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The Legislature's Planning Committee met at 9:00 a.m. on Friday, August 19, 2016, in Room 1212 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Tanya Cook, Chairperson; Paul Schumacher, Vice Chairperson; Kathy Campbell; Mike Gloor; Galen Hadley; Bob Krist; Heath Mello; Merv Riepe; and Ken Schilz. Senators absent: none.

SENATOR COOK: All right. Good morning, everyone.

SENATOR RIEPE: Where the gavel?

SENATOR COOK: I know. I do need one of those, but it did not come with the job and the Speaker would not loan me his. Yes.

SENATOR HADLEY: What would I loan you?

SENATOR COOK: Good morning, committee members. Thank you for coming this morning. I know this is going to be a busy day for all of us but it's wonderful to see your faces here, and always a pleasure to learn from our scholars at the University of Nebraska at Omaha about trends and information that inform policy. Perhaps we can go among the members and introduce...each person can introduce themselves. I will remind each committee member that...to speak into the microphone and enunciate and all those things we learned in elementary school because this is closed-circuit television broadcast and the transcriptionist also appreciates that being able...it's probably easier for her or him to identify Senators Cook and Campbell, but maybe not as easy to identify some of our other gentlemen colleagues. And also welcome, Senator Stinner, there, who's joined us here in our studio audience. So, Mr. Speaker, would you go, please.

SENATOR HADLEY: I'm Galen Hadley. I represent District 37.

SENATOR GLOOR: Mike Gloor, District 35.

SENATOR CAMPBELL: Kathy Campbell, District 25.

SENATOR SCHILZ: Ken Schilz, District 47.

SENATOR RIEPE: Merv Riepe, District 12.

SENATOR MELLO: Heath Mello, District 5.

SENATOR SCHUMACHER: Paul Schumacher, District 22.

SENATOR COOK: And I'm Senator Tanya Cook. I'm Chair of the Legislature's Planning Committee. I represent District 13. Let's get started here. We'll call to order a review of the minutes. I will entertain a motion for approval of the minutes.

SENATOR MELLO: So moved.

SENATOR COOK: Senator Mello moves. Senator Campbell seconds. All in favor. And the motion carries. We'll start with a policy brief on the Community Development Block Grant Program and rural development with Professor Janousek from the University at Omaha's School of Public Administration.

CHRISTIAN JANOUSEK: Thank you. Good morning.

SENATOR COOK: Good morning.

