SENATOR KOLTERMAN: I'm going to make this very...first of all, my name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n. Thank you for allowing me to meet with you today. I'll make this very quick. Last summer when I was running for the Legislature, I had a constituent call me and he was just really irate about the fact that he had gotten a letter from the county treasurer indicating that he had missed an $85 bill on his property taxes. And if he didn't get it paid within a certain period of time, they were going to file felony charges against him. And so he called me up and said, what kind of legislation is this that if I missed an $85 bill it could be a potential felony? And he had moved here from California and he said, I moved here simply because I thought things would be easier here. And you want to charge me with a felony. And he asked me to look into it. So I talked with Senator Adams at the time and they did a little research. And it, indeed, is a felony if you don't pay your property taxes within a certain period of time, as a corporation. So all I did was when I got here I decided, well, maybe we ought to look a little deeper into this. And so what my bill does is actually takes it to a Class IV misdemeanor and it makes it so that if you don't pay your property taxes of up to $1,000, it would be a Class IV misdemeanor and we're not going to prosecute somebody as a felon, take away their right to vote, take away their right to carry arms and things of that nature. I'm not sure $1,000 is a low enough value. I mean, a farmer that owns a quarter section of land probably pays $5,000 a year, $6,000 a year in property taxes. But I thought this would be a good start. Again, I'm doing this on behalf of a constituent but also, I just can't see...and I did talk with our county assessor and talked with the NACO and they don't have a problem with this. And the county treasurer, he really liked the idea he wouldn't have to send out that letter they we were going to prosecute as a felon. So that's the impetus behind the bill. I don't think there's any testifiers either way. [LB408]

SENATOR GLOOR: Oh, I bet there might be. [LB408]

SENATOR KOLTERMAN: I'd like to have you think about it. [LB408]

SENATOR GLOOR: But I'll bet there will be some questions. Senator Davis. [LB408]

SENATOR DAVIS: Thank you, Senator Gloor. This is for corporations. And this is real property or this is personal property? [LB408]

SENATOR KOLTERMAN: It's real property. [LB408]

SENATOR DAVIS: How is this any different in terms of real property from another piece of rural property that becomes delinquent? [LB408]

SENATOR KOLTERMAN: What I was told in my research on this was, this was put in in the '80s when the counties were concerned about issues of large corporations that had a lot of tax liabilities. Let's use as an example a Union Pacific or somebody like that. [LB408]

SENATOR DAVIS: I'm understanding. [LB408]

SENATOR KOLTERMAN: And if they didn't pay their property taxes, it would really put a county in a real bind. So they decided to implement this legislation. That's what I've been told. I think somebody maybe talked to...I don't know if it was Revenue that they talked to. I was surprised it came here. [LB408]

SENATOR DAVIS: So this would've taken place in the '80s when we had a lot of foreclosures on farms and the insurance companies weren't sure they were ever going to recoup their... [LB408]

SENATOR KOLTERMAN: Farms and also the possibility of...you know, I mean, everybody was in a tight squeeze in the '80s and they wanted to make sure that the property tax would continue to come in. [LB408]

SENATOR DAVIS: And the incentive for somebody to come in and buy this at a tax lien sale and get the 14 percent interest that Senator Schumacher is always telling us is such a great deal, wasn't there? Was that how this came to be? [LB408]

SENATOR KOLTERMAN: Yeah. In my particular case, it was an individual that was buying homes in Seward, Nebraska, low-valued homes. He was fixing them up and then either renting them out or flipping them, selling them. And he just happened to miss an $86 bill and he got this letter; he has about 14 houses. And he got this bill from the county treasurer and said, hey, you're delinquent. You either pay this or we can file a case against you for a felony. [LB408]

SENATOR DAVIS: Okay, thank you. [LB408]

SENATOR KOLTERMAN: Does that answer...? [LB408]

SENATOR DAVIS: How can you have a felony against a corporation? [LB408]

SENATOR KOLTERMAN: I have no idea, but it's in statute. [LB408]

SENATOR GLOOR: Senator Schumacher has a question. [LB408]

SENATOR KOLTERMAN: Yes, sir. [LB408]

SENATOR SCHUMACHER: I'm not sure if it's a question. The person charged is actually the officer of the company rather than a corporation. [LB408]

SENATOR KOLTERMAN: Probably, yeah. [LB408]

SENATOR SCHUMACHER: But on real property, the corporation isn't assessed, the real estate is assessed, so it doesn't apply there. And I'm not sure if there's an assessment for income taxes or sales taxes. There's got to be some reason that probably nobody has ever been prosecuted under this. [LB408]

