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Banking, Commerce and Insurance Committee
February 14, 2017

[LB96 LB341 LB375 LB454]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Tuesday, February 14, 2017, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB375, LB341, LB454, and LB96. Senators present: Brett Lindstrom, Chairperson; Matt Williams, Vice Chairperson; Roy Baker; Joni Craighead; Mark Kolterman; John McCollister; and Paul Schumacher. Senators absent: Tom Brewer.

SENATOR LINDSTROM: Welcome to Banking, Commerce and Insurance Committee hearing. My name is Brett Lindstrom. I'm from Omaha representing District 18. I serve as Chair of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee members will come and go during the hearing. We have to introduce bills in other committees and are called away. It is not an indication we're not interested in the bill being heard in this committee, just part of the process. To better facilitate today's proceeding, I ask that you abide by the following procedures. The information is posted on the chart to your left. Please silence or turn off your cell phones. Move to the front of the row when you're ready to testify. The order of testimony will go introducer, proponent, opponent, neutral, and closing. Testifiers, please sign in. Hand your pink sign-in sheets to the committee clerk when you come up to testify. Please spell your name for the record before you testify. We ask that you be concise. It is my request that you limit your testimony to five minutes. We use the light system here, which means four minutes is the green light. You will have a one minute warning with the yellow light, and when the red light comes on, that will be your five minutes. If you will not be testifying at the microphone, but want to go on record as having a position on a bill being heard today, there are white tablets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members as exhibits only. While testimony is being offered, hand them to the page for distribution to the committee and staff. When you come up to testify, we will need ten copies. If you have written testimony but do not have ten copies, please raise your hand now so the page can make copies for you. To my immediate right is committee counsel, Bill Marienau; to my far left is committee clerk, Jan Foster. The committee members with us today will introduce themselves beginning at my far right.

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

SENATOR KOLTERMAN: Mark Kolterman, District 24, that's Seward, York and Polk County.

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SENATOR WILLIAMS: Matt Williams, District 36, Dawson, Custer and the north part of Buffalo Counties.

SENATOR CRAIGHEAD: Joni Craighead, District 6, Omaha.

SENATOR BAKER: Roy Baker, District 30, Gage County, part of Lancaster County.

SENATOR McCOLLISTER: John McCollister, District 20, central Omaha.

SENATOR LINDSTROM: And I believe Senator Brewer will be joining us later. Our page today is Phillip Levos of Columbus. The committee will take up the bills today in the following order: LB375, LB341, LB454, and LB96. We will now open the hearing on LB375. Senator Schumacher, whenever you're ready.

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom and members of the Banking, Commerce and Insurance Committee. My name is Paul Schumacher. I represent District 22 in the Legislature and here today to introduce LB375. My amber lights always start flashing when the introducer of a bill gets up and said, well, this bill just updates, clarifies, increases transparency, harmonizes, and just brings everything up to date, so commence the flashing. LB375 proposes to update the State Credit Union Act which was last updated in 1996 by eliminating outdated and unnecessary sections and harmonizing and clarifying the other sections. It would also add a definition of financial institution to the act in keeping with the same definition that's in the Nebraska Banking Act and amends the definition of a fixed asset to adhere to the standards of the generally accepted accounting principles. In addition it clarifies that the director of the Department of Banking acts and notifies any applicant proposing the formation of a credit union of his or her decision within 120 days of receiving the application, and allows a credit union upon approval of the director to purchase assets and assume liabilities of another financial institution. The bill also allows credit union's bylaws govern the terms in which joint account holders may meet full membership requirements. There will be witnesses coming after me that may be able to more fully explain the down in the weeds meaning of those words, but rest assured, it clarifies things. I'd take any questions. [LB375]

SENATOR LINDSTROM: Thank you, Senator Schumacher. Any questions from the committee? Seeing none, thank you. [LB375]

SENATOR SCHUMACHER: Thank you. [LB375]

SENATOR LINDSTROM: We will now have proponents. Good afternoon. [LB375]

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BRANDON LUETKENHAUS: (Exhibit 1) Good afternoon, Chairman Lindstrom, members of the Banking, Commerce and Insurance Committee. My name is Brandon Luetkenhaus, B-r-a-n-d-o-n L-u-e-t-k-e-n-h-a-u-s and I'm here on behalf of the Nebraska Credit Union League. Our organization represents Nebraska in 61 credit unions and their members in the state. We are offering our association's support of LB375 and we'd like to thank Senator Schumacher for introducing this bill. As he said, LB375 would make several changes to the State Credit Union Act that are of technical nature and aimed to modernize the act which has not been updated, as he said, since 1996. I'm going to go through the sections with you; (section) 21-1701(2) would add a definition of "financial institution." As the Senator said, that is the same definition found in the Banking Act and there's a reason for that as we'll get further into the bill why we added that definition; (section) 21-1709 amends the definition of "fixed asset" to better fit what is actually occurring today in the financial world in credit unions. The current definition of fixed asset in statute is a specific list today. There are no specific reference to leasehold improvements, as an example, though it could be interpreted it is included in the structure. These are situations where certain costs related to a fixed asset may be amortized over the useful life, such as changes for the installation of a new computer system that can be amortized with a fixed asset over a contract period or useful life. Currently, with cloud based services in the computing environment, there are different treatments available under Generally Accepted Accounting Principles, or GAAP as it's known, that may allow certain costs to be capitalized, if parts of the cloud based structures are maintained on premises. Essentially, financial institutions are required to follow GAAP and it makes more sense to have statute reference these items than try to maintain congruent definitions in statute that require periodic changes. So, I guess in summary, we just think it's best that credit unions and their accountants or CPAs determine, especially the CPAs determine what is acceptable as a fixed asset. Section 21-1724(6) would add a requirement that the director notify an applicant of his or her decision within 120 calendar days, whether the credit union articles of association conform with this section. Currently the section only requires that the director make his or her decision within 120 calendar days. Redundant language would be stricken from subsection (7). Section 21-1725 is eliminated in its entirety. This section is unnecessary and outdated because it pertains to cooperative credit union associations which became state-chartered credit unions in 1996. Section 21-1736(2) would make a technical change adding "committee" to Supervisory--there are Supervisory Committees in credit unions--and "if any" after Credit Committee. This change is made to correct an inconsistency within the act to recognize that not every credit union, according to its bylaws, may utilize a Credit Committee which is permissible under federal regulation. Section 21-1740(5) would add "individually or jointly with other credit unions" to recognize that credit unions may choose to purchase, lease, acquire or hold tangible personal property together. I had a question on that earlier and the rationale behind this is to allow credit unions...some credit unions, for instance in Omaha. Omaha Police and Omaha Federal Credit Union own a building together, so they're literally in the same building. They may purchase a copier or a fax machine together or lease one. That's what this provision gets to. Section 21-1740(13) would strike "credit union" and replace it with