CHRISTIAN JANOUSEK: (Exhibit 1) So this summer a report compiled information on the CDBG program in Nebraska from 1993 to 2014. The purpose of the report was to provide detailed data on the program relating to the types and trends of CDBG funds that were awarded to various classes of Nebraska communities over this period of 22 years in relation to the state's rural development policy objectives. Nebraska's rural development policy is described in state statutes as a section under the chapter for public power districts and corporations that through the use of federal funds, development efforts toward rural areas should assist in the increase of economic resources, the creation of employment opportunities, increase the level of income and quality of life for rural residents, limit out-migration, and help maintain essential public services. The research team for this project collected and compiled information on Nebraska's CDBG program for those fiscal years of 1993 to 2014. The primary data source was the consolidated annual performance reports from the Department of Economic Development. We gathered and classified the data into several categories, then compiled those records into a single database for analysis. For purposes of comparability across that 22-year period, some of the categories for CDBG awards were combined based on similarity in purpose, scope, and definition, specifically in areas of economic development where the business development category was added. That was...no awards have been granted in business development since 1999 and in the community development category which included several other categories such as public works and water/wastewater. To interpret the nature and types of rural places or communities in the state which the CDBG funds were distributed, we created a classification system for defining rural communities. This was based on urban influence codes from USDA and the U.S. Census Bureau. So we used population delineations, county classifications such as metropolitan and micropolitan, and city sizes. We proposed three central research questions toward the interpretation of the information in the report: first, relating to the distribution of the CDBG awards over this period, whether that being consistent with the policy goals of rural development policy that are stated for the state of Nebraska; second, do the proposed uses of the funds as demonstrated through the distribution of those funds, the needs, priority of projects, does that coincide also with those stated policy goals for rural development policy; and third, what is the policy of distribution goals in assisting in implementing those rural development policy goals and objectives for the state? So as these tables show, the first two tables, that there is some priority shifts in the rural community development policy apparently that has changed over the past two decades. From 1993 to 2003, the economic development category received the largest amount of award dollars at more than 40 percent of the total amount distributed. Community development and housing were at 30 percent and 25 percent respectively. Substantially fewer dollars went to the planning and tourism development categories, each representing less than 3 percent of the overall awards. Over this ten-year period, CDBG awards in Nebraska totaled approximately $160 million with an average of slightly less than $15 million per year. However, from 2004 to 2014, shown in the next table, awards for the economic development category dropped to 25 percent of the total amount distributed which received $30 million less in total awards over that following decade. Housing awards also decreased by $15 million. During this same period, community development awards increased by more than $20 million, receiving the largest amount of awards dollars at more than 50 percent of the total amount distributed. The planning and tourism development category has held constant at approximately 3 percent overall awards. During this decade, CDBG awards in Nebraska totaled $140 million, which was down $20 million from the previous decade, and the average was down to $12.5 million a year as opposed to $15 million. For the total 22-year period shown on the next table, it showed that award dollars for the community development category slightly edged the economic development category by about 7 percent which translated to approximately $6 million. In general, the funds for the housing category have remained at above 20 percent of the total number of awards and amount distributed since 1993. Planning and tourism have maintained at 3 percent. So the major shift during that time period was the change from the focus being primarily on economic development in terms of the number...highest number of awards to a shift to more emphasis on community development awards. The total number of awards granted over the 22-year period averaged about 80 awards per year. The two categories that received the most awards during that time was community development at 552 and planning at 460. However, the planning awards tend to generally be smaller amounts of awards as opposed to economic development, community development. Community development in this regard represented 34 percent of the total number of awards distributed over this period. Economic development was only at 20 percent of the total awards and had about 100 fewer awards than the planning category. Housing was at 16 percent, tourism at 3 percent. Overall, Nebraska granted about 1,700 awards during the 22-year period. If you look at the next table, in general, areas with larger populations tended to receive fewer CDBG award dollars on a per capita basis. Counties without a town above 2,500 residents received the largest per capita award of $507 per person. Here you can see also this is our classification for the counties that we created based on U.S. Census Bureau distinctions. However, there were two county classes that represented anomalies in this regard: The micropolitan class with the largest city of 2,500 to 9,999 residents received the second highest per capita awards at $402 per person; and the metropolitan class with the largest city less than 2,500 residents received the fourth highest per capita awards per person at $345, so some differences in that distribution. However, if you look at the next slide that relates to per capita awards for cities and towns, over the 22-year period the smaller cities and towns received a higher level of CDBG awards on a per capita basis with per capita awards decreasing at each successive class of increasing city size. So in this way the smallest cities, cities under 250 persons, received about $2,000 per capita in CDBG awards as compared with only approximately $200 per capita for the largest cities of 10,000 or more persons. However, the next table shows a trend toward increasingly larger amounts of CDBG awards being granted to higher population nonmetropolitan areas. This figure shows the yearly trends of total CDBG awards by class of county over the entire 22-year period. While the two smallest county classes still received a large amount of total CDBG awards, trends over this period indicate that those amounts have been declining since 1993 and have decreased below the amounts for micropolitan counties containing cities of 10,000 residents or more, shown by the top three lines on this particular chart. Correspondingly, looking at the next figure that displays the yearly trends of total CDBG awards by city size, while the largest cities of 10,000 or more residents and the two smallest city classes of under 500 residents were generally in the same range as of 1993--so the blue line at the top and the yellow and black lines there starting in 1993 generally in the same area--the total awards for the largest cities have steadily increased over this 22-year period while the two smaller city classes have concurrently decreased. The differential is considerable in magnitude as the total awards for cities of 10,000 or more residents represents the highest awarded city class, while the two smallest city classes, under 500 residents, represent now the two lowest awarded city classes as of 2014. So these trends likewise seem to indicate a policy change in the direction and distribution of CDBG funds. So based on the research questions and the information in the report, we found several conclusions. During the 22-year period, the largest micropolitan counties received the largest individual share of the CDBG funds at 27 percent. However, at the same time, the two smallest county classifications received a combined 50 percent of the total CDBG awards. So there is a balance to some extent for...in the nonmetropolitan classification of the larger micropolitan counties receiving an increase in the amount of funds while the two smallest county classifications are still receiving a considerable amount. Out of those 80 nonmetropolitan counties, they essentially received 80 percent of the total CDBG awards over that 22-year period and approximately 65 percent of that was going to the more rural counties of nonmetropolitan areas. Not surprisingly, economic development and community development represented the two largest categories of awards. They combined for 75 percent of the total awards and 50 percent of the total number of awards over the 22-year period. The two main policy trends that we identified was, first, the substantial shift that occurred in categorical distribution between the two decades, with that increase in the number and amount of awards for the community development category corresponding with a decrease in the categories of economic development and housing, and the second trend being an increasingly larger amount of CDBG awards being granted to higher population, nonmetropolitan areas, particularly micropolitan counties and cities with a concurrent decline, at least in the amount of awards and size to the smallest county and city classes. In relation to policy distribution goals, for Nebraska the specific state CDBG objectives are identified in the annual action plan from the Department of Economic Development regarding each priority category as well as those eligible activities, the review and evaluation criteria for projects, and the proposed directed usage of the related CDBG funds. So looking at the rural development policy approaches of the CDBG programs of other regional states offered some comparison of policy alternatives toward realizing state CDBG objectives in program implementation and evaluation. So, similar to the approach used by the state of Nebraska, the states of Missouri, Colorado, and Minnesota use a similar, identifying policy objectives through the annual action plan through their departments of economic development. However, there are some other regional states that utilize some different policy approaches. Here are some examples on this particular slide. In the state of Iowa, they have a proposed allocation of funds that essentially identifies anticipated percentages that they are going to dedicate certain amounts of their CDBG allocation to. And those percentages then are set prior to the allocation of those funds. In the state of Kansas they use a rating system. Essentially projects are given a rating or a score based on their correspondence with delineated state policy objectives for development policy. South Dakota separates their CDBG allocation into three separate areas initially. Within those areas there are specific policy goals that are identified and projects then are aligned priority, get priority, that those that are aligned with those objectives. North Dakota contracts with the state's regional planning and development councils. There are eight councils in the state. The funds are essentially distributed out to the councils and the councils make the determination of which projects are of the highest priority. And Wyoming also uses a business council that has some general policy goals for projects that are a priority in the state. They coordinate with the state legislative priorities and then have...use that as a guideline to determine priority for those projects. So going back to the three central research questions of the report, essentially, looking at this information, we determined that in terms of the distribution of CDBG awards over this period, it appears to be relatively consistent with the stated goals of rural development policy for Nebraska. There is a focus certainly on nonmetropolitan communities receiving approximately 80 percent of the total award and a significant proportion of that going to the more rural communities. In terms of the second question, the proposed uses of funds and is that...distribution of awards over this period coincide with those policy objectives, community development and economic development appear to be the two highest categories. When looking at the stated objectives of the policy development throughout the annual action plans from 1993 to 2003 to 2014, community development, economic development, and housing continued to be the top three priorities identified in the annual action plan by DED. So essentially the distribution of awards over this period has coincided with those stated objectives as those three being the top three categories receiving the highest amounts of award. And then the third question in terms of the policy of distribution goals, you know, what the state of Nebraska is doing in terms of identifying those objectives and distributing funds in relation to those objectives seems to be consistent with at least a few other regional states. While some states have some various alternatives, this seems to be a relatively common procedure.