SENATOR KOLTERMAN: I didn't bring a copy of the form letter that he sends out. But apparently, it's a pretty common practice from county to county. I haven't experienced that because I pay my taxes. But I could see a person missing a bill. [LB408]

SENATOR GLOOR: Those nasty county people. [LB408]

SENATOR KOLTERMAN: Any...I'd be glad...my rationale is just to change the statute to make it a misdemeanor. [LB408]

SENATOR GLOOR: Any other questions? Thank you. [LB408]

SENATOR KOLTERMAN: Thank you. [LB408]

SENATOR GLOOR: We appreciate it, Senator Kolterman. I will now move to proponents for this bill. Seeing none, we'll move to opponents for this bill. Do we have anyone in a neutral capacity? [LB408]

LARRY DIX: My name is Larry Dix, L-a-r-r-y D-i-x, executive director of the Nebraska Association of County Officials. Everything that Senator Kolterman has said was really what sort of has been related to me that this law has been on the books for years and years and years. And county treasurers simply are following whatever this says in the law, so they send out this letter. I don't know...in talking with the county treasurers, I don't know that we've had a county ever follow up on it. Usually somebody gets this letter and they're like, my gosh, what am I going to do? I'm going to run in and pay the taxes. The taxes are paid and then that's really sort of the end of it. So we don't have any heartburn over doing away with...changing this whatever amount they want. We just don't see much activity in this area. But when I asked county treasurers a number of them said, we weren't even aware this necessarily was on the books. And some of them said, we've never taken action on it. [LB408]

SENATOR GLOOR: Questions? Senator Schumacher. [LB408]

SENATOR SCHUMACHER: Thank you, Senator Gloor. It just looks like it's been on the books since at least 1903. There's never been a Supreme Court decision or a court decision at least noted here, so it must not have been used very much. So I'm wondering whether or not it has any function at all legally, other than a bluff letter. [LB408]

SENATOR GLOOR: It works, apparently. Senator Davis. [LB408]

SENATOR DAVIS: A couple questions. And maybe this is more for Senator Schumacher, but this property is just as attachable in terms of a tax lien as any other property, isn't it? [LB408]

LARRY DIX: Yeah, I think this would be. I don't...but I don't know that by sending out this letter it has any bearing. [LB408]

SENATOR DAVIS: And so these letters are not sent to private individuals when there's a tax... [LB408]

LARRY DIX: As I read it, it's the officer of the corporation. [LB408]

SENATOR DAVIS: Right. But I mean, in a private...in an individual case, that would never take place. [LB408]

LARRY DIX: I don't think so, no. [LB408]

SENATOR DAVIS: So I guess my question then would be for Senator Kolterman, does it even make sense...should we just repeal this altogether? [LB408]

SENATOR GLOOR: Senator Harr, do you have a question? [LB408]

SENATOR HARR: That's a good question. No, I was just saying, my only issue is we used the Class IV misdemeanor which is goofy in that it has a minimum of $100. Every other felony, misdemeanor is zero to blank. And for some reason on Class IVs, we do $100 to $500. And when we're cleaning up bills, that's one of the things I want to clear up. [LB408]

SENATOR SCHEER: So if the tax is above $500 it wouldn't work. [LB408]

SENATOR HARR: That's my only issue. [LB408]

SENATOR SCHEER: Why don't we just delete the whole section? [LB408]

SENATOR GLOOR: Well, Senator Kolterman has something to consider. Anybody else in a neutral capacity? Senator Kolterman. [LB408]

SENATOR KOLTERMAN: I didn't mean to cause you a problem and heartache. But if it could be repealed, I don't care if you take it out of statute. I just don't see the value of...my main concern was, why would we send a letter accusing somebody of a felony or threatening them with a felony? I mean, you're talking about...that's pretty serious stuff. And so I just thought, well, I'll listen to my constituent. He doesn't even know I'm here talking about this. [LB408]

SENATOR GLOOR: Here's the deal. It's really not the committee's responsibility to change your bill. But you've had some recommendations here that seem to point in that direction. [LB408]

SENATOR KOLTERMAN: Yeah, I understand that. [LB408]

SENATOR GLOOR: So if you like that concept and want to float it back to us that way, I think we'd be glad to consider it. Does that sound fair? [LB408]

SENATOR KOLTERMAN: Thank you. That's fair. I understand how to do it, I just... [LB408]

SENATOR GLOOR: Got it. Thank you, Senator. [LB408]

SENATOR KOLTERMAN: Okay. Thank you. [LB408]

