[LB49 LB69 LB129 LB174]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 1, 2017, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB49, LB69, LB129, and LB174. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Tyson Larson; Brett Lindstrom; and Paul Schumacher. Senators absent: None.

SENATOR SMITH: (Recorder malfunction)...and I serve as Chair of the committee. The committee will take up the bills in the order posted on the outside of the room. 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. To best facilitate today's proceedings I ask that you abide by the following procedures. First, please turn off cell phones and other electronic devices so they do not interfere with or interrupt people that are testifying before us today. If you are looking to testify, please move towards the front of the room so you're ready to move into the chair for testifying on that particular bill when the time comes ready. The order of testimony will be introducer of the bill, proponents, opponents, those testifying in a neutral capacity, and then the introducer will close...provide the closing with their remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written testimony or exhibits for the committee and you would like to distribute those please hand them to a page and they would be happy to distribute those. We will need 11 copies for all committee members and staff. If you need assistance in making those copies please let us know, we'd be happy to help you with that. When you begin your testimony please state and spell your name for the record. We will use the light system. We provide five minutes for those testifying on the bill. The light will remain green for four minutes. It will then turn to an amber color for one minute, during which time we would ask you to wrap up your testimony. And then it will turn to red, at which time we would like for you to conclude your remarks. If you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. The microphones...when you are testifying the microphones are for your testimony and it is not for amplifying your voice. So the...now I'd like to introduce legal counsel, Mary Jane Egr Edson, is to my immediate right. To my left is research analyst Kay Bergquist. And to my left at the end of the table is committee clerk, Krissa Delka. And I'm going to let the committee members introduce themselves, beginning with Senator Larson.

SENATOR LARSON: Tyson Larson, District 40.

SENATOR GROENE: Mike Groene, District 42, Lincoln County.

SENATOR LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR BRASCH: Lydia Brasch, District 16.

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

SENATOR SMITH: And Senator Harr is opening on a bill in another committee and he will be joining us later during this committee hearing. Our pages today are Alexi Richmond from Milwaukee, Wisconsin. Alexi is a senior at UNL in political science. And we have Sarah Wearne from Topeka, Kansas, and Sarah is a sophomore. Please remember that senators will come and go during the hearing and they do have bills to introduce in other committees, so we appreciate your patience allowing them to come and go for those other meetings. And with that, we're going to begin our first hearing on LB49 to be introduced by Senator Schumacher, and it is to provide for the treatment of certain amendments to the Internal Revenue Code. And we invite Senator Schumacher to open on LB49. Welcome, Senator Schumacher. [LB49]

SENATOR SCHUMACHER: Thank you, Chairman Smith, members of the committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, and I represent District 22 in the Legislature. Today I am here to introduce LB49. This particular bill has its genesis in the financial predicament that we find ourselves in with our little row boat riding rather low in the water and it won't take much of a wave to splash some water into our comfortable little situation and the fact that in Washington there is probably going to be rather significant policy changes when it comes to taxes, none of which have been clearly spelled out and any one of which could create enough wave to create some difficulties for us. With that in mind, look at the relationship between what we have with the federal tax code. A little history, originally when Nebraska decided an income tax wouldn't be half bad and pull away from the property funding of state government, I think it was what they call a direct couple with the federal government. What basically it did is, you figured up your federal tax and you multiplied it times a percentage and bingo, you got your state tax, which made for a pretty simple tax form, pretty simple procedure. The problem that came up with that is every time the federal government did something to change the tax, it affected us directly and we couldn't budget very well. So there began a kind of a step-by-step process of what's called decoupling. And basically, we use a starting number, generally called adjusted gross income, that you pull off the federal tax return and you start putting it through our own particular unique tax return where we add in and subtract out different things that we think are good ideas to add in or subtract out to come up with the bill that the taxpayer has to send the money in for. And we've done that in several different ways, but we try to still queue in on a particular version of the federal tax code. And that's why every year, I think it is, we pass this bill and we maybe even discussed it already this year that says, all our references in our system refers to the federal tax code as of some magic date that's pretty close. So we try to keep step in step and we try to make our adjustments in those contexts. But what happens if all of a sudden there is a big shift in the federal tax code that takes effect this year and we're not prepared for it? We budgeted for this year presuming it was going to be the tax code we looked at when we passed our bill to team up with the federal and key in on the federal. Needless to say, if Washington does anything, the driving force is going to be something of larger scope and magnitude and they're not going to really think too much of, gee whiz, what's that going to do to Nebraska and is this going to have much effect on Nebraska? So if there's a national move to do things that would affect our bottom line, we probably will not be high on the list of things to say, don't do it because it would affect Nebraska. We generally start out with that AGI, adjusted gross income figure off the federal tax code, and we compute everything from there. The easy thing about that is the IRS can do some of the legwork for us, they work on...in defining a lot of the terms that the accountants use and the numbers that are used that plugs into ours. The downside is that a change there can have effect with...on us. If that happens, then we're in a situation where we may have to call a special session and figure out even more where we're going to get the money from. Our state is, as I understand it, even though we kind of halfway divorce the federal government, we're still pretty much in queue with the federal government when it comes to our tax system. So we are probably more vulnerable than some of the other states. But we have broken on such things as I think like municipal bond interest. Federal government treats it one way, we treat it another. We may find ourselves, if the federal government decides to change the rules on capital gains, stepped-up basis at death, we may or may not want to follow suit on that. So there's going to be any number of things that could affect us. In the past I'm told that there was a thing in 2002 called the Job Creation and Worker Assistance Act, which would have affected us had...because they allowed a temporary special expense for capital assets, would have affected us over a two-year period by about $93 million. And if it had run the entire length, it could have been as high as $400 million. Those are important things. So this particular bill is a fairly simple bill and it gives us some options to put some distance between us and the federal government on any change that might adversely affect us. It basically provides that an amendment to the IRS code that would go into effect this year or the current year of whatever the amendment is and that it affects the adjusted gross income--which is where we start our computations at when we start applying our formulas and numbers--shall not, for our purposes, take effect until the following year. And that basically gives us some time to adjust and to figure out how we're going to handle it. It requires something fairly simple, that within 60 days after such a federal amendment is enacted the Tax Commissioner shall give information to the Legislation, a report that outlines what the changes are and how those can be expected to impact us. And if the impact is less than $5 million, then such report isn't needed. But if it's more than $500, this system kicks in. It gives us time to adjust our system to the federal situation instead of maybe having to face something that would affect us maybe tens of millions of dollars. So it's a simple proposition. It basically gives us the option to analyze the federal change to see its impact on us, if it's very big, and respond accordingly. I'd be happy to take any questions. [LB49]

SENATOR SMITH: Thank you, Senator Schumacher. You said $500, you meant $5 million? [LB49]

SENATOR SCHUMACHER: I meant $5 million. [LB49]

SENATOR SMITH: Okay. Senator Brasch. [LB49]

SENATOR BRASCH: Thank you, Chairman Smith. And thank you, Senator Schumacher. I'm curious. How has this been monitored or addressed prior to this legislation or has...how often does this happen? And in the past, what is...is it a procedure within the Revenue Department or...? [LB49]

SENATOR SCHUMACHER: Let's see. Looks like the thing in 2002 of the Job Creation and Worker Assistance Act contained a provision which would have affected us. The Legislature responded back then by some decoupling legislation that said, this...we're not going to go along with the federal law in this...for this adjustment to your income. That was one time for sure. In 2009, another example was the stimulus act, I think they called the Recovery and Reinvestment Act, that would have reduced our income by about $110 million. Fortunately, those changes were offset by the money that we got from the federal government, which more than offset the $110 million figure. And so we have not been in a situation, at least probably since I've been out of...at least 1986 where there was big talk of big changes in taxes. And what we're hearing now is big talk of big changes in taxes, so this is kind of planning ahead. [LB49]

SENATOR BRASCH: Very good. I have no other questions. [LB49]

SENATOR SMITH: All right. So, Senator Schumacher, so if this...it exceeds...the likely difference is more than $5 million, so it triggers the requirement of this report. What then? [LB49]

SENATOR SCHUMACHER: Well, basically, what it also does is that change that would take effect in this year, because the federal law would take effect in this year--let's just pretend they do something before the end of the year that affects this year--we automatically would be going along with it. And so if they reduce taxes or do something that reduces taxes our reduction would take place before, well, it most likely would probably happen after we adjourn by the time they worked it through process there. So we'd be locked into that change unless we called a special session to adjust to that change. And what this does is, says, okay, that's fine, but for us it won't take effect until the next year, which gives us the normal course of business to deal with the issue. And once there is change then or if there is a change it's for the Tax Commissioner what guesstimate whether or not it comes up to more than $5 million and, if so, alert us to it. [LB49]

SENATOR SMITH: And then of all the folks that are notified of this, who has the lead on this? [LB49]

SENATOR SCHUMACHER: I think, basically, this gives us time to convene in the normal course of business. I suppose if it was dramatic enough and we needed a lot of lead time to rework a lot of stuff, the Governor could call a special session, we'd maybe be able to call ourselves in. But part of this is to avoid that situation by delaying our implementation until the next year so we have a chance to think about it and to respond. [LB49]

SENATOR SMITH: All right. Any further questions for Senator Schumacher? I see none. Thank you, Senator Schumacher. [LB49]

SENATOR SCHUMACHER: Thank you. [LB49]

SENATOR SMITH: Those wishing to testify in support of LB49? Welcome. [LB49]