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"financial institution". This is why we added "financial institution" in definitions to provide that a credit union could purchase any of the assets or assume any of the liabilities of another financial institution with the approval of the director of Department of Banking and Finance. Section 21-1741(1-3) would retain the ability of credit unions to operate a safe deposit box service for their members as provided in subsection 1, and pursuant to (sections) 8-501 and 8-502, but eliminates subsection 2 which requires the director to consider the reserve position of the credit union performance qualifications of its management, rules of operation of services, security measures, bonding and insurance, and the safety and soundness of the credit union before he or she grants approval of this service. Further eliminates subsection 3 which prohibits a credit union from spending more than \$25,000 or an amount equal to 1 percent of its capital, whichever is greater, on its safe deposit box service. These two sections, we believe, are unnecessary and, in fact, in LB140 which was introduced before this committee and advanced in to General File. That too, that bill addressed safe deposit boxes for banks. Section 21-1782(1-3) pertains to joint accounts. I'll just say at the outset of this that we understand that this language in here may be confusing and so we are more than willing and happy to work with Senator Schumacher, this committee, the director, and any others that want to clarify this language, but the intent of the language is that credit unions when they have joint account holders, that if a husband and wife, for instance, have a joint account and the wife qualifies for membership, that they don't have to open up a separate credit union account for her to have the full rights of membership, meaning she can run for the board, she can vote for the board, those types of things. That's the intent so they don't have to open up another separate account. Obviously, if the member is...does not qualify for membership and is on that joint account, they would not be able to open up a separate account. They would just be on that as a beneficiary. But again, we are more than willing to work with the committee on this language in particular and Senator Schumacher. Section 21... [LB375]

SENATOR LINDSTROM: Go ahead...because it's technical, go ahead and finish. [LB375]

BRANDON LUETKENHAUS: Okay. Yeah, just one small thing left. Section 21-17,116 is eliminated. We believe it is redundant to current statutes regarding mergers and consolidations of credit unions. No credit union has been chartered since 1996 and therefore this language has no bearing on credit unions today. I will say about this that changes were made to Chapter 21 in 1996 as Senator Schumacher talked about, and so this section protected those credit unions that were already in existence at that time. And so after 1996, credit unions that charter would have to apply with the act as amended in 1996 and so that's why we think this language is unnecessary and outdated. That is the conclusion of my testimony. I'd be happy to try to answer any questions the committee members may have. [LB375]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you very much. [LB375]

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BRANDON LUETKENHAUS: Thank you. [LB375]

SENATOR LINDSTROM: Other proponents? Seeing none, any opponents? Seeing none, any neutral testifiers? Good afternoon. [LB375]

MARK QUANDAHL: (Exhibit 2) Chairman Lindstrom, members of the Banking, Commerce and Insurance Committee, my name is Mark Quandahl. It's Q-u-a-n-d-a-h-l, director of the Nebraska Department of Banking and Finance appearing here today in a neutral capacity on LB375. LB375 proposes several updates and changes to the Credit Union Act of Nebraska. In September of 2016, Credit Union industry professionals and representatives from the Nebraska Credit Union League met with the department to discuss proposed changes to the act. In addition, a draft of what became and what's before you right now is LB375, was shared with the department prior to its introduction. I'll spare you the line by line because I believe Mr. Luetkenhaus did a fine job on that, too, and just summarize that proposed updates appear to be reasonable and sensible updates to the Credit Union Act. Nebraska is currently home to 13 state-chartered credit unions supervised by the Department of Banking and Finance. The department anticipates no fiscal impact from the changes proposed by LB375. And so with that, I'd respond to any questions that the committee may have. [LB375]

SENATOR LINDSTROM: Thank you, Director. Any questions from the committee? Seeing none, thank you very much. [LB375]

MARK QUANDAHL: Thank you. [LB375]

SENATOR LINDSTROM: Other neutral testifiers? Seeing none, Senator Schumacher, if you'd like to close. [LB375]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom, members of the committee. Just when we thought all hope was lost for this Legislature, the credit unions had a bill that the bankers didn't oppose. There is hope, I take it. (Laughter) [LB375]

SENATOR LINDSTROM: Thank you, Senator. Any final questions? Senator Williams does have a question. [LB375]

SENATOR WILLIAMS: Now you deserve a question. You talked about the fact that...thank you, Chairman Lindstrom... [LB375]

SENATOR LINDSTROM: Yeah, you're welcome. [LB375]

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SENATOR WILLIAMS: ...and thank you for being here to testify. You talked about the fact that this clarified, simplified, and created transparency. Can you talk about the one you left out, the collaboration that was necessary to get this done? [LB375]

SENATOR SCHUMACHER: You have no idea the collaboration between the bankers and the credit union that was necessary to get this done. (Laughter) [LB375]

SENATOR WILLIAMS: Thank you. [LB375]

SENATOR LINDSTROM: Thank you. Seeing no other questions, then I'll close the hearing on LB375. I'll now turn over the hearing to Vice Chairman Williams, next two bills. [LB375]

SENATOR WILLIAMS: Thank you and we will now open the hearing on LB341 and ask Chairman Lindstrom to introduce his bill. [LB341]