SENATOR COOK: All right. Thank you, Dr. Janousek. For our records, would you please spell your name just because there are a couple of variations on the theme of your last name.

CHRISTIAN JANOUSEK: First and last?

SENATOR COOK: Yes, sir.

CHRISTIAN JANOUSEK: First name Christian, C-h-r-i-s-t-i-a-n, last name Janousek, J-a-n-o-u-s-e-k.

SENATOR COOK: Thank you very much.

CHRISTIAN JANOUSEK: Thank you.

SENATOR COOK: Are there questions from among the committee? Senator Schumacher.

SENATOR SCHUMACHER: Thank you, Madam Chairman. To put it in context, this is about a $15 million a year program roughly...

CHRISTIAN JANOUSEK: Yes.

SENATOR SCHUMACHER: ...out of a $4,000 million a year budget, so just put it in context here. Now the goals, these rural development goals were established in like 1993, about 25 years ago. Has there been any material change or examination of those policies in those 25 years? Things have changed a lot in rural Nebraska in 25 years.

CHRISTIAN JANOUSEK: Absolutely. In terms of the rural development policy described in state statutes?

SENATOR SCHUMACHER: Yes.

CHRISTIAN JANOUSEK: As far as we could tell, no. Those...that is the stated rural development policies that we could find. Now there are some statutes that deal with the purposes of the Department of Economic Development and some other various statutes that deal with other aspects of rural development such as transportation and healthcare. But specifically in relation to the distribution of federal funds, this was the rural development policy that we saw.

SENATOR SCHUMACHER: Can you define just a little bit for us so we can get a practical application of what the difference is between economic development and community development.

CHRISTIAN JANOUSEK: Absolutely. So, okay, as I stated prior, we had to essentially combine some of the categories in order to do comparability across the 22-year period because these categories have changed and evolved over that time. Planning, housing, and tourism essentially remain constant. These categories have been the same over those 22 years. As I stated before, there used to be a business development category that essentially just focused on funds for and awards for business development. Those have essentially been in line with what economic development was. Community development category dealt specifically with a number of different categories. So we included public works. We included water/wastewater. We included comprehensive revitalization. There's a comprehensive investment, comprehensive development, and downtown revitalization. To give you some specific definition, so economic development was grants and loans to facilitate the growth and expansion of jobs and businesses in particular. Community development related to grants to improve public infrastructure such as streets, water systems, wastewater facilities, various community buildings, revitalization, and investment projects. So it was...that's the main distinction.

SENATOR SCHUMACHER: So community development would be in a town of 200 that can no longer afford a water tank and a water system, to lay out $3,000 a person population or so, in order to put a new sewer system in there, that's community development.

CHRISTIAN JANOUSEK: Yes.

SENATOR SCHUMACHER: Okay. Now the...I think it's been asked and answered numerous occasions in this committee. At what point does viability, survivability attach to a community? And the number keeps coming back at somewhere around 5,000 population, that below that it's a losing proposition in most cases, not all, but in most cases. So do...if that in fact is true, do we need and does the administrative handling of these funds reflect a disemphasis on the communities that have very limited viability probability?

CHRISTIAN JANOUSEK: That seems...well, to some extent, yes, and to some extent, no. During...okay, so going back to this particular chart dealing with city size and you see that as of...in 1993, most very low population towns, represented by the red, the black in particular lines, were essentially receiving a similar amount of awards and size of awards as the higher population of cities from, you know, up to 10,000 or more population. As you see, the trend over that 22-year period, the 10,000 or more population cities have dramatically increased in terms of the amount of awards that they're getting while the smaller towns have dramatically decreased. Now micropolitan areas over the entire two decades received the largest share of total awards dollars and a majority of those dollars went to micropolitan areas of populations of 10,000 or more. However, at the same time the smallest...the smallest city sizes are still receiving a considerable amount of CDBG awards per capita and are receiving approximately 50 percent of the total number of awards distributed over that 22-year period as well. So essentially to put this into some context, the two classes of the highest amount of population of cities combined for approximately 60 percent of the population of the state and they received approximately 45 percent of the total awards. The two smallest categories of cities, those with fewer than 800 residents, represent about 15 percent of the population and they received approximately 30 percent of the total number of awards. So there seems to be at least a trend toward more awards and a larger amount distributed to the larger micropolitan areas, particularly the statistic that I cited earlier that about 27 percent went to the largest micropolitan...nonmetropolitan, micropolitan areas. But at the same time there still seems to be at least the support for the smaller communities in relation to community development distribution in particular.

SENATOR SCHUMACHER: Thank you.

SENATOR COOK: Senator Riepe had a question, and then Senator Gloor.

SENATOR RIEPE: Thank you, Senator. I appreciate it very much. I don't want to walk away from Senator Schumacher's comments because I think it's very pertinent in the sense of we've talked a lot about city size and what can we, over the long run, support and what can't we. And I think that that's the responsibility of this Planning Committee is to make some serious looks at where we can best utilize state resources. That given, I noticed that you've used some counties in here and coming out of the...Jerry's data center program a couple of days ago, I recall that Boyd County has, what, one resident? Am I right, Jerry, or did I sleep through that? Some of the counties have maybe a handful of people. So I question whether counties is even a viable point of discussion or if we move to the point were you almost have to go to the, what do you call, the micro cities of 10,000, 15,000, 5,000 and work off of that as the foundation for making decisions as opposed to simply the 93 counties that exist in the state of Nebraska. That maybe is more of a comment than...I guess I question, maybe challenge the use of county information. I assume that's for...that's the data that you have available.