RENEE FRY: (Exhibit 1) Thank you. Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute and I'm here to testify in support of LB49. Of the 41 states plus D.C. that levy a broad-based income tax, all but one conform state income to a federal definition of income, such as adjusted gross income or taxable income. Nebraska adopts federal adjusted gross income as a starting point to calculate state income tax liability. Federal adjusted gross income is calculated on the federal return by adding up gross income net of exclusions, such as payroll deductions for employer provided healthcare and by subtracting adjustments such as student loan interest and college tuition. The net result is adjusted gross income, which is carried over and used as a starting point on the Nebraska income tax return. Congress can and often does change income exclusions and adjustments that affect Nebraska's tax base. And when they make these changes their motives to change the income tax base may be different from the Legislature's own policy objectives. For example, Congress may decide to incentivize a certain activity through the federal income tax code that has no bearing on Nebraska's economy or priorities. This is exactly what happened in the early 2000s. Congress passed several tax changes between 2001 and 2003, such as the 2002 Job Creation and Worker Assistance Act that Senator Schumacher mentioned, which contained a provision allowing for temporary special expensing of capital assets, thereby reducing the calculation of federal adjusted gross income. Nebraska lawmakers responded in 2002 and 2003 by passing legislation to offset most of these changes to reduce the fiscal impact to the state. Had the state not enacted these measures, the federal changes would have resulted in Nebraska losing about $416 million in revenue between FY '02 and FY '07, but even with some adjustments the federal tax changes still resulted in an estimated loss of $84 million in state revenue over that same period. In 2009, the American Recovery and Reinvestment Act contained federal tax changes that reduced income tax revenue by an estimated $110 million between FY '09 and FY '11, while the state received $555 million in ARRA funds, the General Fund balance was only improved by about $445 million due to ARRA related federal tax changes which reduced state income tax revenue. No decoupling legislation was enacted in response to those changes. Some speculate that the federal tax code may see more changes this year than any since 1986. President Trump has proposed full expensing of domestic capital assets, while revoking the ability to deduct interest expense, which was also reflected in the June 2016 House of Representatives tax reform plan. A number of federal income tax expenditures are also under consideration for repeal. As a candidate, President Trump proposed a number of deductions associated with childcare expenses that would be deducted from gross income and the calculation of adjusted gross income, which phases out at high income levels, as well as dependent care savings accounts, whose contributions would be deductible and limited to $2,000. As Senator Schumacher mentioned, a Pew analysis of state conformity to the federal tax code points at Nebraska as among the most tightly conformed states to the federal income tax code, which means the state's income tax collections are especially sensitive to any Congressional effort to change the calculation of federal AGI. Because legislative sessions don't always coincide with the enactment of federal tax changes and because calling a special session to decouple from the federal tax provision before it takes effect may be difficult to arrange, this measure would prevent federal tax changes from reducing large amounts of revenue at the state level. A recent report by the Rockefeller Institute cites heightened revenue uncertainty among the states amid talk of federal tax changes that may affect state revenues. This legislation provides a source of revenue stability. If Congress enacts changes that affect the calculation of federal AGI when the Legislature is not in session, you would not otherwise have the opportunity to consider the federal tax changes and possibly respond with decoupling legislation to reduce revenue loss unless a special session is called. Enacting this legislation would prevent the Legislature from scrambling to enact emergency decoupling legislation in response to a federal tax change, possibly in a special session. Given the $1.2 billion budget shortfall our state is already facing, adopting LB49 seems to be a fiscally prudent course of action and we ask for your support of LB49. With that, thank you for your time and I'd be happy to answer any questions. [LB49]

SENATOR SMITH: Thank you, Ms. Fry. Do we have questions for Ms. Fry? I do have a question. So help me understand, so do you consider this to be a legitimate process for the state to reconcile any changes at the federal level with what's going on at the state level beyond what we already have the ability to do, because I'm looking at...isn't it currently the job of the Tax

Commissioner, of the Governor, and the Legislative Fiscal Analyst to understand the impact changes at the federal level and what impacts they have on the state level? I mean, is this really a legitimate, necessary process or is this basically just the expression of a concern with proposed tax changes that are going on at the federal level? [LB49]

RENEE FRY: Well, I think...so what's happened in the past, we've had situations where federal tax changes have resulted in state revenue loss. And because of the timing of which those could happen, you could end up having additional revenue shortfall if it were to happen out of session, unless you called a special session. So this would give the Legislature the authority to just say, okay, if federal tax changes are going to cost the state more than $5 million we're going to decouple from that provision, give the Legislature time until the Legislature reconvenes and then can take up the measure and make a determination at that point. So it is in the Legislature's purview to move forward with this legislation or not, but it's sort of a safety valve. I know Maryland has taken the same approach. I think because of the enormity of the tax changes that may take place at the federal level and the fact that they might not align necessarily with Nebraska's priorities, I think it's a prudent step to take. And then, absolutely, the Legislature would have the opportunity to come back in January and determine whether further adjustments need to be made. But it would prevent the requirement or the necessitation of a special session if something really of some magnitude greater than $5 million came down during a special session or, quite frankly, later in session when there is maybe not an opportunity when all priority bills have been dealt with, if something came down even later this session and there was some sort of emergency response, at least you have a vehicle to deal with it. [LB49]

SENATOR SMITH: Senator Larson has a question. [LB49]

RENEE FRY: Sure. [LB49]

SENATOR LARSON: Thank you. I understand the concept and the worry in terms of decoupling if it has a greater effect than $5 million, but my understanding is that this is an automatic trigger. And it is...you're describing it as a safety valve if it is going to cost the state more than $5 million, but...in saying this is a reason why we don't need a special session. But what if...what are the ramifications, whether it be that we might not want to decouple? You know, the Legislature, meaning we automatically...if we enact this, we automatically decouple. Then do we have to come back and pass a bill that brings it back in and then...I think...I understand...and what are those ramifications of decoupling and then trying to come back in? Is it automatically back in when the Legislature gets to come back or do we have to introduce a bill to put us back in line with those things? It just...you're saying it's a safety valve, but we might not want to decouple or the ramifications of decoupling could be worse if we do. I guess, what are your...have you thought that out? [LB49]

RENEE FRY: I mean, I don't...I mean, you would have the opportunity absolutely in January to come back and take that up. [LB49]

SENATOR LARSON: In January. [LB49]

RENEE FRY: Yeah, but by that time you might have pretty significant revenue loss before that point. And so, I mean, I think that the policies are out there, the risk is out there. And so I don't know. I think it's a good question from the Department of Revenue in terms of what would need to take place in January and I could certainly follow up and see if we could have (inaudible). [LB49]

SENATOR LARSON: Yeah, I get the concept of not wanting to have the revenue loss. I guess my main concern is, is decoupling is a policy decision. I understand the safety valves in place or trying to put a safety valve in place, but in the end we are making a blanket policy decision based on just possible fiscal impacts instead of actually a legislative body making the legislative decision to decouple from...we might not want to decouple from and then what are the ramifications of having to come back later? There might not...and the Legislatures change, obviously, from one election to another if it happens in...depending what year, the body might change. And having to reintroduce and recouple it might be significantly different. I guess that's just...it causes concern for me. [LB49]

RENEE FRY: So I guess my response to that would be I guess it depends on what the greater risk is to the Legislature. And it doesn't fully decouple, it would just decouple from any provision that would cost more than $5 million... [LB49]

SENATOR LARSON: I understand. [LB49]

RENEE FRY: ...and you could set that threshold at whatever point you wanted to. [LB49]

SENATOR LARSON: I understand. [LB49]

RENEE FRY: And so I guess the risk is, is it a bigger risk to have a significant increase to the budget shortfall? This at least wouldn't necessitate a special session to have to deal with it. You could come back in January, but you could also call a special session if the Legislature felt it was really important if you felt like that particular provision was one that you wanted to maintain. [LB49]

SENATOR LARSON: I understand. Thank you. [LB49]

SENATOR SMITH: Senator Friesen. [LB49]

SENATOR FRIESEN: Thank you, Chairman Smith. So I get the part about the shortfall, but what if in our wildest dreams they eliminate some deductions on the federal level and suddenly we're in line for a windfall by following federal tax credits? Does this work the same direction? [LB49]

RENEE FRY: It does not. [LB49]

SENATOR FRIESEN: So then we just accept the windfall or we can... [LB49]

RENEE FRY: You could amend. [LB49]

SENATOR FRIESEN: ...pass legislation then to meet it. So I don't see that it could probably ever happen, but in our...eventually, we're going to have to address our deficit at a national level and they're going to have to start maybe raising taxes or reducing exemptions that are out there and so it could have an impact where it benefits us, too, and then we'll just accept the extra tax that are going to come in. And I would suggest maybe we should have it work both ways. If it has an impact of greater than $5 million, we... [LB49]

RENEE FRY: I think that's a discussion for you and Senator Schumacher. It does work one way now. [LB49]

SENATOR FRIESEN: Okay. [LB49]

RENEE FRY: I would say that...and there are some changes that would...from my understanding, there are some changes that would result in net revenue, although my understanding of the way that it works is that some of those particularly...with the childcare expenses and that sort of thing. So you may have some short-term revenue gain and some longer-term revenue loss. And so that's just something to be mindful of, too. [LB49]

SENATOR FRIESEN: Okay. Thank you. [LB49]

SENATOR SMITH: Further questions for Ms. Fry? I see none. Thank you. [LB49]

RENEE FRY: Thank you. [LB49]

SENATOR SMITH: Next proponent of LB49. Seeing none, we take on opponents now, those wishing to testify in opposition to LB49. Seeing none, those wishing to testify in a neutral capacity. Seeing none, Senator Schumacher, you're welcome to close. [LB49]

SENATOR SCHUMACHER: Thank you, Senator Smith and members of the committee. Note, I had somebody testify as a proponent for one of my bills. I think there's a simple way to put this bill...maybe I should have put it this way to begin with and it probably will hopefully answer some of Senator Larson's concerns. What this does is delay the effective date of the federal law until the next year. So basically, if nobody does anything we just say, oh, that was nice, then we jump in the same boat the next year automatically. But by delaying the effective date it doesn't impact us in this year, it would start impacting us next year. And if it is really terrible, what it does to us in this year, we have time to fix things and adjust next year. If we get this report and we do nothing, the current year we play by the rules that we expected to play by. Next year we're back in the federal boat. [LB49]