SENATOR LINDSTROM: Thank you, Vice Chairman Williams and members of the committee. I'm hoping for the same understanding from both the bankers and credit unions on the next two bills. My name is Senator Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. LB341 was introduced at the request of the Governor. It is part of a group of bills with the purpose of easing regulatory burdens on Nebraska businesses. Section 8-139 in the Nebraska Banking Act currently requires that active executive officers of state-chartered banks must be licensed by our Department of Banking and Finance. This section provides that no loan or investment shall be made by a state-chartered bank directly or indirectly without the approval of an active executive officer. It is the responsibility of banks to apply for and obtain licenses for their active executive officers. The department is authorized to revoke the license of an active executive officer who is conducting business in an unsafe or unauthorized manner or is endangering the interest of stockholders or depositors. Acting as an active executive officer without a license is a Class III felony. We have been told that officer licensure is not required for national banks or for state-chartered banks in other jurisdictions. LB341 would expand the provisions of this section. Probably the most significant change would be allowing a Nebraska state-chartered bank to elect for its active executive officers to be exempt from the requirement to apply for and obtain a license from the Department of Banking and Finance. In connection with this change, the department would be authorized to suspend the ability of an active executive officer to continue to act as an active executive officer for the same reason the department is authorized to revoke a license. The bill would further authorize the Director of Banking and Finance as part of an order of revocation or suspension to levy a civil penalty of up to \$10,000. The bill also sets out a definition of what is an active executive officer. Those are the provisions of the bill and I anticipate that witnesses will follow to provide testimony on why this bill is a

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positive step forward and the regulatory relief, I would urge that the bill be advanced. Thank you very much. [LB341]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. Questions for the Senator? Seeing none, thank you. First proponent. [LB341]

MARK QUANDAHL: (Exhibit 2) Vice Chair Williams, Members of the Banking, Commerce and Insurance Committee, again, my name is Mark Quandahl, Q-u-a-n-d-a-h-l, director of the Nebraska Department of Banking and Finance. I'm appearing here today in support of LB341. Executive officer licenses have been part of the Nebraska banking code since 1921. Section 8-139 states in pertinent part, no loan or investment shall be made by a bank, directly or indirectly, without the approval of an active executive officer. Executive officers of banks shall be persons of good moral character, known integrity, business experience and responsibility, and be capable of conducting the affairs of a bank on sound banking principles. The executive officer licensing requirement applies to all 158 state-chartered banks in Nebraska. The department currently licenses 2,231 executive officers consisting of 240 Class I executive officer licenses and 1,991 Class II executive officer licenses. Class I licenses are defined by rule as those bank employees exercising supervisory authority at the level of hiring and firing. Class II licenses have loan and investment authority with or without limitations and may exercise supervisory authority. Attached to my testimony, sent around also, is the current version of the Department's Executive Officer(s) License Application, so you can see what that is. It should be noted that LB341 is drafted as an "opt-out" license requirement. During my tenure as Director of Banking and Finance, I've heard from many banking industry professionals on the topic of the executive officer license. In my travels and interactions with the regulated industry, policymakers, and other bank supervisors, I have solicited opinions and feedback on this license. I would characterize most of the feedback as indifferent. While many industry professionals have questioned the necessity and utility of the license, other bankers have confided in to me that they did not wish for the outright repeal of the license for the reason that they appreciated the department's thorough review of the bank's prospective executive officers. The department has access to confidential reports gathered by various sources, one of which includes the Financial Crimes Enforcement Network of FinCEN, which is applicable and available only to qualified regulators. In 2015, the department reviewed and approved 357 licenses. In 2016, the number was 272. Thirty-three licenses have been granted during 2017. Over the course of my tenure, five applicants have withdrawn their applications for licensure. As a practical matter, applicants for whom licensure was uncertain have elected to withdraw rather than face license denial. There is a \$50 fee for each executive officer license, and a \$15 annual renewal fee for each license. In 2016, the department collected \$50,260 on applications and renewals for executive officer licenses. The fee income from executive officer licenses has averaged \$46,407 to the department for the past five years. As I said before, there's currently 2,231 active executive officer licenses with a total annual revenue of \$33,465. The department also receives approximately 300 requests

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for new licenses each year which totals \$15,000. If Nebraska banks are not required to have executive officers licenses, the department estimates the number of existing and new licenses will drop by 50 percent the first fiscal year, and an additional 10 percent the second fiscal year. The department estimates that the civil penalties prescribed by LB341, if any, would be minimal. With that, I would be happy to answer any questions that the committee may have. [LB341]

SENATOR WILLIAMS: Thank you, Director. Questions for Director Quandahl? Seeing none, thank you for your testimony. Whoops, excuse me, Senator McCollister. [LB341]

SENATOR MCCOLLISTER: Thank you, Senator Williams, and welcome, Director Quandahl. [LB341]

MARK QUANDAHL: Thanks. [LB341]

SENATOR MCCOLLISTER: Are the fee amounts proper or should they be...? Give us some comment about the fee amounts themselves. [LB341]

MARK QUANDAHL: I've never actually had any comments from any banks or financial institutions about whether the fee amounts were either onerous, too high or too low. And so, just from that, of course with the two-year runway to talk about, I just assume from my own experience that they are reasonable. [LB341]

SENATOR MCCOLLISTER: Thank you. Thank you, Senator Williams. [LB341]

SENATOR WILLIAMS: Any further questions? Senator Kolterman. [LB341]

SENATOR KOLTERMAN: Director Quandahl, if you're not going to regulate these folks, who is? [LB341]

MARK QUANDAHL: Well, you'll have to ask the bankers themselves, but what they will you is, is that they undergo a pretty thorough vetting at the institution level itself and it should probably also be noted that 1921 when this license requirement was put in place, there was no FDIC. The FDIC now insures deposits up to \$250,000 which provides an additional safety net, if you will. [LB341]

SENATOR KOLTERMAN: Is this just for state banks that we're talking about? [LB341]

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MARK QUANDAHL: That's correct. [LB341]

SENATOR KOLTERMAN: Okay. Thanks. [LB341]

SENATOR WILLIAMS: Thank you for your testimony. Next proponent. [LB341]