SENATOR GLOOR: And that ends the hearing on LB408. We'll now move to LB510. Senator Cook, welcome. This apparently is HHS day also in the room. [LB408 LB510]

SENATOR COOK: Thank you. Why wouldn't it be? Isn't every day HHS day in one way or another, Senator? [LB510]

SENATOR GLOOR: Whatever that acronym means, yes. Welcome. [LB510]

SENATOR COOK: Thank you. Good evening, Senator Gloor and members of the Revenue Committee. I'm Tanya Cook, that's spelled T-a-n-y-a C-o-o-k, I'm introducing LB510 today. LB510 will create a nonrefundable business tax credit that encourages and rewards investments Nebraska employers can make in their employees and our workforce. LB510 will allow Nebraska employers to claim a credit of 20 percent of their annual expenditures made to provide eligible services for their employees who are transitioning off of public assistance. The credit may not be claimed for more than two years with respect to each individual employee. And I just remembered that I wear spectacles now. Thank you. Eligible employee is defined in Section 2(6) of the green copy of the bill. An eligible employee means, an individual who is a member of a family that received benefits under the federal Temporary Assistance to Needy Families program for any 9 months of the 18-month period prior to the employee's hiring date. This language mirrors the qualifications for the federal Work Opportunity Tax Credit. The federal Work Opportunity Tax Credit helps targeted workers move from state assistance to economic independence and stability. In practice, the language defining "eligible employee" ensures that the targeted investment proposed by the bill benefits Nebraska's families that are in transition. Advancement of the bill will help provide the skills and support they need when they're working toward their own economic stability. Here are the eligible services that LB510 will allow Nebraska employers to claim a credit of 20 percent of their annual expenditures for providing. Eligible services means services that are incidental to the employer's business and are included in the following categories: First, tuition--the provision of tuition at a Nebraska public institution of postsecondary education; second, childcare services--the provision of childcare services or the payment of the costs associated with childcare services for children of eligible employees; and transportation--the provision of programs for the transportation of public assistance employees to and from work. The credit is limited to expenditures made on an eligible employee during two tax years of their employment. The expenditures must be specifically for the benefit of the eligible employee. Credits in excess of an employer's tax liability may not be carried forward to another year and are nonrefundable, meaning that they cannot result in a tax refund. The tax credits allowed under LB510 are an investment in Nebraska's workforce and its families. The bill rewards and encourages businesses to invest and stick with their employees. This bill provides the kind of support that will create a more upwardly mobile workforce. The fiscal impact of LB510 is modest in relation to the impact that its passage will have on the lives of eligible employees. The intent of the legislation is that this tax credit would offer an incentive for private enterprise to provide transformative investments to struggling families. This legislation would lessen the state's need to provide the childcare subsidy to those Nebraskans currently receiving the assistance. I understand the difficulty in calculating an estimate these savings might be to the state, but it would certainly assume that those potential savings would be referenced in the fiscal note. Members of the Revenue Committee, LB510 will encourage Nebraska employers to play an important role in transitioning families off of public assistance and into the middle class. The underlying policy advanced by this legislation can play an important role in ensuring broad-based support for any tax reform policy advanced from this committee. I ask that you seriously consider including portions of this legislation in any appropriate committee proposals advanced this year. Nebraska does not currently have--it's the only one of the 50 states, by the way--that does not currently have any job training tax credits. And this was pointed out by the Legislative Performance Audit report that was released in 2013. The tax credit included in LB510 makes up, in part, for that shortfall and represents an earnest attempt to make sure that the tax policy in Nebraska encourages upward mobility of our workforce. Thank you for your sincere consideration and I look forward to working with you on this bill. Thank you, Mr. Chair. [LB510]

SENATOR GLOOR: Thank you, Senator Cook. Questions. Senator Scheer. [LB510]

SENATOR SCHEER: Just one. Thanks for bringing it, Tanya. Just one comment. You are talking about postsecondary education. Would you maybe not also include the cost of a GED for an individual that may not have a high school diploma? Just a thought. [LB510]

SENATOR COOK: Thank you for that question. In fact, I just introduced an expansion of a GED bill yesterday in the Education Committee, your old stomping grounds. And as I was reading the testimony, I thought that that might be a good idea because it is absolutely a barrier to moving up in any sort of organization. So, yes, I would consider that as an amendment. [LB510]

SENATOR GLOOR: I don't see any other questions right now. [LB510]

SENATOR COOK: Wonderful. [LB510]

SENATOR GLOOR: Are you going to stay and close or are you headed back to HHS? [LB510]

SENATOR COOK: Well, I think that I will go back to Health and Human Services. [LB510]

SENATOR GLOOR: Okay. [LB510]