SENATOR SMITH: Senator Brasch. [LB49]

SENATOR BRASCH: Thank you. And, yes, I did take note that you had a proponent today. [LB49]

SENATOR SCHUMACHER: Proud of that. [LB49]

SENATOR BRASCH: Has this been run past the Revenue Department, the Tax Commissioner, anyone that you're listing on this list for their vetting or their thoughts? [LB49]

SENATOR SCHUMACHER: No. [LB49]

SENATOR BRASCH: I have no other questions. Thank you. [LB49]

SENATOR SMITH: Senator Friesen. [LB49]

SENATOR FRIESEN: Thank you, Chairman Smith. So, Senator Schumacher, are you concerned that if all of a sudden we have a windfall that we don't need to address that a year later, too, and be careful how we collect revenue? [LB49]

SENATOR SCHUMACHER: Right. I mean, this is just a time out for the effective date. [LB49]

SENATOR FRIESEN: But if... [LB49]

SENATOR SCHUMACHER: If there is a windfall, there's a good chance that the windfall side of it would...by if they eliminate some deductions or something like that, would be computed after you compute AGI. And this just looks at anything that would affect AGI is where we start with. If federal AGI remains the same and the windfall comes in something after that on the tax form, what they call I think below the line, then we'd still get the benefit of that. [LB49]

SENATOR FRIESEN: Okay. Thank you. [LB49]

SENATOR SMITH: Other questions for Senator Schumacher? I see none. Thank you, Senator Schumacher. [LB49]

SENATOR SCHUMACHER: Thank you. [LB49]

SENATOR SMITH: That closes the hearing on LB49. We are now going to take up two bills together today, similar to what we did last week. And Senator Pansing Brooks assumes she's going to be the first person to testify, which you are correct. But we're going to take up LB69 and LB129; both are dealing with earned income tax credits. And so the way we're going to do this is we're going to have an opening from Senator Pansing Brooks and an opening from Senator Morfeld. Then we will go through the proponents, opponents, neutral, and then we will close in the same order. So welcome, Senator Pansing Brooks. [LB49]

SENATOR PANSING BROOKS: (Exhibits 1, 2, and 3) Thank you. I do follow the instructions directed by your staff, so you're very able. Thank you, Chairman Smith and members of the Revenue Committee. For the record, I'm Patty Pansing Brooks, P-a-t-t-y P-a-n-s-i-n-g B-r-o-o-k-s, representing District 28, right here in the heart of Lincoln. I'm here to introduce LB69 today to help break the cycle of intergenerational poverty, encourage work, and create greater spending power for the working poor in our communities. LB69 is an ambitious proposal. It increases the refundable earned income tax credit from 10 percent to 13 percent in 2019; from 13 percent to 17 percent in 2020; and then from 17 percent to 20 percent in 2021 and thereafter. I put this on the table for your consideration knowing there are several tax cut plans before the Revenue Committee. I think it's important to know that our state's current $900 million revenue shortfall makes it very difficult to provide tax cuts, and I realize that, while protecting important state priorities like education and public safety. However, if this committee believes we can afford a robust tax cut planned this year, then why not look at one designed for the working families who need it most? Why not look at one that uses the most effective anti-poverty program in the country? Why not look at one that would guarantee added spending in our local communities? Why not look at one that would undoubtedly create positive residual benefits for our state's revenue base? That is what LB69 does and that's why I bring it before you today. In December, the Legislature special Intergenerational Poverty Task Force released its report which highlighted some startling statistics. In 2015, 18.1 percent of families with children under five years of age were in poverty. Single mothers had a poverty rate of 38 percent compared with a 5.8 percent rate for married couples. The report highlights a study from the National Center for Children in Poverty that shows "42 percent of children born to parents in the bottom 20 percent of the economic distribution remain at the bottom as adults. That's nearly half. At the other end of the income distribution, 39 percent of children born to parents at the top, stay at the top." As a result of these findings, the Intergenerational Poverty Task Force recommended a two-generation approach to poverty that improves child well-being while increasing family economic security. The two-generation approach can be tackled in numerous ways. According to the Center on Budget and Policy Priorities, Nebraska federal and state safety net programs lift 230,000 Nebraskans above the poverty line each year, and kids make up 57,000 of those people. Social Security, SNAP, federal rental assistance, and the earned income are the four largest contributors to helping people get up and out of poverty. According to the Intergenerational (Poverty) Task Force report released this December, the federal government allocated $61 billion "to increase the incomes of 27 million low-income taxpayers and lifted 6.2 million out of poverty." A study from the Aspen Institute found that children in low income families that received an additional $3,000 a year earned 17 percent more as adults than children in families that did not receive this added income support. So clearly these investments work. As a result, the Intergenerational Poverty Task Force recommended an increase in the earned income tax credit. And that's what I'm placing before you today. The EITC, earned income tax credit, helps poor working families who are struggling to get by. In Lincoln, the Center for People in Need produces an annual Face of Poverty report that offers important demographics about the working poor. In the last Face of Poverty survey, 63 percent of respondents indicated that they had a job at the time of the survey. The survey also shows that 69 percent of the respondents earned less than $1,250 a month for a family of four. For a family of four, $1,250 does not go very far. These are people living pay check to pay check. They're trying to stay afloat and provide for their families. When we put money into the hands of these wage earners, they spend it in our local economy. LB69 is designed for these poor working families. It phases in an increase in the EITC. This is a refundable credit meaning that in order to receive it, the taxpaying family must file a federal return establishing eligibility and then claim it, even if no taxes owed because of a taxpayer's low income. We're rewarding working families. If a tax is owed and the credit applies, the credit reduces the taxes owed. If the credit exceeds the taxes owed, the remainder is a refundable payment to the taxpayer. Phasing in an increase to 20 percent allows Nebraska to catch up with neighboring states. Iowa offers a credit of 15 percent. Bright red Kansas offers 17 percent. Minnesota's rate is 25 percent. Other states like Virginia have a 20 percent rate. Some others go as high as 40 percent. So 20 percent for Nebraska would be keeping in with national norms. According to the Center on Budget and Policy Priorities, 140,000 received EITC in 2014; and 43,000 Nebraska were lifted up and out of poverty, including 22,000 children. Each year on average, during 2011 to 2013, the federal EITC put $319 million into the pockets of Nebraska families; 319 families...$319 million who claimed it in 2014. I have provided this data sheet for your information. According to the Nebraska Department of Revenue, 132,598 families claimed the $30,955,482 in state EITC in 2015. I've also provided estimates from Open Sky Policy Institute showing how much your districts are receiving in the EITC dollars. Also included are projected increases under my bill, and also Senator Morfeld's LB129. In my district, a family with two unmarried parents and two dependent children having $35,050 in earned income would receive $318 in additional credit with a state cost of $35.7 million. That's a hefty number. But under LB337 this same family would receive zero in tax cuts and the cost to the state would be $212 million according to data from Open Sky Policy Institute. So as you weigh affordability of tax cuts, I ask you to weigh how we get the biggest bang for our buck. In closing, I'm also providing a letter from the Community Action Partnership in support of my bill. I would like once again to point out that increases in the EITC provide a mechanism to battle poverty while rewarding hard work and families with children and providing dollars directly back into our economy. I urge your favorable consideration of LB69. And with that I will be glad to answer at least some of the questions that you have and the others will happily be answered by those behind me...maybe not happily. Thank you. [LB69 LB129]

SENATOR SMITH: Thank you, Senator Pansing Brooks. Do we have questions? Senator Friesen. [LB69 LB129]

SENATOR FRIESEN: Thank you, Chairman Smith. Thank you, Senator Pansing Brooks, for bringing a bill like this, it's great. There's been a lot of discussion in different groups that I've been working with on property tax relief and one of them is broadening the sales tax base. And when we looked at numbers of broadening that base, we look at the sales tax on food. And it's a pretty touchy subject, but when you looked at the dollars raised, they projected around $140 million. And so if there would be a proposal to put a sales tax on food and we take $40 million of that and immediately put it in the earned income tax credit, you do think that would more than make up the differences of what they might pay currently in tax and you could have, being in a budget short year, or maybe for this year and next year, is that a viable option? [LB69 LB129]

SENATOR PANSING BROOKS: Well, you start talking about " a wash," because I think that my bill talks about $35 million and you're talk about $40 million. Of course, a sales tax is considered a regressive tax. It taxes the people who are in poverty at a much higher rate. So we're going to tax them at a higher rate and then sort of give them a little nod back to give that money back. That doesn't, necessarily, help with what I am trying to do. I mean, with $35,000 we can lift people out of poverty. If you're already taxing them that amount, then giving them back $40,000 then it's a wash. [LB69 LB129]

SENATOR FRIESEN: When I look at the dollars that are out there, and you take anybody that goes to eat out now already and if you're going to fast food places, whatever, you're paying sales tax and you're not getting it back. And so I'm just asking if...if you...if anybody ever sat down and figured out what your cost in those taxes would be versus what you would get returned. I mean, whether it's $40 million or $50 million, what would it take to more than offset what they could possibly be paying in because now maybe half their budget already goes to be paying sales tax on prepared foods. I don't know that. I was just curious if anyone had looked at that number, because, obviously, everybody buys food and yet the earned income tax credit is going to be targeted to that bottom layer. What number would justify doing that? [LB69 LB129]

SENATOR PANSING BROOKS: I think people behind me can speak to that, but I can think of few things more devastating to people in poverty than taxing food. [LB69 LB129]

SENATOR FRIESEN: Okay. [LB69 LB129]

SENATOR PANSING BROOKS: So I think there could be nothing more harmful. And what happens is it's the great equalizer. So people that are really wealthy eat about the same amount people that are poor, maybe a little bit different; people that are wealthy go out to fancier restaurants, but still if you start taxing that and trying to make the adjustment, you're making that tax adjustment on the backs of those who are already hurting and in poverty. So I'm just saying that that is a really dangerous thing, at least for the people who I'm trying to... [LB69 LB129]