ROBERT HALLSTROM: Vice Chairman Williams, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, and I appear before you today as registered lobbyist for the Nebraska Bankers Association in support of LB341. I want to thank Senator Lindstrom for introducing legislation. And on Valentine's day I would like to express my heartfelt appreciation for the department in expressing their support for the legislation. (Laughter) My testimony goes into some detail on issues that both Senator Lindstrom and Director Quandahl have already touched on in terms of what the current law is, what active executive officers are, and so forth. So I will just provide you with some background on this issue. For many years, the members of the Nebraska Bankers Association have raised the issue of whether or not having the active executive officer licensing requirement was appropriate. As the prior witnesses have indicated, national banks are not subject to a similar requirement and state-chartered banks in Nebraska are the only ones whose active executive officers, to our understanding and knowledge, are subject to that type of requirement, so we do appreciate the opportunity. Senator Williams, there was a great deal of collaboration that was involved in getting to this point. Director Quandahl made the case for not outright repealing the legislation and our bankers were willing to consider a middle ground, if you will. We talked about opt in, we talked about opt out, and we have finally come with the opt-out provision under LB341, which we believe will give the banks the option and the flexibility to determine whether or not they want to continue to be subject to the regulation. Senator Kolterman, with response to your question, perhaps a nuance, but the Department of Banking still will regulate our active executive officers. They simply will not have a license to yank or pull, if that be the case. The bill is clear that those active executive officers, if they violate the laws and the safety and soundness principles under state law, that even though they won't have the ability to yank their license or pull their license, they will be subject to civil fines and all of the same types of sanctions and penalties that an active executive officer who has a license would be subject to. So we think it's a good compromise. We appreciate all the parties' efforts in coming to this point and would encourage the committee to send the bill out for further consideration by the full Legislature. Be happy to address any questions. [LB341]

SENATOR WILLIAMS: Senator Kolterman. [LB341]

SENATOR KOLTERMAN: Thank you, Senator Williams. So, in essence, this just really deals with the vetting process as you're going to hire somebody at a state bank. [LB341]

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ROBERT HALLSTROM: It does away with the vetting process formally through the department application. [LB341]

SENATOR KOLTERMAN: You still have to do that through the... [LB341]

ROBERT HALLSTROM: For the most part, Senator, you'll find, as Director Quandahl indicated, that the banks, there are FDIC section 19 requirements that were not allowed without FDIC consent, to hire individuals who have been convicted of a certain...a breach of fiduciary duty types of offenses. So that type of process, which is the criminal background check, is going to be done by banks pursuant to FDIC section 19. I think it's routine practice also for banks to go through and get financial records, history, to determine if someone has got a particular financial problem that might lead them to have concerns over whether or not somebody should be handling money doing certain things that working with investments and loans at the bank that are part of the duties of most executive officers. [LB341]

SENATOR KOLTERMAN: Okay. Thank you. [LB341]

ROBERT HALLSTROM: Thank you. [LB341]

SENATOR WILLIAMS: Senator McCollister. [LB341]

SENATOR McCOLLISTER: If I'm reading the bill correctly, Mr. Hallstrom, there would be no fee at all, so no income to the banking department. Is that correct? [LB341]

ROBERT HALLSTROM: For those who elect or opt out from the active executive officer, if there are banks, and I would assume there could be some. Director Quandahl has indicated that some banks have expressed their appreciation for the process that the department goes through to the extent that banks do not opt out, they will continue to pay the initiation fee, the up-front fee, and the annual renewal fee, and I think the fiscal note reflects that there's something less than full elimination of what they're currently drawing in from the department perspective for everyone having to have the license versus what they anticipate will be the effect of allowing the banks to opt out. [LB341]

SENATOR McCOLLISTER: Thank you. [LB341]

ROBERT HALLSTROM: Thank you. [LB341]

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SENATOR WILLIAMS: Mr. Hallstrom, it's my understanding that this bill is part of the Governor's push at reducing regulation... [LB341]

ROBERT HALLSTROM: Correct. [LB341]

SENATOR WILLIAMS: ...on banks also and business in general. And for a bank that may continue to want to have the department review and vet their employees, this bill would still allow for a bank to ask the department...fill this application out that Director Quandahl gave us. [LB341]

ROBERT HALLSTROM: Correct. If the bank does not affirmatively opt out, they will continue to be subject, those who have active executive officers already subject to the licensing requirement would have to renew at the appropriate time. Those that are bringing in new active executive officers who have not opted out, would continue to pay the up-front fee. [LB341]

SENATOR WILLIAMS: And in addition to the fact if a bank opted out and the revenue to the department was decreased, it would also decrease the workload to the department of reviewing these applications and annually doing the renewal. [LB341]

ROBERT HALLSTROM: I would hope that would be a commensurate reduction. [LB341]

SENATOR WILLIAMS: Thank you. Any other questions? Thank you for your testimony. [LB341]

ROBERT HALLSTROM: Thank you. [LB341]

SENATOR WILLIAMS: Next proponent. [LB341]

KURT YOST: Vice Chairman Williams, my name is Kurt Yost, K-u-r-t Y-o-s-t. I am the registered lobbyist for the Nebraska Independent Community Bankers here today to weigh in on our support for LB341. For those in the department and all interested parties in the industry, this is a conversation that has been ongoing for three or four years and I think we feel that we have come to a very, very suitable conclusion with the opt-out mechanism. [LB341]

SENATOR WILLIAMS: Any questions for Mr. Yost? Seeing none, thank you for your testimony. [LB341]

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KURT YOST: Thank you. [LB341]

SENATOR WILLIAMS: Any additional proponents? [LB341]