CHRISTIAN JANOUSEK: Well, to some extent I think that what was interesting, at least in relation to the trend, was that the county trends seemed to, at least to some extent, reflect what was also occurring with the cities. So as we saw that initially in terms of the distribution to the counties, the smallest population counties that generally contain the smallest population cities were, again, at approximately the same amount of distribution of funds as some of the higher, particularly the highest or one of the highest, micropolitan areas. And we still saw that decrease of funding and having those smaller counties falling below the distribution to the highest population micropolitan areas which was also reflected in relation to the trends that occur with the city. So I agree that, you know, the counties would be a little bit more obfuscated in terms of being able to accurately assess. I mean I think to some extent, too, when we looked at the per capita awards it was pretty interesting to see that those micropolitan areas, again, relatively high population--2,500 to 9,999--was the second highest per capita, meaning that there is a considerable distribution of funds that are going to cities located within those classes of counties which would not necessarily be reflected when we looked at the per capita based on city size alone.

SENATOR COOK: Okay. Senator Gloor.

SENATOR GLOOR: Thank you, Senator Cook, and thank you, Dr. Janousek. This begs the question, for me anyway, of did we also take a look at the total number of applications? In other words, was the drop-off due to a decrease in the number of requests that came in from some of those smaller communities, because I harbor somewhat of a concern that maybe the smaller communities increasingly don't have somebody who can drive the application process, put together the information, and that some of the support that we've had at the state level no longer exists to help them along those lines. But my basic question is, did we compare or is there a graph that we can look at that tells us, yeah, less money went to this category or that category but then there were also fewer requests that came in for those categories?

CHRISTIAN JANOUSEK: In relation to this study, we did not look at the total applications. This was strictly based on awards. So you know, we were...and again, you know, when we look at the award it's essentially we were looking at the policy activity. So this was to be an action that was taken in terms of policy in relation to those stated policy objectives. So that is something that certainly should be looked at I think in relation to this...

SENATOR GLOOR: Okay.

CHRISTIAN JANOUSEK: ...to determine if that has some association with that decline in particular with the smaller communities because that's a good point. But at least...and the focus of this project was specifically on the award, so that would be outside that scope.

SENATOR GLOOR: Okay. Thank you.

SENATOR COOK: Thank you. Mr. Speaker, Senator Hadley.

SENATOR HADLEY: Yes. I wish I knew more about block grant procedures and such as that. But we're starting with 1993 and going forward. Has there been a reevaluation any time in there? Are we spending the money in the right places? Are we going to the cities and asking them, you know, where the money should be spent and such? Or are we still using criteria that we developed in 1993 and spending the money every year based on that criteria?

CHRISTIAN JANOUSEK: Well, okay, in relation to the stated rural development policy, at least through the state statutes, that has not changed. So that is still the same at least policy objectives in that regard. However, from the Department of Economic Development in terms of their evaluation, you know, evaluation is intended to be part of the annual action plan. So based on the distribution of funds from that prior year, DED assesses how those funds were utilized, the extent of the projects, that is incorporated into the annual action plan for the next year. We looked at the annual action plans over the scope of that time. And essentially community development, economic development, and housing continue to be the top three priority objectives that are identified by the Department of Economic Development in terms of the annual action plan which seems to be the main communication of those objectives by the state of Nebraska. So in relation to are...is...are the funds being spent in correspondence with the stated objectives? Then if the objectives are to spend those funds on community development, economic development, and housing which I assume then it's also based on assessments that DED does in terms of how that money was spent, how the projects have worked, what is the priority needs of the communities, then, yes, that our research would show that those priorities are in line with how the distribution of funds has occurred over this 22-year period.

SENATOR HADLEY: And just as an aside, at least in my area and I think a lot of out-state Nebraska, housing at least more recently has taken on a much more important role than it probably did 1993. When I talk to communities--I want to put an adjective in front of it--affordable housing has taken on a very significant role in rural Nebraska. And it's hard to have economic development when you don't have affordable housing. That's a just a statement.

SENATOR COOK: Thank you. Senator Mello.

SENATOR MELLO: Thank you, Madam Chair, and thank you, Dr. Janousek. Was there any analysis done in light of where the community development block grants went over the time frame in comparison to population growth for the communities who received that since I think part of the discussions that we've been having a lot are regarding demographic changes and population changes would necessitate maybe I think what my colleague Senator Schumacher was referring to as what are maybe the outcomes we're seeing population-change-wise when there is an investment made in a community that's 800 residents or smaller.

CHRISTIAN JANOUSEK: For population, we utilize the 2010 Census. So, yes, during this time period, yes, there would have been at least those two census reports, changes over that time. We did not look at that. So we utilized just the 2010 Census. However, yeah, that would seem to be at least particularly in relation to the changes in the distribution to the cities and size of cities because if the population of those towns has decreased over that time period and just, thus, putting them into those smaller categories, that might some association with that.

SENATOR COOK: Thank you. One more, Senator Schumacher.

SENATOR SCHUMACHER: Okay, just quickly, is this one of those grant programs where in order to get them, get the grant, you have to fall below a certain average income in your community? Is it based upon...do you have to be a poor community incomewise? This is not one of those kind of grants?

CHRISTIAN JANOUSEK: No, this...the eligibility is essentially based on city size. So if the maximum...the maximum amount is $50,000. So at least based on the 2010 Census, that was...excluded Omaha and Lincoln but all other cities in the state were eligible for the program.

SENATOR SCHUMACHER: Thank you.