SENATOR FRIESEN: Okay. So you're not willing to look at that at all. That's fine. That's what I heard. [LB69 LB129]

SENATOR PANSING BROOKS: I didn't say I wasn't willing to look at anything. All I said was it seems to me that it could be highly damaging, but other people could talk about it. Thank you, Senator Friesen. [LB69 LB129]

SENATOR FRIESEN: Thank you. [LB69 LB129]

SENATOR SMITH: And I don't want to put words in Senator Friesen's mouth, but I think maybe where he's going is that the individuals and families that you're seeking to help with this particular legislation may be receiving SNAP benefits. And if that's the case, they're not paying tax...they wouldn't be paying taxes on food. They would be getting pure benefit from this offset of the earned income tax credit without that tax on their foods as you were talking about. Is that... [LB69 LB129]

SENATOR PANSING BROOKS: I think some...some...again, people behind me can speak to SNAP easier than I and have much more information. But I do know, of course, the poorest of the poor are getting food stamps, there's no question. But as we saw from our current election, those in the lowest income and the middle income people are the ones that are crying out for the most help. And to increase those taxes on those who can least afford it is a really difficult situation. [LB69 LB129]

SENATOR SMITH: And Senator Pansing Brooks, you and I have had a little bit of a conversation around this and I actually am a proponent of use of the EITC to help that group of individuals and families that do not benefit from normal improvement in wages in our society. And it is a good alternative...helpful alternative to mandatory increases in minimum wages. So, but the whole problem is having a refundable tax credit, sometimes it may come too late to really be a benefit and help. Have you seen other models considered to where you can get the money to the individuals in a more timely manner, when they're needing that money, rather than it being in the form of refundable tax credit? [LB69 LB129]

SENATOR PANSING BROOKS: I'm not sure what you're speaking about, but I'd be interested in looking at that. [LB69 LB129]

SENATOR SMITH: Okay. All right. There are some attempts out there to try and improve the timeliness of the delivery of this type of money into the hands of the individuals when they need it, rather than being at the end of the year in a form of a refundable tax credit. [LB69 LB129]

SENATOR PANSING BROOKS: Okay, thank you. [LB69 LB129]

SENATOR SMITH: Which is hard...it's hard to budget for that. Senator Schumacher. [LB69 LB129]

SENATOR SCHUMACHER: Thank you, Chairman Smith; and thank you, Senator Pansing Brooks, for your testimony today and for introducing this bill. One of the repeating themes that seems to be emerging on the floor is tax credit, a way of financing something, versus putting it through the normal appropriations process. And Senator Smith just pointed out that the tax credit comes after the fact. But we lose control in the budget of tax credits once they're implemented there's no established, at least as of yet, review policy and they can get out of hand. So, particularly, I mean, if we would pretend in your bills, I understand it, that if the federal government raises the amount of credit it gives, it goes down the road that that's the way it wants to address this issue. If we're doing 20 percent of the federal credit, ours automatically bounces up, too. So why not just appropriate money to some type of a food program where they can apply and get the money then put it in the form of a tax credit where they've got to file a return a year after they've had the expenditure to claim their check? [LB69 LB129]

SENATOR PANSING BROOKS: Thank you for that question, Senator Schumacher. I will defer to people coming behind me regarding whether or not...I understand that we have concerns about the credits and all things that are going on. Clearly, people who are in the highest need are the most deserving. And so we've got to work to help people who are having the most difficulties. So, again, please ask that question to the people coming behind me. [LB69 LB129]

SENATOR SCHUMACHER: Thank you, Senator. [LB69 LB129]

SENATOR PANSING BROOKS: Thank you. Sorry. [LB69 LB129]

SENATOR SMITH: Senator Brasch. [LB69 LB129]

SENATOR BRASCH: Thank you, Chairman Smith; and thank you for bringing this forward, Senator Pansing Brooks. When the question was asked of you about taxing food, what came to my mind, in my district at least, is the food banks are asking for more food, the pantries are getting more drained. So I'm just thinking that putting a tax on food, may be more regressive than what the need and call for food is this point and what you're looking at is putting more dollars back into their household budget. Is that right? [LB69 LB129]

SENATOR PANSING BROOKS: And hopefully to spend into our economy, yes. [LB69 LB129]

SENATOR BRASCH: Yes. Okay. I just wanted to clarify, because when food tax was thrown into the mix, I was wondering if we were adding that as part of your bill. [LB69 LB129]

SENATOR PANSING BROOKS: No, I think that would be really a difficult thing for what I'm advocating. [LB69 LB129]

SENATOR BRASCH: For what you're going for, okay. I wanted to be clear on that. Thank you. [LB69 LB129]

SENATOR PANSING BROOKS: Thank you. Thank you all for your questions. [LB69 LB129]

SENATOR SMITH: Thank you, Senator Pansing Brooks. Are you going to remain for closing? [LB69 LB129]

SENATOR PANSING BROOKS: Maybe, depends on how long we go, but we've got great people. Thank you. [LB69 LB129]

SENATOR SMITH: All right. Thank you; thank you, Senator Pansing Brooks. We now invite Senator Adam Morfeld to open on LB129. Welcome. [LB69 LB129]

SENATOR MORFELD: Thank you, Senator Smith. Members of the Revenue Committee, my name is Adam Morfeld, for the record, that's A-d-a-m M-o-r-f-e-l-d, representing the "Fighting 46" Legislative District, here today to introduce LB129, a bill to raise the earned income tax credit by 2 percent from the current 10 percent of the federal credit to 12 percent. And I am not the person that Senator Pansing Brooks was referencing as being behind her to answer all the questions, so just for the record. (Laughter) The earned income tax credit is one of the most effective anti-poverty tools out there. Twenty-six states and the District of Columbia have an EITC which builds on the benefits of the federal EITC offering a hand up to working families, most of whom who have children, by reducing their tax bill and providing a refund for those in the lowest income ranges. Many low-waged jobs fail to provide sufficient income on which to live. Refundable earned income tax credits provide low-income workers with a needed income boost that can help them meet the basic needs and pay for the things that allow them to work, like transportation and child care. EITC also encourages the lowest income workers to work more hours thus helping them stay employed and meeting their family's needs. Three out of five who receive the credit use it temporarily for one or two years until they get on their feet. Nebraska's earned income tax credit as a portion of the federal earned income tax credit was enacted in 2006 and set at 10 percent and hasn't changed since. I introduce LB129 to raise our rate to 12 percent as a starting point to catch up with our surrounding states. For instance, in Iowa it's 15 percent; Colorado is at the same rate as us at 10 percent; and Kansas 17 percent. For example, in my legislative district, the average income is $34,402, the second lowest average income in the state. A single parent with one child making an adjusted income of $34,000 a year receives $840 from the earned income tax credit from the federal government, and at the current 10 percent rate of Nebraska, an additional $84 from the state. LB129 would increase the state match to 11 percent beginning in 2008 which would then provide $92.40 at that level; and 12 percent in 2019 which would then be $100.80 for a total increase of $16.80 a year when this bill would be fully implemented. In 2015, according to the IRS, 136,000 Nebraskans claimed federal EITC with an average amount of $2,271; increasing the EITC by 2 percent, will average approximately $45 per eligible taxpayer. I urge your strong consideration of LB129 to increase the earned income tax credit and to help low income working families. I'd be happy to answer any questions that you may have. Thank you. [LB69 LB129]

SENATOR SMITH: Thank you, Senator Morfeld. Do we have questions for Senator Morfeld? I'm going to invite you to maybe answer the questions along the lines that Senator Friesen and I had previously and that is, considering that there's about $150 million in sales tax exemptions on food, why would it not be a good idea to help the poorest among us that could be exempt from having to pay those if we were to remove that exemption on food. They would be exempt still from paying on that, and yet we could put that money back into earned income tax credit for those families. [LB69 LB129]

SENATOR MORFELD: Well, Senator Smith, I've had this conversation, I think...I think I have anyway with Senator Friesen and a few other people before. I'm not necessarily opposed to that. I'd like to see what the exemption range would be. I'm increasingly finding that it's not just low-income families now that are struggling, it's oftentimes middle income families that are struggling. For instance, tuition costs going up; it's tough to get kids into higher education and be able to afford that in a way that they don't walk away with, essentially, a mortgage in terms of student loan payments. So that's just one example. And so, I would be interested in that. Generally, I am opposed to taxing food for the reasons that Senator Pansing Brooks had already provided. But I'm willing to listen to different proposals. My concern, again though, is that I would have to see the income range that that exemption would cover. And I'm particularly concerned about middle income earners having an increasingly tough time at affording some of the basic things that we expect to be able to do as members of our society. [LB69 LB129]

SENATOR SMITH: Individuals over $29,000 a year and married families over $59,000 a year? [LB69 LB129]

SENATOR MORFELD: I would be concerned even with those income ranges. Yes. [LB69 LB129]

SENATOR SMITH: Okay. All right. Do we have other questions for Senator Morfeld? Okay, very good. Thank you for your testimony. [LB69 LB129]

SENATOR MORFELD: I'm going to have Senator Pansing Brooks go before me again next time. (Laughter) [LB69 LB129]

SENATOR SMITH: She covered a lot of the information. [LB69 LB129]

SENATOR MORFELD: Thank you very much. [LB69 LB129]

SENATOR SMITH: Thank you. We will now open it to proponents wishing to testify on either LB69 or LB129. Proponents. If there's anyone else that's wanting to testify, please move forward to the front of the room so we can have you up as quickly as possible. Welcome. [LB69 LB129]