NICOLE FOX: (Exhibit 3) Good afternoon, members of the Banking, Commerce and Insurance Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I'm director of government relations for the Platte Institute. Thank you, Senator Lindstrom, for introducing LB341, and I'm here today to testify in support of this bill. Under current law section 8-139, no loan or investment shall be made by a bank, directly or indirectly, without the approval of an active executive bank officer. No person shall act as an active executive officer until the bank obtains a license from the Department of Banking. LB341 would authorize a bank to elect to have its active executive officers exempted from the requirement to apply for and obtain a license from the Department of Banking. The Platte Institute has spoken with representatives from the Nebraska Bankers Association, and it is their professional opinion that the executive officer's license requirement does not serve any meaningful purpose, and should be eliminated. Nebraska is the only state in which an executive officer's license is required for active executive officers. In addition, active executive officers employed by national banks operating in Nebraska are not subject to these requirements, which results in a competitive disadvantage for state banks. Over the past two decades, very few individuals have been denied the right to obtain a license, and very few enforcement actions have been brought against executive officers for violations. Issuance of the original executive officer's license comes at a cost of \$50, with an annual renewal fee of \$15. The regulatory burden associated with this licensing requirement far outweighs any benefits derived from its existence. Nearly 200 different occupations in Nebraska require a government license which affects nearly one in four workers. This is negatively impacting small businesses trying to hire employees, potential entrepreneurs wanting to start a business, and individuals seeking a means to earn an honest living. Reform of occupational licensing laws to lessen burdensome regulation is an economic issue that needs to be addressed. Occupational licensing laws were initially created as a means of protecting the public from negligent and unqualified practitioners, but more and more, instead of protecting the public from harm, we now understand that occupational licensing is frequently a hoop that individuals and businesses must jump through in terms of time, paperwork and money. Often the cost is passed on to consumers by raising the price of goods and services. A study by the Heritage Foundation showed that occupational licensing reform could save Nebraska households over \$900 annually. The licensing of executive officers is a tax on their employment when there are already safeguards in place for hiring qualified professionals. Allowing a bank to elect to have its active executive officers exempted from the requirement to apply for and obtain a license from the Department of Banking as proposed by LB341 reduces burdensome regulation that will make Nebraska's job licensing requirements more consistent and competitive with our neighboring states as well as help state banks in Nebraska compete with the national banks located here. I ask that you advance LB341 out of committee, and I'm happy to entertain any questions. [LB341]

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SENATOR WILLIAMS: Thank you, Senator Fox. Questions? Seeing none, thank you for your testimony. [LB341]

NICOLE FOX: Thank you. [LB341]

SENATOR WILLIAMS: Any additional proponents? If not, any opponents? Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, Senator Lindstrom waives closing. That will close our hearing on LB341. We will now move on to LB454, which is also Chairman Lindstrom's bill. You're welcome to open. [LB341]

SENATOR LINDSTROM: Thank you, Vice Chairman Williams. My name is Senator Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18. This bill would make changes to the operation of credit unions. I introduced this at the request of the Nebraska Union Credit League. Section 21-1770 of the Credit Union Act requires that loan officers of state-chartered credit unions must be licensed by our Department of Banking and Finance. LB454 would allow credit unions to opt out of licensing their loan officers. This bill is intended to be a companion with LB341, which I introduced at the request of the Governor. LB341 would allow state-chartered banks to elect for its active executive officers to be exempt from the requirement under the Nebraska Banking Act to be licensed by the Department of Banking and Finance. I anticipate that testimony will follow to provide reasons why we should not require credit union loan officers to be licensed and would urge the committee to advance this bill. Thank you very much. [LB454]

SENATOR WILLIAMS: Questions for Chairman Lindstrom? Do you get dual credit for...if you bring both these bills? (Laughter) [LB454]

SENATOR LINDSTROM: Yeah. [LB454]

SENATOR WILLIAMS: First proponent. Welcome, Director. [LB454]

MARK QUANDAHL: (Exhibits 1-2) Vice Chairman Williams, members of the Banking, Commerce and Insurance Committee, Mark Quandahl, Q-u-a-n-d-a-h-l, appearing here today in support of LB454. I am the director of the Department of Banking and Finance. Loan officer licenses have been a part of the Nebraska Credit Union Act since 1996. Section 21-1770 states in pertinent part that chief executive officer of the credit, or credit committee may apply to the department on forms supplied by the department for the licensing of one or more loan officers in order to delegate to such loan officers the power to approve loans and disburse loan funds up to the limits and according to the policies established by the credit committee, if any, and in the

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absence of a credit committee, the board of directors. The loan officer licensing requirement applies to all 13 state-chartered credit unions in Nebraska. The department currently licenses 76 credit union loan officers. Attached to my testimony, or sent out with it, is the current version of the department's loan officer license application. It should be noted that as with LB341, LB454 is drafted as an opt out license requirement. In 2015, the department reviewed and approved nine licenses. In 2016, the number was 16. Seven licenses have been granted so far in 2017. There's a \$25 fee for each officer license and a \$15 annual renewal fee for each license. In 2016, the department collected \$1,335 on applications and renewals for loan officer licenses. The fee income from loan officer licenses has averaged \$1,239 to the department for the past five years. There are currently 76 active loan officer licenses in Nebraska with a total revenue of \$1,140. The department receives approximately 12 requests each year for new licenses for an annual total of \$300. If Nebraska credit unions are not required to have loan officer licenses, the department estimates the number of existing and new licenses will drop by 50 percent the first fiscal year and an additional 10 percent the second fiscal year. With that, I would be happy to answer any questions that the committee might have. [LB454]

SENATOR WILLIAMS: Questions for the Director? Seeing none, thank you for your testimony. [LB454]

MARK QUANDAHL: Thanks. [LB454]

SENATOR WILLIAMS: Next proponent. [LB454]

BRANDON LUETKENHAUS: Good afternoon, Vice Chairman and members of the Banking, Commerce and Insurance Committee. My name is Brandon Luetkenhaus, B-r-a-n-d-o-n L-u-e-t-k-e-n-h-a-u-s, and I'm here on behalf of the Nebraska Credit Union League. Our association represents Nebraska's 61 credit unions and their members. I appear before you today to offer our association's support of LB454. I want to thank Senator Lindstrom for introducing this bill, as well as I thank Director Quandahl and the department for their support of this bill as well. This bill would provide parity for our state-chartered credit unions when it comes to loan officers. Currently, the 48 federally chartered credit unions do not have the same requirement at the federal level and so this would provide parity to our state-chartered credit unions to provide them to opt out of this loan officer license application. Again, it's an opt out and so there may be credit unions of the 13 state-chartered credit unions that choose to utilize the services that the department provides in this manner. So with that, I would be happy to answer any questions that the committee might have. [LB454]

SENATOR WILLIAMS: Questions for Mr. Luetkenhaus? Seeing none, thank you for your testimony. Any additional proponents? Seeing none, any opponents? Seeing none, anyone here to