SENATOR COOK: Thank you. Are there any more questions for Dr. Janousek? Thank you very much.

CHRISTIAN JANOUSEK: Thank you.

SENATOR COOK: Very informative. While we're waiting for the next thing on our agenda this morning, for the committee members and people in the observing audience, we have water and coffee. The legislative staff were kind enough to provide that for us this morning, so I thought that was nice. Over here to my left, stage left.

____________: Where are the donuts?

SENATOR COOK: Yes, well, we had plenty of those during the legislative session. (Laughter) Many of you, like me, are trying to work those off this time of year. All right. Mr. Deichert: poverty by level of educational attainment and review of some wealth indicators and sources of income.

JERRY DEICHERT: (Exhibit 2) Last time we were here opened the question to have some additional requests for data needs and so we got a couple of them. And so what I have here is looking at the information that we found. So I believe Senator Krist wanted to know if there was a relationship between poverty and education and there are a number of studies, but what I pulled together was something that looked at Nebraska and looked at education level of the householder, which is essentially the head of household, by poverty and marital status...or family status to see what those look like. And so if you look at the colors you can see that if we're looking at all families, it is the purple, and you can see the relationship between education and poverty. And less than a high school education, the poverty rates for those families is 27 percent;

and then it falls to half for a high school graduate or associate degree; and then with a bachelor's degree or higher it goes down to 2.5 percent, if the family head has a bachelor's degree or higher. And then if you look at regardless of type of family, whether it's a married couple, male household, or no wife present, or female household or no husband present, in all cases, as the education level increases, the poverty rate declines dramatically. And look at the difference, for example, between the less than high school graduate for female household or no husband present where half of those families are below poverty to where it's 11 percent if there's a bachelor's degree or higher. So regardless of how you look at...even by...family structure makes a difference, but even comparing across family structures you can see that the level of education makes a tremendous difference. And particularly in some of those moving from not a high school graduate to a high school graduate makes a big difference. The next slide just looks at individuals and so this is for population 25 and older because that's where that completed education number comes from. And if you look at it for...we have it for men and women and you see the same pattern that as education increases, the poverty rate decreases. But I thought the most interesting, for me anyway, part of this chart was that if you look at the male-female differential pretty much is eliminated when you get to bachelor's degree or higher. So that's what we did for the poverty. I don't know if as a committee you want to include some of these in your...in the annual report that we do but we can we can look at that. The next one was a little bit more difficult. Trying to find indicators of wealth at the state and local level is problematic, but we did find, you know, some hand-waving where we can say we can find some measures. The IRS statistics of income don't show wealth but it shows the income that's derived from wealth. And that's available annually at the state and county level and I'll show you some of that information there. Obviously most of you have probably seen the Department of Revenue's annual assessment report that shows the assessed valuation of property by type. The Federal Reserve does, every three years, does a survey of consumer finances where they look at wealth and some states have taken the national numbers and applied those to characteristics of their state and come up with some estimates of what wealth would be and those indicators. The FDIC also has a survey of unbanked and underbanked households with information at the state level which I think is somewhat useful. And then the Bureau of Economic Analysis also looks at dividends, interest, and rents on a county basis and that goes back to 1969. So there's some indicators out there, but there's no direct measures that I could find so far. But looking at the IRS statistics of income, this just shows...this is available annually for every county in the state...every county in the country. And the items on here that I look...that would look at, you can see you have taxable interest, ordinary dividends, qualified dividends, then you have some net capital gains and some income from businesses or professions and I guess there's pensions and annuities. So you see there's a number of indicators that are payments or incomes that generate from wealth. And I have several pages here that show the detailed information that's available from the IRS statistics of income that some of this other might be of interest to you. But what I did is I pulled out at the county level. I pulled out the return...the information on taxable interest and so what I have on this chart is the top ten counties and the bottom ten counties looking at the percent of returns with taxable interest, which is the first one, and statewide 33 percent of all returns had some taxable interest. And you can see Arthur, Grant, Hayes, Sioux, Rock, most of those smaller rural counties had a large portion of their returns had taxable interest. And if you look at the counties that had the least amount of taxable interest, Dakota, Dawson, Thurston, Hall, Colfax, Dodge, Scotts Bluff, all of those counties have high Latino or nonwhite populations. And you can see Lancaster and Lincoln. So that's one way of looking at it and we could do that with other indicators too. The other way I looked at it was ranking by taxable interest per return. And so Cherry County had the highest at over $2,500. And thinking about it in 2013, if the interest rate was 1 percent, that's $250,000 sitting in an interest-bearing account or a savings account or whatever, wherever that interest came from. And you can see again which counties have the lowest and the highest. Again, we could do this for any of those other indicators if you're looking at dividends or some of the other ones. But I thought just looking at taxable interest, learned a lot about the state just by looking at those numbers. Now that's not an...that's not a measure of wealth, but I think it's one indicator of...of some wealth measure. The next set of wealth indicators is the assessed valuation from the Department of Revenue and this is from their annual report and you can see how they break it out and they do have residential, agricultural land, out buildings, etcetera. So we could keep tracking that information at the county level and at the state level if that was of interest. I'm not sure we could get comparability for other states. But with the IRS records, if you wanted to compare Nebraska to other states on some of those indicators, we could do that. The next set of measures is the survey of consumer finances that the Federal Reserve does. And this, you can see at the top, it lists all of the types of assets that they measure. So there's certificates of deposit, savings accounts or savings bonds, bonds, stocks, etcetera. And they list the percentage of families by income type that have those and then the average. And so this is a table like this, similar to this, that other states have taken and put in the numbers of households and there are states that fit in those categories and have come up with an estimate as the potential wealth based on some of these indicators. Likewise they have nonfinancial assets. And so there is the value of primary residence, vehicles, etcetera. So some states as I said have taken these items and come up with a measure of wealth in those categories for their states. Then another measure that is...I've got all of the states in here in our region, bank account by type by state. And this is a survey that's done by the FDIC. And you can see that if you look down at Nebraska--I'm sorry, I forgot to highlight Nebraska--but 5.7 percent of Nebraska households were unbanked. And you can see that 69.9 percent had both checking and savings; 2.6 had only a savings; 21 percent had only a checking; and 0.8 percent had some other type of bank account. But generally Nebraska has a lower percent of the households that are unbanked and higher that have checking and savings together than the nation. And probably if you look at that, we're toward the bottom as far as checking and savings in our region, but we're also in the middle of the pack as far as the ones that are unbanked. The next type of information is from the Bureau of Economic Analysis and we used some of the information to look at personal income and per capita personal income. But they also have a measure of payments to wealth. They look at dividends, interest, and rent. And so you can see for Nebraska in 2014, that was $16 billion out of about $90 billion personal income. So we can see that's roughly about 18 percent, 19 percent of the income in the state came from interest, dividends, and rents. Another measure that I thought...this is totally unrelated to wealth, but the first few years when we were doing this, Senator Wightman was always interested in the cost of...the comparative costs. And in recent years the Bureau of Economic Analysis has put together a regional price parity and the reason why I brought this up: Last week, The New York Times had a story that said adjusted for prices, Nebraska had the fifth highest income per household in the country because of low prices and that. And so North Dakota was the highest and then states like Hawaii and that fell down toward the bottom because of the higher cost. So what I have here is our regions and you can see if it's 100 percent it's the U.S. So Nebraska was 90.6 percent of the U.S. average. Colorado was the only state in our region that had higher prices than the U.S. And in all cases the differential is because of rents. And in this case, rents include some kind of an imputed rental value of an owned home. And I think one of the indicators that we do include in our annual report is the ratio of income to housing cost as an indicator of cost. And then they also have this for metropolitan areas and you can see that nonmetropolitan Nebraska, the ratio is 86 percent of the U.S. And for Grand Island, it's 85.3 percent and the rental cost for Grand Island is about two-thirds of the national average. And again, the differential in all these cases is for cost of housing. The differential for the goods and other services varies very little from state to state. The final table I have here is something that is...as I was going through this I thought this might also be of interest to some of you because this looks at sources of income that come from transfer payments and in probably about I think when I just recently checked in it...oh, I think it's around ten counties in the state now have more income coming from transfer payments in a given year than from wages and salaries. But it's not necessarily income that's actually received by people when we look at transfer payments. So you can see they have a value for...this is the state total. They have a value for Medicare benefits. They have a value for SNAP or food stamps and for Earned Income Tax Credit which is a cash payment. But some of these indicators might be...this is the only way I know of where we can find out, well, how important is Medicare to the counties and the state? Or how important is, well, some of the other measures that are included in here? So I included that because you may look at this and decide that some of these indicators you'd also want to include in the annual report.