DAVID PIESTER: (Exhibit 4) Thank you. Senator Smith and members of the committee, my name is David Piester, P-i-e-s-t-e-r, and I live in Lincoln. I appear here today as an individual and also as a volunteer for the Center for People in Need, a nonprofit organization in Lincoln that serves low-income and poor people, mostly in Lancaster County. The "faces of poverty" report was mentioned earlier, so I'm now distributing that to you for your pleasure in reading. The center offers food, clothing, educational courses, ESL classes for refugees, computer skills training, job skills training, and direct services to assist people in their day-to-day struggles to self efficiency. Each year the center is visited over 20,000 times by clients for services of one kind or another. To be eligible for services from the center, a client must be living on less than 150 percent of the federal poverty guidelines. A majority of the center's clients are themselves employed; and a majority of those employed are employed at one full-time job; over a third are employed at one half-time job. Even with employment considered, however, a majority of the center's clients live on household incomes of less than $1,250 a month. Many of them have to choose between paying bills and buying food. Many have child care expenses which barely make it economically advantageous to work at all. To say that these people are living from hand to mouth would be an understatement. Even when employed, the wages they earn don't allow them to save any money. All of their earnings are spent and usually well before the next pay check. They are consumers. LB69 would give back to these workers some of the money they pay in income taxes by increasing Nebraska's earned income tax credit over steps to eventually 20 percent for year 2021 and beyond. The Center for People in Need urges you to support this bill, both of these bills. First, the money credited or refunded to these taxpayers will help them work their way out of poverty. Those eligible for this credit are the working poor. They are sometimes working at more than one job to make ends meet. They are struggling. Allowing them to keep more of their earnings would go a long way in keeping them afloat financially, potentially raising their standard of living, and forestalling bankruptcies. Second, increasing the EITC gives these taxpayers incentives to work more hours, work toward higher paying jobs, and more. When working low-paying jobs, the wage earners living expenses quickly gobble up those wages increasing the amount these people will keep will encourage them to continue to work. Nationally, the statistics show that 60 percent of the people who have an earned income tax credit are back in the full economy within two years after using it. Third, increasing the earned income tax credit would help balance the tax burden among groups. Poor and low income people pay a higher share of their income in taxes than do people with high incomes. Lessening this discrepancy would help balance the playing field for those at the lower end of the income scale. Fourth, increasing the EITC would inject money into the state's economy. As I said earlier, these are people who spend money; they are consumers. Everything they earn is typically spent on monthly expenses before the next paycheck arrives. While it is true that the state would lose some revenue by refunding a larger amount of this credit, it is also true that that money would be spent and multiplied as all other spending is when injected back into the economy, raising other incomes and accompanying income tax receipts and stimulating the creation of jobs. Fifth, raising Nebraska's EITC in steps to 20 percent is modest. There are 26 states and the District of Columbia who have some form of local credit of a percentage of a federal credit. These range from 3 to 50 percent; and increasing Nebraska's percentage to 20 percent would place Nebraska somewhere in the middle of these states. The administrative costs to the Nebraska credit would be minimal as the mechanisms for putting it in place are already in place. Simply put, raising the earned income tax credit is the right thing to do. It has been recognized nationally as one of the most important and effective anti-poverty programs ever implemented ever. President Reagan in 1986 said it was a sweeping victory for fairness and perhaps the biggest anti-poverty program in our history. Increasing this credit will assist those fighting to work their way out of poverty, encourage low income people to work, and stimulate the economy. So the Center for People in Need urges you to support these bills. [LB69 LB129]

SENATOR SMITH: Thank you, Mr. Piester. [LB69 LB129]

DAVID PIESTER: Are there questions? [LB69 LB129]

SENATOR SMITH: Thank you, Mr. Piester. Do we have questions? Let me ask you a little bit about...you know, just the timeliness of the delivery of this funding to those in need as a refundable tax credit. Is that problematic? Is there...and have you seen any other mechanisms of getting that into individuals' hands earlier in the...where the need is greater? [LB69 LB129]

DAVID PIESTER: More urgent? [LB69 LB129]

SENATOR SMITH: Yeah. [LB69 LB129]

DAVID PIESTER: I have not. And I think earned income tax credit federally can't be computed until the end of the year. And in order to have the state piggyback on that or use that as a percentage, it has to be at the end of the tax year. I don't understand how...well, it would take a whole different structure, I think, in order to do on any other basis. I'm not familiar of how that might work. [LB69 LB129]

SENATOR SMITH: Okay. And just the...it being a refundable credit, that is really difficult and the timing of that with when the need is, isn't it? [LB69 LB129]

DAVID PIESTER: Yes and no. If the credit comes back...if there's a refund in May, let's say, they have to spend it, because if they don't spend it, they will lose eligibility for other benefits that they might be receiving because it could be counted as an asset. So they have to spend it. And mostly they'll spend it on paying bills. [LB69 LB129]

SENATOR SMITH: Okay. All right. Thank you for your testimony. Do we have other questions for Mr. Piester? I see none. Thank you. [LB69 LB129]

DAVID PIESTER: Okay. Thank you. [LB69 LB129]

SENATOR SMITH: Next proponent of either LB69 or LB129. Welcome. [LB69 LB129]

KAITLIN REECE: (Exhibit 5) Thank you. Good afternoon, Chairman Smith, and members of the Revenue Committee. My name is Kaitlin Reece, K-a-i-t-l-i-n R-e-e-c-e, and I'm the policy coordinator for economic stability and health at Voices for Children in Nebraska. We all benefit when families are empowered to leave a life of poverty behind. One of the most effective anti-poverty tools Nebraska has in its tool belt is the state earned income tax credit or EITC. The EITC incentivizes work and helps make the budgets of many low-income working families whole, enabling them to spend their tax refund on expenses such as rent, childcare, car repairs, and groceries. Perhaps even more importantly, the EITC keeps families out of poverty. Between 2009 and 2011, Nebraska's EITC kept nearly 20,000 children out of poverty. One of the reasons that it is so effective at combating poverty is its flexibility and ability to respond quickly to demographic changes. U.S. Census data reveals that poverty is increasingly concentrating in suburban areas. Because the tax credit follows the taxpayer, communities can respond swiftly and effectively as poverty increases or decreases in their communities. This allows Nebraska to respond more nimbly to shifting demographics and target poverty interventions to areas that need it most. Studies show that the impact of these tax credits for children and families are significant. An increase in family income from these credits is associated with improved health outcomes, increased student achievement in school, including boosting high school graduation rates, as well as the child's future earning potential as an adult. The investments we make in working families through the EITC put children on a solid path to a prosperous future both for themselves and our country. Despite these many positive benefits, the Nebraska Legislature has not raised the EITC, currently set at 10 percent, in a decade. Voices for Children in Nebraska supports LB69 and LB129 because they provide a tax cut targeted to low-income working families and make us more competitive with our neighboring states, Iowa and Kansas. However, Voices for Children remains concerned about its inclusion in any tax package this year in which the EITC increase does not fully offset a tax proposal that raises taxes on lower income families and makes Nebraska's tax system more regressive overall. There are few better opportunities in tax policy that we can make for working families than raising the EITC and we encourage you to advance either of these proposals for the Legislature's consideration. I did have a couple of answers to some of the questions that you were asking earlier, Senator Smith. [LB69 LB129]

SENATOR SMITH: Please. [LB69 LB129]

KAITLIN REECE: So in terms of the alternate funding models, there was, until a couple of years ago, a way to claim EITC in advance, but...so that you got more of it in your paycheck each month, but the feds discontinued that several years so that's no longer an option. There was a periodic payment pilot project that Chicago did recently under Mayor Emanuel that allowed for them to have four payments over a given year. And so that's something...I think we would need cooperations from the IRS to be able to do something bigger than that, but that has been...and it was fairly successful in terms of doing more periodic payments. [LB69 LB129]

SENATOR SMITH: That pilot has ended though? [LB69 LB129]

KAITLIN REECE: I believe so. I was just looking at it briefly before I came up here, so I'm happy to send you more information after the hearing. And then the other question that both you and Senator Friesen had about SNAP benefits and the taxing of food, while SNAP recipients and EITC, I think you can think of it as Venn diagram. There are some families in the middle that meet both requirements for both EITC and SNAP. EITC actually helps working families at a slightly higher level of poverty. Then SNAP is really the lowest income earners, so there still would be families that maybe would receive an EITC tax benefit that would not have their food cost protected because they're not receiving SNAP benefits. So for a single person on SNAP, your gross income needs to be...with one child needs to be around $15,000 a year versus EITC a single person with a child is up to $39,296. So it's almost double. And that's the same if you're a single parent with two children, it's a similar trend. So they are similar populations, but not the same. It's similar to minimum wage workers, EITC earners, there's an overlap there, but they aren't...they're not...they're also families that aren't...don't fall into both of those camps. [LB69 LB129]

SENATOR SMITH: Very good. Further questions for Ms. Reece. Senator Brasch. [LB69 LB129]

SENATOR BRASCH: Thank you, Chairman Smith; and thank you, Ms. Reece, for your testimony. Because we...the conversation came in about taxing food and you're with the Voices for Children, I know that most schools have backpack programs where they're sending food home with children for the weekend. And I'm also hearing about children who are missed that may show up at the Gas-N-Shops or the convenient stores and pulling out change to buy a can of pork and beans and things like that. So is there a food shortage for...are people falling through the crack or there's just not enough assistance through SNAP? Why is there such a...and through the food pantry...but would this bill, I guess, help that community or will taxing food bring more money into their pockets? [LB69 LB129]

KAITLIN REECE: So, taxing food would not...I don't think would help that situation. The EITC would bring in more money into families' pockets. And we actually know that in February, which is when a lot of the tax returns are...they receive the tax returns, evictions are actually lower in February because families have more money to be able to either pay if they owe money on their rental or their home, or they're able to just keep up with their payments. So we do know that it does make an impact, even though it's a lump sum amount that they get. I think some of the issues with hunger related to the necessity of backpack programs or summer food programs is a lot of the programs for children are targeted at schools, so free and reduced lunch programs, and so when school is not in session, it makes it harder for families to be able to provide for their children. [LB69 LB129]