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testify in a neutral capacity? Seeing none, Senator Lindstrom waives closing. That will close our hearing on LB454. Back over to Chairman Lindstrom. [LB454]

SENATOR LINDSTROM: We'll take a quick 5-minute break and allow Senator Crawford to make her way over here. [LB96]

BREAK

SENATOR LINDSTROM: We will now open the hearing on LB96. [LB96]

SHAYNA BARTOW: (Exhibit 1) Hello, Senator Lindstrom and members of the Banking, Commerce and Insurance Committee. My name is not Sue Crawford, my name is Shayna Bartow, S-h-a-y-n-a B-a-r-t-o-w. I'm Senator Crawford's legislative aide. She is over in the Urban Affairs Committee in a hearing on one of her other bills, but she will be here for closing. I'm honored to be here today to introduce for your consideration LB96. LB96 provides that public and private sector initiatives to improve the military value of military installations are eligible activities that can access loans, grants, subsidies, credit enhancements, and other financial assistance through the Department of Economic Development's Site and Building Development Fund. LB457 which was introduced in 2015 by Senator Gloor and was later signed into law provided that projects could use the Site and Building Development Fund to make the necessary improvements to buildings and infrastructure in order to mitigate the economic impact of a closure or downsizing of a private sector entity. This is an important tool that allows communities to access funds in order to proactively combat the negative effects that could devastatingly impact their local economy. This fund does not, however, permit use of the fund to mitigate the effects of the closure or downsizing of a public sector entity such as a military base or installation. LB96 doesn't directly do that as drafted, but it does permit public and private sector initiatives and by improving the military value of military installations to apply for grants and loans through this fund to try and proactively prevent closure or downsizing. LB96 will allow the public and private sectors to proactively improve the military value of our military installations across the state. This includes Offutt Air Force Base in Senator Crawford's district and many National Guard installations in our state spanning from Wayne to Scottsbluff. After my testimony, I will provide you with a map to show all the guard installations and units across our state that could also qualify to use these funds. Improving the value of the installations not only allows our state to remain a competitive location with well-maintained installations when the Department of Defense is considering base or installation closures, but it also allows us to prepare for downsizing or realignment of any of these installments. According to a 2015 economic impact analysis conducted by Offutt Air Force Base, there are 178 buildings on base, not including homes and housing units. These buildings have a total of over four million square feet and all together the land, buildings and real property of the base have a value of over \$761

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million. LB96 allows the Site and Building Development Fund to be used for approved projects to continually improve this important economic asset of our state. It would allow our state to work proactively to prevent downsizing or closure through collaborative partnerships with public and private entities to continually enhance these installments. In the event of a base downsizing or closure, 2,100 civilian jobs would be at risk in Bellevue area. Proactively working to enhance these installments can help ensure the base remains open and these civilians can keep their jobs, therefore avoiding economic collapse in Bellevue and the rippling effects that this economic devastation could have across the state. These improvement projects would also create new jobs in the process. Thirteen states, including Kansas, Indiana, and Texas, have some sort of grant or loan program in place to preserve and enhance the value of their military installations. This allows their communities to improve and repair these military installations and infrastructures and proactively mitigate a closure or downsizing. LB96 would allow the public and private entities to apply for the Site and Building Development Fund in order to coordinate with the U.S. Department of Defense Office of Economic Adjustment to make these important improvements. It is important to know that this bill does not prioritize these projects to receive this funding over the other eligible projects. It simply makes these projects eligible to receive financing in order to allow our communities and private entities to enhance our Air Force Base and National Guard installations and proactively avoid the negative economic effects that could occur in case of a downsizing or closure. As it is currently written, LB96 does not allow the Site and Building Development Funds to be used for economic impact of a closure or downsizing of a military installment that has occurred. One important reason to amend the bill to add the use...is to add this use is to allow the state to qualify for the U.S. Department of Defense's Office of Economic Adjustment Grants that typically cover 90 percent share of funds requested for community planning assistance in the case of closure. Although there are no current conversations about the closure of Offutt, an amendment to LB96 could ensure that our state would be better prepared to handle the economic consequences and provide the required 10 percent match to receive the federal funds if this did occur. I will be willing to talk to the committee members about their interest in this amendment and I appreciate the committee's attention to this issue. I would be happy to try to answer any questions that you might have, and if I cannot, Senator Crawford can answer them during her closing. [LB96]

SENATOR LINDSTROM: Thank you very much. Senator Craighead. [LB96]

SENATOR CRAIGHEAD: Hi, Shayna, you did a great job. [LB96]

SHAYNA BARTOW: Thanks. [LB96]

SENATOR CRAIGHEAD: So there's no fiscal note, I noticed that. So this is just adding additional things, for lack of the better word, that can get government grants, right? [LB96]

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SHAYNA BARTOW: Right. So it's just making sure that if a community wanted to use this fund to improve a military installation, they would be eligible to do so. They would still have to apply like any of the other projects that can qualify for this fund and be approved by the department. [LB96]

SENATOR CRAIGHEAD: Okay. Thank you. [LB96]

SHAYNA BARTOW: Yes. [LB96]

SENATOR LINDSTROM: Thank you. Any other questions from the committee? Seeing none, thank you very much. We will now have proponents. Good afternoon. [LB96]

JOE MANGIAMELLI: (Exhibit 2) Good afternoon. Senator Lindstrom and members of the Banking, Commerce and Insurance Committee, my name is Joe Mangiamelli, J-o-e M-a-n-g-i-a-m-e-l-l-i. I'm the city administrator for Bellevue, Nebraska, and on behalf of the community of Bellevue I would like to thank Senator Crawford for introducing this bill. As you're well aware, and as Shayna pointed out, Bellevue is the home of Offutt Air Force Base, the major military installation in our state. I had the privilege when I was a constituent a number of years ago of Senator Schumacher of being in Columbus and it's not just Offutt Air Force Base that would benefit by this bill being passed. National Guard Armory Readiness Centers and training facilities all would benefit from this. We had an opportunity in Columbus about five years ago. Our National Guard Armory had outlived its useful life and the city was tasked with finding an opportunity to maintain an armory for our community. The community stepped up and through a number of partnerships we were able to build a beautiful new, readiness center for the National Guard and it's a combined Army Reserve facility. It would have been wonderful if we would have had this legislation in place to help further that partnership. But this bill will for other communities, as Shayna mentioned, across the state be beneficial and help meet the needs of infrastructure and improvements in those facilities. I didn't hear the number, but to the state, Offutt Air Force Base itself contributes about a billion dollars to the state's economy annually. There's a current project underway that is in that same range with construction and as you are aware, we have runway reconstruction that will be started here very shortly. So in closing, I would just add that my current mayor, Mayor Rita Sanders, was just appointed by the Governor to serve on the commission for military and veterans affairs; and on her behalf I would ask that the committee advance this bill forward for debate on the floor. Thank you very much. [LB96]