SENATOR COOK: All right. Thank you very much. I think there were some questions from the poverty, the first set of data. Senator Campbell, did you have a question? And, Senator Mello, did you have a question on that?

SENATOR CAMPBELL: Thank you, Senator Cook. Just real quickly, the two charts that you're looking at the poverty, we're watching those intensely in the Poverty Task Force and you will see these again. We've asked the Department of Education for graduation rates because that makes a lot of difference. And I think for a long time we just kind of looked at graduation rates as they related to education, but they have a far greater implication for the rest of someone's life. So we would appreciate inclusion. We will...

SENATOR COOK: Yes.

SENATOR CAMPBELL: ...most likely put these in ours also.

SENATOR COOK: Yes, I agree. I'm a member of the intergenerational poverty subcommittee for planning and obviously have an interest. So I think that would be something great to include. Senator Mello, did you have...put your hand up?

SENATOR MELLO: I was just...nope, just wanted to make sure it's included.

SENATOR COOK: Agreeing, concurring. Senator Schumacher has a question though.

SENATOR SCHUMACHER: This is on the more current stuff or the (inaudible)?

SENATOR COOK: I think the next...the one with the information that you wanted to follow up on.

SENATOR SCHUMACHER: One thing that seems to stand out here is Nebraska's cost of living is lower largely because of rents and yet the theme, and I think Senator Hadley raised it a minute ago and maybe Senator Gloor, too, that we have a rental housing shortage. Now the two don't seem to go together. You would think if we had a shortage of rental property there would be more demand and our rental rates would be higher. What is the cause of us having cheap rents? Is that telling us that our rents are too cheap so people can't afford to pay the rent necessary to build the houses or the rent or the apartment buildings? That's telling us something, not sure exactly what. We've got cheap rents and a housing shortage.

JERRY DEICHERT: And I may not may not have made myself clear. The rents also include a rental equivalent of an owned home.

SENATOR SCHUMACHER: Okay.

JERRY DEICHERT: But anyway, yeah, it's a question I don't know that I can answer.

SENATOR GLOOR: Senator Cook.

SENATOR COOK: Senator Gloor.

SENATOR GLOOR: I'm not sure it would be interesting to look at that. I can speak to a certain extent from what I've heard and seen in Grand Island and that is there's still a shortage of the type of rental property I would live in. A strong blue-collar community and large population, immigrant population, you've got a lot of subsidized housing and you have a lot of what I would consider substandard housing. And it may be that even though those rents look lower, they're pretty stiff rents when you consider the type of...

SENATOR CAMPBELL: Income.