SENATOR BRASCH: I understand your explanation. Thank you. [LB69 LB129]

KAITLIN REECE: Thanks. [LB69 LB129]

SENATOR BRASCH: I have no other questions. [LB69 LB129]

SENATOR SMITH: Senator Friesen. [LB69 LB129]

SENATOR FRIESEN: Thank you, Chairman Smith. The comment was made earlier that these payments that come in one lump sum, so they're basically they...was it true that they're required to spend that quickly so that they don't drop other benefits down the road, or was that a misstatement? [LB69 LB129]

KAITLIN REECE: I would have to check on that. I do know that you can set up for a direct deposit into your account. And I think there also are some options to...we know that...I want to say around 30 percent, I can get the exact number, actually put this money, the EITC, into their savings account which, I think, is good financial literacy in what we want to see for all families to be able to... [LB69 LB129]

SENATOR FRIESEN: But if down the road if it disqualifies them from credits... [LB69 LB129]

KAITLIN REECE: Sure. [LB69 LB129]

SENATOR FRIESEN: ...for a certain amount of time before they can get back on, it really doesn't help them that much... [LB69 LB129]

KAITLIN REECE: Sure. [LB69 LB129]

SENATOR FRIESEN: ...then I was just curious if 12 monthly payments would be better, spread out rather than... [LB69 LB129]

KAITLIN REECE: You know, I'll take a look at that... [LB69 LB129]

SENATOR FRIESEN: You don't want someone disqualified and have to spend three or four months getting rid of this benefit and then jump back on another program that they finally qualify for. [LB69 LB129]

KAITLIN REECE: Sure. Yeah. I'll take a look at, maybe, the Chicago pilot and see if that helped and I'll send that to you, to Chairman Smith and to you, Senator Friesen. [LB69 LB129]

SENATOR FRIESEN: And then, again, I mean, I'll kind of throw the question out there--what point...if $50 million, if sales tax is raised to 150, if...would $50 million in earned income tax credit...at some point, you're going to gain way more than what you're putting into the system. So if anybody is willing to at least consider it, it would be nice to see some numbers on what it actually is. [LB69 LB129]

KAITLIN REECE: Our background is not in tax policy, but maybe that's something that OpenSky or others can maybe help figure out what that line is. Because I think what we are concerned about is if it's a tax shift or if it doesn't really...if the gains made in EITC don't cover what they would be losing in terms of having to pay taxes on food or things like that. [LB69 LB129]

SENATOR FRIESEN: I would agree. I don't want it to be equal. So I want it to show that they've gained. [LB69 LB129]

KAITLIN REECE: Sure. Sure. [LB69 LB129]

SENATOR FRIESEN: Thank you. [LB69 LB129]

KAITLIN REECE: Thank you. [LB69 LB129]

SENATOR SMITH: Other questions? I think, just to follow up on what Senator Friesen was saying, we still have that concern then there's that gap between those with one child at $15,000 a year up to $39,000 a year, there's that gap that is the concern? [LB69 LB129]

KAITLIN REECE: Um-hum. Absolutely. [LB69 LB129]

SENATOR SMITH: Okay. Very good. Thank you, Ms. Reece, for your time and testimony. [LB69 LB129]

KAITLIN REECE: Thank you. [LB69 LB129]

SENATOR SMITH: Other proponents on either LB69 or LB129. Welcome. [LB69 LB129]

LAZARO SPINDOLA: (Exhibit 6) Well, good afternoon, Chairman Smith and members of the committee. Thank you for receiving me today. For the record, my name is Lazaro Spindola, that's L-a-z-a-r-o S-p-i-n-d-o-l-a. I am testifying today on behalf of Nebraskans for Peace in support of LB129. The federal earned income limits to qualify for tax credits for families of three or more married and filing jointly, establish a top income of $53,930.00. In Nebraska, 66.7 percent of all families fall into this category. Think about it, two-thirds of Nebraska families qualify for Federal Income Tax Credits. The Federal Poverty Guidelines establish a limit of $24,300 to qualify as a 100 percent poverty rate. Twenty-one point seven (21.7) percent of Nebraska families live at 100 percent poverty rate. That's one in every four Nebraska families. As far as Latino families are concerned, 27,900 families qualify for the federal earned income limits to qualify for tax credits; that's 119,970 individuals in the average Latino family of 4.3 members. As far as poverty level, 46,679 Latinos; 25,911 African Americans; 6,322 Native Americans, for a total of 78,912 individuals are living at or below the poverty level. LB129 will benefit these families by a factor of an additional 1 percent this year and 2 percent next year. The local multiplier effect suggests that every additional dollar spent locally can generate up to $8.00 in economic activity. The families that would benefit the most from LB129 are the ones most likely to spend their additional dollars locally; they are not thinking about going on a cruise for a vacation. And this kind of comes down to the food tax comment that I have heard several times. It goes like this, if one of these families gets 100 additional dollars in tax credit, they can spend it in their local Mexican food store or in the local restaurant, or local car and body shop; or they could spend it in a non-local business such as Walmart, Burger King, McDonald's. The Local Multiplier Effect tells us that for every $100 spent in a nonlocal business, $64 will leave the community. They will go to the corporate offices or whatever. In other words, if we give a 100 percent tax credit, a $100 tax credit to this family and they spend it locally, let's say in a car and body shop, those $100 will generate $800 additional dollars that will generate additional taxes for the state. They spend it on a local food store, the state will be getting not only the food taxes that are being considered, but also will be getting the additional tax dollars that would be generated by that economic activity. Whereas, if $64 leaves the state, that's the end of it. I mean, that's as far...we...the state will get the food taxes, but nothing more. So this LB129 will allow them to improve their livelihoods and alleviate some of the burdens suffered by living in poverty. It is both a matter of financial wisdom and social justice. Nebraskans for Peace strongly urges you to vote in favor of LB129. And that will be the end of my testimony. Pretty brief, so I'd be happy to try to answer any questions that you might have. [LB69 LB129]

SENATOR SMITH: Thank you, Mr. Spindola, for your testimony. Do we have questions? I see none. [LB69 LB129]

LAZARO SPINDOLA: Okay. Thank you. [LB69 LB129]

SENATOR SMITH: Next proponent of LB69 or LB129? Welcome. [LB69 LB129]

JAMES GODDARD: (Exhibits 7 and 8) Thank you. Good afternoon. My name is James Goddard, that's J-a-m-e-s G-o-d-d-a-r-d, and I'm the director of the Economic Justice Program at Nebraska Appleseed here today to support LB69 and LB129. I will be brief because so many strong points have been made on this issue today. But just a few thoughts that Nebraskans that work hard really should be able to get ahead. And, unfortunately, many in our state face poverty despite working hard. Nearly 60 percent of families below the poverty line are working. And one in ten children live under the poverty line despite having working parents. The EITC is a powerful tool to help address these realities. It rewards hard work, prevents poverty, and helps working families make ends meet. And for these reasons we respectfully urge this committee to advance LB69 and LB129. I will also confess, I am not an expert, a tax policy expert, especially when we're talking about food. But I guess what I was thinking during the discussion this afternoon was, I guess, and I think that this has bubbled up in the discussion, but it's practically speaking how these two things apply to low-income families, where sales tax on food is going to affect that family every day, potentially every meal. Day to day and month to month there's money coming out of their pockets for that. And so they have less to...less money to get by on from day to day. And it may be that down the road in February, they get the EITC and that is certainly a good thing and a benefit. But I think when we look at taxing food, that is going to make folks in this income range have a difficult time getting by day to day and month to month. And even knowing, maybe, they would...if we're talking about a trade-off down the road, maybe they'd get a sizeable sum of money around the EITC in February, it's a question to me whether those folks will be able...will they be able to survive day to day and month to month on the income that they have with a tax on food. And I guess the only thought I had was to reiterate what Ms. Reece said around SNAP eligibility--there are certainly a lot of folks in this income range that are on the SNAP program, but there are a lot who are not. And we also have a participation level for SNAP that is, I would say, relatively low. I think it's around 75 to 80 percent of folks, meaning there are 20 percent of Nebraskans out there, approximately, that are eligible for the program, but they're not actually even enrolled in it. So that's something to keep in mind in thinking about food. And with that I'll conclude. [LB69 LB129]

SENATOR SMITH: Senator Friesen. [LB69 LB129]

SENATOR FRIESEN: Thank you, Chairman Smith. I've been...when corn was $7 and there was the food/fuel debate, we got in the price of food. And at one point in time, we were accused of making our nation obese in the types of foods that we were pushing out there because people were eating too much fast foods; and yet at times the cost was too high. And so I looked into a lot of the different arguments there and what I always read about was that the poor, especially, didn't have access to good quality food. And so they were the ones, typically, eating at fast food restaurants. That was the argument back then. And so when I look at that and if that's the case, I mean, if even half their meals are already eaten at fast food restaurants, they're already paying sales tax, it's prepared food. So, I mean, I'm weighing out trying to decide the benefits and the pros and cons of this, but it just depends on, I guess, if its true, maybe, that they do all their cooking at home and don't ever buy prepared foods and, yes, it has a huge impact. But the date I saw back before five years ago was that it was the poor that were eating out more often because they didn't have time to prepare food, they were working two jobs, and so they would go to the fast food restaurants, which had the cheapest food, and therefore they are already paying sales tax. So your comments on that? [LB69 LB129]

JAMES GODDARD: I feel like I would want to educate myself a little bit more on what things look like in terms of where people are eating. Is it going to the grocery store or is it going out to fast food? I would feel that I certainly couldn't make a generalization about that without knowing more. I will say food deserts do exist. There are places where people simply can't really access fresh fruit and vegetables, and that is a reality in certain parts of our state. So I know that that is true. But I'd like to get back to you with a little bit more information on where folks are eating. I think it is a good...I think the things that you're thinking about are right and good to consider and I'd like to know a little bit more so I can be more helpful on that. [LB69 LB129]