SENATOR LINDSTROM: Thank you for your testimony. Senator Schumacher. [LB96]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. Thank you for your testimony, Joe. [LB96]

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JOE MANGIAMELLI: Yes, sir. [LB96]

SENATOR SCHUMACHER: Do you happen to know how much money is in this Building Development Fund annually that we're dividing up here? [LB96]

JOE MANGIAMELLI: I don't, but I'll bet you Shayna does. [LB96]

SENATOR SCHUMACHER: Thank you. [LB96]

JOE MANGIAMELLI: Thank you. [LB96]

SENATOR LINDSTROM: Senator McCollister. [LB96]

SENATOR McCOLLISTER: Are there any projects in the works right now? [LB96]

JOE MANGIAMELLI: At Offutt? [LB96]

SENATOR McCOLLISTER: Uh-huh. [LB96]

JOE MANGIAMELLI: Well, the reconstruction of the runway will be starting shortly. That is probably in the neighborhood of \$400,000. The STRATCOM construction project which is nearing completion, you might have read about it in the newspaper yesterday, the World-Herald, is another project in excess of \$600,000, excuse me, \$600 million, \$600 million. And then we've got a levee that we have to build around the base that we are working diligently on through the NRD and the Corps of Engineers to get approval to begin that project. [LB96]

SENATOR McCOLLISTER: But neither of those...of the projects you just listed would be accessing money from this fund? [LB96]

JOE MANGIAMELLI: No. No, sir. Those projects are well underway and have the funding for them already set aside. [LB96]

SENATOR McCOLLISTER: So you have no current projects in mind when you ask for this authorization? [LB96]

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JOE MANGIAMELLI: No, sir. No, sir. Again, I'm appearing here today on behalf of those other communities. I mentioned that I was in Columbus, we did a project on our own. It would have been nice to have this opportunity for another partnership with the state to make our readiness center a reality, but we did it on our own. [LB96]

SENATOR McCOLLISTER: So a city like Columbus would actually use city funds to rebuild or rehabilitate or refurnish an armory? [LB96]

JOE MANGIAMELLI: Our partnership, Senator, was we were tasked with securing the land, buying the land for the readiness center to sit on. We extended water and sewer and storm sewer a half a mile to get from the mainlines to the readiness center and extended the paving to get to the readiness center. So those costs, yes, were the city's cost. The National Guard had an appropriation for the building itself, but the infrastructure, improvements were the city's cost to come up with. [LB96]

SENATOR McCOLLISTER: Thanks, Joe. [LB96]

JOE MANGIAMELLI: Thank you. [LB96]

SENATOR LINDSTROM: Any other questions? [LB96]

JOE MANGIAMELLI: Thank you. [LB96]

SENATOR LINDSTROM: (Exhibit 3) Seeing none, thank you. Any other proponents? I do have a letter of support from the Nebraska Chapter of Associated General Contractors in support of LB96. We will now move to opponents. Any opponents, seeing none, we will now move to neutral testifiers. [LB96]

CHRISTY ABRAHAM: Good afternoon, Senator Lindstrom and members of the Banking Committee. My name is Christy Abraham, Christy is C-h-r-i-s-t-y, Abraham, A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities and I first just want to thank your committee and Senator Crawford for giving us the opportunity to talk to you just briefly about this bill. The Site and Building Development Fund is used by cities all over the state to support high-impact economic development projects. It's my understanding that these funds are very needed and used by cities. And, in fact, in some years there are more requests for funds than there are funds. And with that said, the League is very supportive of this bill and the concepts in it and think that there are some communities with military installations that will benefit from it. We just wanted to point out that these funds really are in demand and are often fully allocated.

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And Senator Schumacher, Senator Crawford's office is going to have much more probably up-to-date information than I do, but I will tell you for fiscal year 2014, 2015, the total revenue in that fund was \$2,955,000 and the expenditures out that year were a little over \$2.8 (million), if that is helpful. And I'm happy to answer any questions. Thank you. [LB96]

SENATOR LINDSTROM: Thanks for your testimony. Any questions from the committee? I see none, thank you very much. [LB96]

CHRISTY ABRAHAM: Thanks so much. [LB96]

SENATOR LINDSTROM: Any other neutral testifiers? Seeing none, Senator Crawford, if you would like to close. [LB96]

SENATOR CRAWFORD: Thank you, committee members and I'm sorry that I wasn't here when the bill began. We're still finishing up on a hearing across the hallway, so I appreciate your time and attention to this issue. The Site and Building Development Fund is a fund that is very competitive. And it is right now only about \$2.5 million a year and there are many demands on that fund. And so it is the case that in terms of future economic development directions, increasing the amount available in the fund is, I think, an important priority for the committee to consider, you know, as we continue to move. I've heard over and over again how valuable the fund is in terms of really helping projects get off the ground. So this bill simply adds the improvement of military installations as a...one of the possible uses of the fund. We did not put any priority on it. It just competes with all of the other possible uses of the fund. And we thought that it was very important because it is a highly competitive fund. Putting that use in there as a possibility does create that option should some high opportunity...high-value opportunity occur, we would have the flexibility to step forward and make and use some of these funds in leveraging with other funds to move forward to try to help make sure that we were acting in a way to help economic development in some city. Make sure we have economic development that occurs through the recruitment or retention of a mission or a guard mission across the state. The National Guard had planned to be here and there was a communication mishap there and they are planning to send a letter of support and they are interested in what this could do in terms of their ability to work on economic development opportunities with the communities where they serve. I'd also note that the fund also notes that 60 percent of the funds are to be used for rural economic development and 40 percent for urban. So this again, you're not just thinking about urban economic development, you're thinking about what this might look like across the state. So with that, I'm happy to try to answer other questions that you may have. [LB96]