SENATOR GLOOR: ...lodging that people are moving into and the type of income they have. That would be my guess from what I know. And I hear from middle-income individuals that they just have no place to move into. So as we try and recruit business and industry with a white-collar job background, they're limited in terms of the homes they could buy or the type of rental properties they really find are adequate for themselves. I don’t know that for a fact, but I would say that that's got to be one of the issues there that addresses that interesting disparity.

SENATOR COOK: Thank you. Senator Campbell.

SENATOR CAMPBELL: Thank you, Senator Cook. It was interesting for me when we met as the Justice Reinvestment Oversight Committee, Senator Hadley is there, Senator Mello, and myself and Parole, Corrections, and Probation, the head of all three of those were at the meeting. And I asked the question, what's the most prevalent or largest need that you would see from a program standpoint? And they all said housing, that when people come out of the correctional system, finding housing is extremely difficult. Do you want to add to that, Senator Mello?

SENATOR MELLO: I think, Madam Chairman...

SENATOR COOK: Yes, Senator Mello.

SENATOR MELLO: Madam Chair and Senator Campbell, the Mental and Behavioral Health Task Force as well that's going on simultaneously this interim, one of our last hearings, I believe in July, the issue of housing also was the most...one of the most prevalent issues statewide in regards to not just access to behavioral health services but it was also one of the more comprehensive needs for individuals with a mental or behavioral health illness is having some kind of safe, transitional housing to be in after treatment. And to some extent, there's just a lack of affordable quality housing for people to be able to utilize. So it's not just coming from the criminal justice end; it's also coming from a behavioral and mental health perspective as well.

SENATOR COOK: Yes, thank you. I have also observed that anecdotally, particularly within north or south Omaha identifying safe housing for families. And just as Senator Gloor alluded to or said, there are houses. Whether or not we would...we as policymakers would feel comfortable moving in ourselves or moving in with our own families is, I think, not the case. But this is what is available. What can be done about that from a state policy perspective is maybe something for my colleagues who are going to be here next year to really look at. Are we offering incentives for people to, for lack of a better term, to be slumlords in the state of Nebraska? Senator Schumacher.

SENATOR SCHUMACHER: But the very fact that we've got this housing issue, and it's one that percolates up often and from many different perspectives, what is it in our underlying economy that is making us come up short on housing? Are other states experiencing something similar? Do we pay too few wages? Are we not unionized? There's something wrong when a community cannot provide the economic streams to its workers necessary for them to make a mortgage payment or a rent payment. And what is that wrong and what's it attributable to?

SENATOR MELLO: High cost of childcare. (Laughter) When childcare actually, in all honesty, when childcare for two-income householders are actually costing...

SENATOR COOK: More than the mortgage.

SENATOR MELLO: ...quality childcare cost more than a mortgage payment, it becomes problematic in regards to your living expenses. And there was a study that just came out that showed transportation costs for low-income individuals, that cost actually is one of the highest expenditures they have, more so than their housing. So it's...I think, Senator Schumacher, I wasn't trying to be flippant there, but I think there are other circumstances beyond just the economics of wages in regards to wage levels or income levels in comparison to housing availability, affordable housing availability. I think you have to look at it from a totality in regards to what we know are the other drivers in individuals' or family budgets outside of housing. And children and transportation are some of the two largest pieces of that pie, so to speak. I think that's something you've got to take into consideration when someone may be wanting to look to move to a new home in comparison to staying in the home that they're in, covering cost of those other two necessities.

SENATOR RIEPE: And haven't wages been stalled for 20 years?

SENATOR COOK: Yes.

SENATOR RIEPE: Particularly in a more rural state...

SENATOR COOK: Sure, absolutely.

SENATOR RIEPE: ...than if you're in California.

SENATOR COOK: Mr. Deichert, did you want to add something there?

JERRY DEICHERT: One of the other things that we've heard is that for somebody new moving into a town to take a job for the first time, they don't have the damage deposit, the first month's rent. And so they don't have the $4,000, $5,000 it takes to get in and so they can't cover it.

SENATOR COOK: All right. Thank you. Any more questions related to either one of these? I definitely, and I've said that before, want to see that poverty information in our annual report because it will build on so many of the things that we've worked on for the last few years. And clearly from the lines of questioning just within the committee, it's an important thing to dig into, to have that. Senator Mello.

SENATOR MELLO: Madam Chair. One question, Jerry, and maybe it's a Schumacher perspective that's he's imparted on me a little bit when it comes to...

SENATOR COOK: The Schumacher perspective.

SENATOR MELLO: ...the IRS statistics of income chart. Is there any way in light of what we've seen economically coming out of the Great Recession to do some of the key items in this chart of taking more of a 2011, 2012, 2013 perspective--2013 is the latest year of IRS statistics of income--for us to see kind of what happened taxwise and incomewise, because if you look at to some extent it also incorporates tax credits that are part of the income tax code as well and other tax policies that individuals and businesses can take advantage of. It would be good to see what was the...what was kind of the trend, so to speak, when the state started to come out of the Great Recession in, I think, 2011 if we took that as the start date, so to speak, in 2011, '12, '13 and see what, if anything, happened in some of these categories. Do we see some of them go up, some of them go down? You know, to some extent we know the Earned Income Tax Credit went up during the Great Recession because people lost income. You had poverty rates that increased during that period of time. The likelihood, maybe the EITC credit went down as we came out of the Great Recession. It would just be something that would be...when we look at income and wealth over a period of time that maybe would be...I think it would be advantageous for this committee to explore what changes may have happened during that kind of economic change, so to speak, for the state that really has kind of put us right where we're at right now.

JERRY DEICHERT: So if...I don't know how far back we can go.

SENATOR MELLO: Okay.

JERRY DEICHERT: But if we could go back to 2008...

SENATOR MELLO: That would be even better; at the start of the Great Recession would be great.

JERRY DEICHERT: And then put...so this is 2013 and just tack every year on to this to the extent that we can?