SENATOR COOK: No, I changed my mind, Senator Gloor. I'm going to stay here and close... [LB510]

SENATOR GLOOR: Okay. [LB510]

SENATOR COOK: ...because I told Health and Human Services that I was here and they were kind of wrapping up. Thank you. [LB510]

SENATOR GLOOR: (Exhibits 1, 2) Sure. We'll move to proponents for the legislation. And while he's moving forward, we have two letters, proponents, Andy Bradley with Goodwill Industries and Aubrey Mancuso with Voices for Children here in Nebraska. Good afternoon. [LB510]

LUKE WALTMAN: (Exhibit 3) Good evening. Chairman Gloor and members of the committee, I am Luke Waltman, L-u-k-e W-a-l-t-m-a-n, and I'm here today on behalf of the Center for People in Need to urge your support of LB510, legislation that would provide an income tax credit to employers of public assistance recipients. At the Center for People in Need we serve those in Lincoln who make under 150 percent of the federal poverty line in income. Among families with children that we see, poverty and hardship are extremely common. In our most recent poverty report we note that nearly a quarter of our client families live on less than $500 a month. For these individuals often the only choice is between purchasing clothing for your family, another important necessity, or saving funds for a rainy day. The snowstorm a few weeks ago in Nebraska--or perhaps tonight--illustrates the cascade of problems that can occur to those in poverty. Parents with children must find a way to take care of their kids when school is cancelled, and that might mean the choice between missing work or paying for childcare or it might mean sacrificing heat, clothing, or food. Public assistance programs provide enormous help to many of the families experiencing the challenges of poverty at the Center. And LB510 is a critical piece of legislation that will improve the ability of these individuals to find employment after assistance. It will provide a tax credit for costs such as tuition, childcare services, and transportation of employees to get to work. Those items are not of small significance. Oftentimes, the cost of transportation, the cost of paying for childcare, or another basic expense is the reason why many are not able to make the transition into the workforce. In fact, nearly a quarter of our clients give their responsibilities as a parent at home as the reason why they cannot obtain employment. In his State of the State Address last month, Governor Ricketts cited, and I quote, "our need for a commonsense approach in government, one that does not create disincentives for people and families to work." The difficulty of finding work for many of those on public assistance is the sort of roadblock or hurdle that is of concern to us at the Center. We see many individuals who work and are on assistance and still have not made it out of poverty. To give you another statistic, around half of the people who seek our services are employed but still live in poverty due to low wages. If we can enhance the ability of those on assistance to find better employment and earn more, we will have solved the problem for them and all other taxpayers as well. The bill would also help to mitigate the so-called cliff effect, the sharp drop off in assistance individuals experience when earning more in this scenario. Oftentimes, we hold off on making practical changes because we think problems will just solve themselves with time. With issues of poverty, this is a very dangerous assumption. The challenges of affording food, clothing, and the necessities of families can just as easily become worse as get better. And this tax credit is an easy change to our policies to enhance the ability of families to escape this trap. So passing LB510 will enhance the ability of those Nebraskans on public assistance to find employment and start working. And for this reason, we urge the committee to advance it. [LB510]

SENATOR GLOOR: Thank you, Mr. Waltman. Are there any questions? I see none. Thank you. [LB510]

LUKE WALTMAN: All right. Thank you. [LB510]

SENATOR GLOOR: Thank you for your stamina and staying around to the end too. Anyone else who is a proponent? Anyone in opposition? [LB510]

SENATOR SCHEER: There's no one here. [LB510]

SENATOR GLOOR: Well, Mr. Hammel may jump up. Anybody who's in a neutral capacity? Seeing none, Senator Cook. [LB510]

SENATOR COOK: Thank you, Mr. Chair. And thank you, committee, for sincerely considering my proposal. I'm still learning about tax credits but from what my friend, Senator Burke Harr, has been able to teach me, there's an opportunity to help a population that too often lives in generational poverty. My perception of many of the opportunities we offer through tax credits is that the person that might take that job, he or she is well employable and maybe we just want them to stay or come to Nebraska. I think this is an opportunity for us to include an audience that, for many reasons, need extra support when it comes to staying on a job and moving up. So I appreciate your consideration and thank you very much, Senator Scheer, for that idea. [LB510]

SENATOR GLOOR: Any other questions? Senator Harr speaks well of you as a student. He refers to you as "grasshopper" I think or something...sensei. [LB510]

SENATOR COOK: Yes, sensei. Thank you. [LB510]

SENATOR GLOOR: Thank you. And that ends the hearing on LB510. And that ends the hearing today. [LB510]