SENATOR LINDSTROM: Thank you, Senator Crawford. Senator Baker. [LB96]

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SENATOR BAKER: Thank you, Senator Lindstrom. Senator Crawford, remind me, what is the source of the funds for the Site and Building Development Fund? Where does that come from? Is that out of the state budget? [LB96]

SENATOR CRAWFORD: So it is one of our...is one of our funds that we have available for...I do not recall. I think that it is...that we appropriate money for the Site and Building Development Fund from our General Fund. We just have passed a bill to increase appropriations to that fund, but...so that is at least one source of the fund, but I will have to get back to you in terms of making sure I understand all the possible sources of...that go into that fund. It is the...the program itself is something under committee's jurisdiction, so your legal counsel will also be able to tell you about the background of the fund and I apologize that I'm not ready to answer that question effectively. [LB96]

SENATOR LINDSTROM: Any other questions? Senator McCollister. [LB96]

SENATOR McCOLLISTER: Thank you, Chairman Lindstrom; and thank you, Senator Crawford. The Department of Economic Development grades the various projects for funding. It includes both grants and zero interest loans, is that a factor? I mean, it's more of a revolving fund, is it not? If it's a revolving loan, kind of proposition. [LB96]

SENATOR CRAWFORD: It's a fund that's available that people are competing for. Yes, and so if someone is doing it in terms of a...are you saying, is it possible that the fund might be used to leverage something or people would pay something back, is that what you're asking for? [LB96]

SENATOR McCOLLISTER: Yes, that would seem to me. Any idea about the magnitude of the fund, how much money is involved? [LB96]

SENATOR CRAWFORD: Well, so...what I understand has been available each year has been something in the neighborhood of \$2.5 million, is what has been available each year. In that neighborhood is what's been available, about the amount we're talking about. [LB96]

SENATOR McCOLLISTER: (Inaudible). [LB96]

SENATOR CRAWFORD: That all these projects are competing. Some projects I understand are from \$100,000 and others are larger projects competing for that funding. [LB96]

SENATOR McCOLLISTER: Thank you, Senator. [LB96]

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SENATOR LINDSTROM: Thank you. Any other questions for Senator? Senator Schumacher. [LB96]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. It looks like we got about four fountains full of money here a year and a whole list of things that are now eligible. And it seems like just looking down that list it's targeted toward villages, cities and counties to kind of do a little infrastructure building to maybe make an industrial site so they can bring a factory or chicken plant of something in, and so it's spread really, really thin. And by adding in Offutt Base, it's a federal operation, a fountain full of money isn't that much money, that's a big competitor. They're sophisticated people that can go in for that money whereas, if they're competing against a little village or a little city that want's to fix up an airport or extend a sewer pipe out, is there any limit as to how much one project can do, or can one kind of hog the entire 40 percent that's allocated for urban areas? [LB96]

SENATOR CRAWFORD: So what I understand is that there are restrictions in terms of protecting rural versus urban investments, that 60-40 percent breakdown. How that's administered and protected, how that's carried out, I don't know, but in statute it lays out that it's supposed to be protected in terms of assuring that there's that 60-40 division so that you don't have the fund always going to urban projects. And... [LB96]

SENATOR SCHUMACHER: Do you happen to know the definition of urban and rural offhand? [LB96]

SENATOR CRAWFORD: No, not off the top of my head. [LB96]

SENATOR SCHUMACHER: I don't know either. [LB96]

SENATOR CRAWFORD: And to that point, again, I would suspect it might be likely to be used for some of the smaller guard kinds of opportunities because again, it's \$2.5 million in a whole year. And so, a huge project like the levees or runways, or some of those kind of things are going to be much bigger dollar projects than you would ever get funding for from out of this fund likely. So this would probably be more like some interesting, creative opportunity that is a smaller dollar opportunity, but this is really something that fits a spot that allows that to work. Now one other thing that I think Shayna probably mentioned, another need that we saw when we were thinking about this bill, and I would need an amendment to really...to make it work for this use. There is...and it was a use that we hope we never have to use it for. There is a federal program that works with cities if there is a base closure, and that program then requires that 10 percent match if there's going to be something done, to really respond to a closure in your community. And you'll notice that one of the reasons this issue came to our attention is that when

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Senator Gloor passed a bill to shift some money that was for a fund that was for mitigating the economic impact of downsizing private sector entities, that was one of the fact that perhaps we need attention to a possible opportunity for a tool to use should there be a major closure or downsizing. And that's actually, I think a fitting or more fitting use for the fund because that's really trying to help the city respond to how to reuse that land. And again, there is a federal program that requires a match and so it would be something where the dollars would be really leveraging a lot of other dollars. Should they be used out of this fund, it would be an opportunity to really leverage those funds. And again, that would be something that we would hope we wouldn't have to use. We hope we don't hit that situation, but that's one of the amendments that could be discussed in terms of how to think about the effective use of the tool. The bill, as it's written, really focuses more on thinking about it in terms of is there a tool to use if there's some creative partnership that would leverage economic development where you need that opportunity to help pull together public and private dollars. And would this create an opportunity to have a tool that would compete against all these other uses in terms of being able to provide that kind of a tool. [LB96]

SENATOR SCHUMACHER: Thank you. [LB96]

SENATOR LINDSTROM: Thank you. Any other questions? And just for the record, I believe it doesn't come from General Funds, it comes from documentary stamp collections. [LB96]

SENATOR CRAWFORD: Thank you. Yes, thank you. [LB96]

SENATOR LINDSTROM: Just to clarify that. Any final questions for the senator? Seeing none, thank you very much. [LB96]

SENATOR CRAWFORD: Thank you. [LB96]

SENATOR LINDSTROM: And that will end the hearing on LB96. And committee, we will go into a quick Exec Session since we got done early. Happy Valentine's Day. [LB96]