SENATOR FRIESEN: Okay, yeah, thank you. [LB69 LB129]

SENATOR SMITH: Thank you, Mr. Goddard. I see no further questions. [LB69 LB129]

JAMES GODDARD: Thank you. [LB69 LB129]

SENATOR SMITH: (Exhibits 9-15) Thank you for your testimony. Next proponent of LB69 or LB129? I see none. We do have some letters for the record: David Piester did...from the Center for People in Need did send a letter in for the record on LB69; and on both bills, LB69 and LB129 we had two letters sent in for the record, Sarah Ann Kotchian from Holland Children's Movement; and Tom Venzor from the Nebraska Catholic Conference; both those individuals sent letters in on both bills in support. We now move to opponents on LB69 or LB129, opponents. I see none. Anyone wishing to testify in a neutral capacity on either bill? I see none. Senator Pansing Brooks, you're invited to close on LB69. [LB69 LB129]

SENATOR PANSING BROOKS: Thank you. I just want to quickly thank you all for your good questions. And I think that there are some things that we can investigate that are worth discussing. I think that I just want to clarify that when Senator Friesen asked me the question, I thought you were saying that you were going to tax them and for the food. So I didn't realize...and then Senator Smith clarified that we were talking about not taxing a certain level of people who are in poverty for food. So that would be a better thing than just having a wash on that. So I appreciate that. I want to thank all the people that came for both Senator Morfeld's bill and mine. As you can tell, people are passionate about this. And I was just trying to see if there was anything else I wanted to say. These are good questions and we'll just try to follow up. And again, I like the idea of the Venn diagram that not necessarily is everybody within the same subset of these groups. So I appreciate your time listening today and your thoughtful questions. [LB69 LB129]

SENATOR SMITH: Very good. Do we have remaining questions for Senator Pansing Brooks? Thank you. And that Venn diagram explanation helped me as well. So thank you for closing. [LB69 LB129]

SENATOR PANSING BROOKS: Yeah. Thank you. Thank you. [LB69 LB129]

SENATOR SMITH: We now move to closing on LB129, Senator Morfeld. Senator Morfeld waives closing. Very good. That concludes our hearings on LB69 and on LB129. And now we open it...hearings on LB174 to be introduced by Senator Morfeld, deals with the adoption of the Apprenticeship Training Program Tax Credit Act. Welcome. [LB69 LB129]

SENATOR MORFELD: (Exhibit 1) Thank you, Chairman Smith. Members of the Revenue Committee, my name is Adam Morfeld, for the record, A-d-a-m M-o-r-f-e-l-d, representing the "Fighting 46" Legislative District, here today to introduce LB174 and, hopefully, the second time is the charm. My district, which comprises downtown and northeast Lincoln faces chronic under employment with the closing or downsizing of several major manufacturing centers over the last 10 to 15 years. My district's median household income is currently the second lowest in the state.

As I went door to door, the need for living wage jobs and incentives to attract industries that create these jobs in Nebraska became clear. LB174 would provide for the first time in Nebraska a nonrefundable income tax credit to an employer for wages paid to apprentices as a part of a qualified apprenticeship training program. The credit is equal to $1 for each hour worked by an apprentice during the year in which the tax credit is being capped or at the lesser of $2,000 or 50 percent of the wages paid to the apprentice. In light of the current fiscal challenges the state is facing, LB174 also has a $2.5 million cap on the amount of tax credits that can be distributed. This is a program based on the apprenticeship of South Carolina, which in 2007 had only 90 companies with apprenticeship programs and 777 total apprentices. Today there are 819 companies in South Carolina with 6,399 active apprenticeships and 17,458 apprentices served in the lifetime of the program. These apprenticeships are in the skilled, construction, nursing, and IT fields, all high-wage and in demand jobs in our very own state. Although LB174 as drafted is limited to the construction trades, it is my intention to expand this program to include other critical need areas, such as IT and healthcare. Many manufacturing companies, IT, and skilled trades require extensive training in a world dominated by technology. Nebraska can become a hot spot to attract these industries and jobs to our state. The Governor has noted in the past a skilled work force is imperative for Nebraska to be competitive and a critical need for our state at the present time. Offering incentives for businesses who provide high-paying apprenticeships is a great way to ensure that Nebraska is work ready. Apprentice training programs ensure a properly trained work force, which leads to better work outcomes, higher wages, and a portable career. Making Nebraska workers more competitive and creating a climate to attract high-paying jobs is the purpose of this legislation. I urge your favorable consideration of this bill and would be happy to answer any questions that you may have. [LB174]

SENATOR SMITH: Thank you, Senator Morfeld, for your opening on LB174. Do we have questions from the committee? I do have a couple of questions for you. And so...and I like the idea of attracting more individuals into the trades and whatever we can do to that end I think is good for the state. Where exactly does it define who we are targeting with the apprenticeship program in terms of which trades? [LB174]

SENATOR MORFELD: I'd have to look back in the bill, Senator, so I might get back to you on closing there. [LB174]

SENATOR SMITH: Okay. [LB174]

SENATOR MORFELD: But I believe it's very similar to the bill that I introduced last year, minus the $2.5 million cap, but I'll look in there. My understanding is that it's limited to the construction trades. [LB174]

SENATOR SMITH: All right. [LB174]

SENATOR MORFELD: And if you didn't see that in there then... [LB174]

SENATOR SMITH: And that's...and I like that but (inaudible)... [LB174]

SENATOR MORFELD: Because we do want to make it a little bit more expansive. It just has to be a qualified apprenticeship under the Department of Labor. [LB174]

SENATOR SMITH: Right. You referenced South Carolina. I don't know if you'd like to reference that particular study in your response to this, but we want to attract apprenticeships, union and nonunion shops. As we attract more people into the trades, some may be union, some may not. [LB174]

SENATOR MORFELD: Yeah. [LB174]

SENATOR SMITH: Is this bill, in your opinion, structured so that it is not biased one way or the other? [LB174]

SENATOR MORFELD: In my opinion, it is. And, again, the only qualification that...the only qualifier is that it has to be a qualified and approved apprenticeship under the Department of Labor. So as long as it meets that, it doesn't matter if it's union or not. [LB174]

SENATOR SMITH: Okay. And where it establishes what a qualified apprenticeship training program is, that's referencing to the federal, right? [LB174]

SENATOR MORFELD: That is the referencing to the federal. Correct, Senator. [LB174]

SENATOR SMITH: All right. Very good. Thank you. Any further questions for Senator Morfeld? It looks like Senator Harr has something. [LB174]

SENATOR HARR: I'll ask him afterwards. Thank you. [LB174]

SENATOR MORFELD: I may...just so you know, Senator Harr, I have a meeting for work at 3:30, so I may have to waive closing, depending. But we can talk off the mike, too. [LB174]

SENATOR HARR: Okay. [LB174]

SENATOR SMITH: All right. Thank you, Senator Morfeld. We now move to proponents of LB174. Those wishing to testify in support of LB174. Welcome. [LB174]

STEVEN MULCAHY: (Exhibits 2-6) Good afternoon, Mr. Chair. Committee members, thank you for hearing LB174 today. My name is Steven Mulcahy, S-t-e-v-e-n M-u-l-c-a-h-y. I'm here today as a proponent for LB174 as a representative of the North Central States Regional Council of Carpenters and the local contractors that utilize their joint apprenticeship program to train Nebraska's new work force. There's a lot of discussion these days about the problems from having a lack of skilled workers. We see this as an opportunity to train Nebraska a new work force. We've invested over $11 million in a new training facility. At 35,000 square feet, it's the newest, largest state of the art training facility in the region. We moved in in October 2015 and since then we have increased our apprenticeship by over 100 apprentices, up to a level near 240. Our workers paid more than $660,000 out of their paychecks last year to help fund this program. It is a self-funded plan. The contribution is deducted from their wage package to provide training to keep their skills up to date and keep up with advancement in new materials and technologies. If our contractors need a certification or training in a new field or to gain access in an owner's job site, we develop the curriculum and provide it to them at no cost to them. This gives our local contractors the competitive edge to secure work in Nebraska for Nebraskans. Many workers come to us with little experience these days; they are new to the work force, some just out of high school where there is limited if any shop classes available to them or perhaps their jobs have been outsourced or replaced with new technologies. LB174 would give contractors an incentive to take a risk and invest in these unskilled workers to give them a start at a new career. As these workers go through our training program they are on an earn while you learn pathway to a successful career. Upon graduating from our four-year apprenticeship program, they receive 71 credits towards an associate's degree at the community college at a total cost of $40 for 71 credits. They need only 27 general education credits to get their degree. This degree can be transferred to a university and applied to a project management degree. This is truly a pathway to a career with local contractors in the field as a master craftsman or in the trailer managing the projects, with retirement income secured and little or no college debt. We have three letters of support from contractors for you here today, as well as a letter of support from the mayor of Papillion, Mayor Black, where our training center is located. I would encourage all of you or invite all of you that haven't been there to come out and take a look at it. Again, we stand in support of LB174 as a vehicle to facilitate the training of the new Nebraska work force. And we'd ask for your recommendation to move this bill forward and support it on the floor. And what questions would you have for me at this time? [LB174]

SENATOR SMITH: Thank you, Mr. Mulcahy. Thank you for your testimony. Do we have questions for Mr. Mulcahy? Senator Brasch. [LB174]

SENATOR BRASCH: Thank you, Chairman Smith. In your testimony, you talk about at the community college. What community college? [LB174]

STEVEN MULCAHY: Metropolitan Community College, correct. [LB174]

SENATOR BRASCH: Metropolitan? Okay. Thank you. That's my only question. Thank you. [LB174]

STEVEN MULCAHY: Okay. You bet. [LB174]