SENATOR MELLO: That would be phenomenal.

JERRY DEICHERT: And that would be something you'd want for next time?

SENATOR COOK: Yeah. That would be good. We'd appreciate that. Senator Campbell.

SENATOR CAMPBELL: Thank you, Senator Cook. Senator Mello, are you talking about tracking all of these or that you really want to see the ones where there was change? I mean there's a lot...it's sort of like which benchmark do you look at? What's the most important here? And that may be...Jerry needs to take a look at all this to determine (inaudible).

SENATOR MELLO: That may be (inaudible).

SENATOR COOK: (Inaudible) capital gains.

SENATOR MELLO: Yeah, that may actually be more advantageous for your time in developing this, is there may not be, for example, educator expenses may not have changed from 2008. That $6 million, so to speak, $6.3 million may be pretty static, so to speak. But unemployment compensation may have went up really high, come back down or went up, and went slightly down. I defer to Jerry. I would agree, Kathy, in the sense that...

JERRY DEICHERT: Actually it would be easier, because this all just comes in one big file, to cut and paste and have the whole thing and then I could highlight on there those areas that look like there's...or I could have that as an appendix and just pull out the ones that have changed. But I think maybe having everything there and highlighting the ones that look like there is some change, if that makes...that would work.

SENATOR CAMPBELL: Perfect.

SENATOR COOK: Good. Senator Schumacher.

SENATOR SCHUMACHER: Thank you, Madam Chairman. One of the things that is missing from this analysis of income is the amount of interest on government bonds which is tax exempt. And I would think that that correlates higher with your higher income categories because a tax exemption really means something at a higher income category. So that isn't in here and I think enters in the mix somehow. The other thing is that on some of the...where the wealth is parked, a lot of that is undeployable or useless wealth until it's liquidated sometime and it's not liquidated because of tax policy because you trigger a tax in most cases. So you've got to die with it so your kids get a stepped-up basis. Is that policy impairing our ability to deploy existing wealth? I mean, the farmers are complaining they can't pay their property taxes, but they're sitting on millions and millions of dollars of land that they won't sell because they don't want to pay effectively 25 percent, 30 percent in capital gains and state income tax. And that's interactive. Wealth is no good on paper; it's only good if you can invest it and use it or spend it. And so how does that interplay with all this?

JERRY DEICHERT: We're still looking for...we still have some people looking at what kind of wealth measures are out there and there...we found something that does look at some of that issue about state taxes and that impact on wealth. And so if we get something next time, I'll make sure I make a...put together what I can for it.

SENATOR COOK: We'll make certain to include that on the agenda. Senator Stinner, did you have any questions that you wanted to ask while Mr. Deichert is here?

SENATOR STINNER: Actually, I'd like to comment on what we were talking about on affordability. And I will tell you from...(inaudible).

SENATOR COOK: Could you pop up here and speak into Senator Krist's empty mike just for the transcriptionist's ease.

SENATOR STINNER: I will tell you from my...the affordability of housing as it relates to my community, from my banking experience, the cost of construction is a big, big barrier. Just put together a proposal for a duplex and it was going to be $120,000 a side. And I don't want to get too far in the weeds, but it came out to where the breakeven rent at a 5 percent, 10 percent rate of return for a cash person, not paying off debt, was $1,500. So that's $150 a square-foot, $30,000 of that was lot. That's where we're really kind of bumping into...

SENATOR GLOOR: Two-bedroom duplex?

SENATOR STINNER: This was a three bedroom. This would have taken care of that family moving into town. But every time we try to put numbers together--fourplexes, sixplexes, multiple--you bump into that, the cost of construction. And the other thing is builders are not available because they want to build the $300,000, $400,000 house because the rate of return on it is 10 percent to 20 percent. On those they only have to build a couple of them. So that's another barrier for what we're talking about.

SENATOR COOK: Okay. Thank you.

SENATOR STINNER: That's just from my banker experience.

SENATOR COOK: Well, appreciate it. Appreciate your perspective. Senator Gloor, were you saying you were number one, or just scratching your ear? I thought I saw you...

SENATOR GLOOR: Just scratching, yes. (Laughter)

SENATOR COOK: Okay, good. Considering...

SENATOR GLOOR: Making a wish.

SENATOR COOK: Saying goodnight to the audience.

SENATOR SCHUMACHER: Don't do that at an auction.

SENATOR COOK: (Laugh) No. All right. Thank you very much, Mr. Deichert. If other things come up, we always know we can e-mail you. Just to keep it moving along, I don't think there are any reports, official reports from among the subcommittees today. That being the case, our next meeting which will be chaired by our gracious Vice Chair Senator Schumacher on September 16 here in this room at 9 a.m. The topic: Colorado's recreational marijuana legalization and the impact on Nebraska counties. Sounds good. One more announcement that I have: In November, we've got things like Thanksgiving and lots of activity here at the Capitol and it bumps up against our normal Planning Committee meeting. So Christina will be reaching out in the meantime to each of your offices, but I wanted to take a straw poll about meeting over the lunch hour--I would provide some lunch for us--at Offutt on the day of those Legislative Council meetings so that we get that November meeting in. Is that...especially among those of us who are term limited. Right now it seems like a good idea.

_____________: What's that date because I didn't...(inaudible).

SENATOR COOK: November 18.

_____________: I didn't put it on my calendar.

SENATOR COOK: Please ask committee members whether they'd be able to attend a Planning Committee at Offutt on November 18 at noon.

_____________: Works for me.

SENATOR COOK: So we will plan it and certainly invite the committee members and anyone else who wants to attend and plan to provide lunch for you, keep it a good use of your time as well. So thank you very much. With that, I'll...(recorder malfunction).