SENATOR SMITH: The training facility that he referenced in his opening testimony, I've had a chance to visit that. And it is...anyone who has an interest in seeing what's going on with that partnership in training, that's a facility worth taking a look at. You've done a great job and appreciate what you've invested into Papillion. [LB174]

STEVEN MULCAHY: Thank you. [LB174]

SENATOR SMITH: I see no further questions. Thank you. [LB174]

STEVEN MULCAHY: Yep. [LB174]

SENATOR SMITH: Welcome. [LB174]

JOSH GOLDSBERRY: (Exhibit 7) Mr. Chair, committee members, thank you for hearing LB174 today. My name is Josh Goldsberry. I am here today as a proponent for LB174. [LB174]

SENATOR SMITH: Let me have you spell your last name for us. [LB174]

JOSH GOLDSBERRY: It is G-o-l-d-s-b-e-r-r-y. I joined the apprenticeship as a new first period apprentice. I am thankful for the many journeypersons and foremen that helped me get started. When I started to receive my training, things really started to make sense. Soon I became a more valuable asset to my contractor. As I progressed through my apprenticeship, I received training on iPads and SMART Boards. I learned new software programs as almost all blueprints are now digital. I received training in soft skills like generational differences and how to step up to foreman and lead. The construction didn't change, but the tools we use did. The apprenticeship training gave me the knowledge to use those tools. Sometimes my contractor works for clients that have special job site requirements like hospitals, Cargill, StratCom, etcetera. Our training center always provides what we need to keep my contractor and me working for these local clients. I am still an apprentice and have much to learn. But now that I lead work, I see these brand new unskilled workers coming to my job and it reminds me of my first day. I know that I was probably not the most effective employee at first. Without my contractor's investment to me, the support of the job leaders, and the apprenticeship training, I don't know how I could have made it to where I am today. I'm on a pathway to my career. I stand in support of LB174 to help my contractor keep his competitive edge while training the new Nebraska workers just like me. Thank you. [LB174]

SENATOR SMITH: Thank you, Mr. Goldsberry. Do we have questions from the committee? I see none. Thank you for choosing a career in the trades. [LB174]

JOSH GOLDSBERRY: Yeah. [LB174]

SENATOR SMITH: We really appreciate that. Next proponent of LB174. Welcome. [LB174]

CHRISTOPHER CALLIHAN: Thank you. Thank you for taking the time to listen to me today. My name is Chris Callihan, that's C-a-l-l-i-h-a-n, I represent IBEW Local 265 and the Greater Nebraska Apprenticeship Training Program or Electrical Training ALLIANCE. The Greater Nebraska Apprenticeship Program is dedicated to the areas from the Panhandle of Nebraska all the way east to Wayne, Nebraska, and further into the northeast corner and southeast corner. Some of the cities included are: Grand Island, North Platte, Lexington, Hastings, Kearney, Holdrege, Grant, Nebraska, O'Neill, York, and of course many others. We are a registered program in both the Nebraska and National Department of Labor. We are a national training alliance, spent about $24 million in 2013 nationwide. That is purely on our training program; that's the advancement and continuation of it and the changes that are involved. We are also accredited with Western Nebraska Community College for our inside program. That leads to an associate's degree for...in the electrical construction industry for our apprentices if they choose to fulfill the three extra classes. The cost of the program comes from our contractors contributing an amount equal to a certain percentage; it ranges from 1 percent to 1.5 percent of their total payroll to fund this training program. The only cost to the actual apprentice is their books each year, and that is it. I, myself, went through the Lincoln program. I started at a pay of about $10.20 an hour, plus all my health insurance and my pensions on top of that. They were not deductions. When I completed the five-year program I had an established career path making around $25 per hour, plus all my benefits back again on top of it. I am speaking in support of LB174, because it encourages and helps employers invest in apprenticeship programs as a way to start addressing the need for replacement or replacing their retiring skilled work force. A strong apprenticeship program is truly the difference between having a job in the construction industry and actually having a career path in the construction industry. I truly believe that and have witnessed it and felt it myself. LB174 is a needed and greatly deserved tax credit for those participating employers to choose to take this direction and cultivate and grow their skilled work force for the future. Thank you for taking the time to listen and hear my testimony today in support of LB174. Is there any questions? [LB174]

SENATOR SMITH: Thank you, Mr. Callihan. Do we have questions from the committee? I see none. [LB174]

CHRISTOPHER CALLIHAN: Thank you. [LB174]

SENATOR SMITH: Thank you for your work in the trades. Next proponent of LB174? Welcome. [LB174]

ROY LAMB: Welcome. Thank you, Senators, for allowing me to testify. My name is Roy Lamb, L-a-m-b, I'm the training coordinator for the Lincoln Electric Joint Apprenticeship and Training Committee. My background, second generation electrician; followed in my father's footsteps. It took me a little while. I didn't start right away out of high school, but I've been doing this for 17 years. And what I've seen the changes from when I started back in 2000 till now, in what we're doing in our national office and what they're...the changes in the curriculum and how much more advanced and how far we've come. We've got a long ways to go, but I believe that this bill is going to help push that even farther. Our program has grown. When I started in here I think when I went through there was maybe 20 apprentices in the total program all five years and now we're running 85 to 90. Last year we peaked about 110, so our program is growing. This is going to get us that much farther and help to support, to facilitate that, to bring those new ones in there. You...all of you have seen, you know what the unemployment numbers are for Nebraska and it's a tight market. But we need to again continue to reach out and get our high schools involved. There's a lot more of that, there has been a lot more of that in the past few years, which is great to see. And we help them out as much as we can. We're always involved with that and for them to again improve their programs to get them ready for an opportunity in the skilled trades. And it is...and again you've probably seen all the data about the shortage of skilled labor and we see it all the time, too. So it...this apprenticeship program, that earn while you learn concept has been proven. We've been doing this since 1947 and will continue to do it as long as we can. There's no reason that that model will change any time soon. We have to adapt and move forward, but we're always going to be there. So I appreciate your time. I guess I'd entertain any questions. [LB174]

SENATOR SMITH: Thank you, Mr. Lamb. Questions? I see no questions from the committee. Thank you. [LB174]

ROY LAMB: Thank you. [LB174]

SENATOR SMITH: Next proponent of LB174. Welcome. [LB174]

SUE MARTIN: (Exhibits 8-9) Good afternoon, Senator Smith and members of the Revenue Committee. My name is Sue Martin, S-u-e M-a-r-t-i-n, I am the president of the Nebraska State AFL-CIO, representing 23,000 working people across the state of Nebraska. Apprenticeship programs help employers develop a highly skilled workforce, reduce turnover rates, increase productivity and lower the costs of recruitment. They provide customized training specifically to the needs of businesses by actually providing the training and education as well as a reliable stream of qualified workers. Apprenticeships may also reduce worker compensation costs due to the extensive training on safety they receive as well as producing the high level of skills required for the occupation. Apprentices who complete apprenticeship programs typically remain with the employer after completing their program. They not only help an employer, but the apprentices as well, providing them with hands-on training, education, and a career, all while earning a paycheck. Registered apprenticeships in our state is a win-win partnership. It helps businesses thrive by building a highly-skilled, highly-productive work force and it helps job seekers access and maintain stable careers with good wages. By developing a state-based tax credit for apprenticeship program sponsors, the benefit would reduce an employer's investment in apprenticeship training costs taking a burden off them, and allow for more employers to use apprenticeship programs. Apprenticeship is a successful job-driven training strategy that is an effective tool under the Workforce Innovation and Opportunity Act. We need to be proactive in thinking of ways to increase our skilled work force and providing better paying jobs to keep Nebraska's economy moving forward, in the right direction. The Apprenticeship Training Program Tax Credit has been implemented in several other states and the handout I provided you lists those states and what they're doing there. So I ask you to support this legislation and the benefits it will ultimately have in our state. Thank you for your time. [LB174]

SENATOR SMITH: (Exhibits 10-14) Thank you, Ms. Martin. Do we have questions from the committee? I see none. Thank you. Next proponent of LB174? I see no additional proponents. We do have some letters for the record in support of LB174: Marsha Babcock from Mechanical Contractors Association of Omaha; Mayor David Black, representing the city of Papillion; Jean Petsch, Nebraska Building Chapter; Bruce Bohrer, representing the Lincoln Chamber of Commerce; and David Brown, representing the Greater Omaha Chamber of Commerce. All these sent letters in, in support of LB174, for the record. We now move to opponents, those wishing to testify in opposition to LB174. Seeing none, those wishing to testify in a neutral capacity to LB174? Seeing none, Senator Morfeld, you're invited to close on LB174. [LB174]

SENATOR MORFELD: Thank you, members of the committee. I'll make it very brief. I just wanted to correct the record. I used testimony for the same bill last year and we had it more narrowly construed to construction trades. We took that out this year, so I just want to correct that for the record, and it's open to all different types of trades and programs that qualify under the Department of Labor. [LB174]

SENATOR SMITH: Okay. Remaining questions for Senator Morfeld? Senator Morfeld, I really like trying to do what we can to provide good incentives for developing the trades and as much as I like your bill, relative to the discussions that we're having this year on the floor of the Legislature, what do you see as the path forward for this in priority? [LB174]

SENATOR MORFELD: Well, I mean, you know for me I think that if we're going to be able to grow the base of the state and bring in good-paying jobs that then contribute to the tax base, which then would hopefully make it so there's less tax burden on everybody else with those good paying jobs and I think these are the types of things that we need to incent. And these are proven high-paying jobs. And I know that we've had a lot of discussion with the Nebraska Advantage Act and some of the other different tools and whether or not they're effective--and I think we can have longer discussions about that, I like aspects of that act and that tool--but I can tell you that this is...these are jobs that are proven to be high-wage jobs and that will contribute back to the tax base and back to the economy. So I personally think that I see this as an investment. Everybody says that, obviously, and probably comes before you and says that often, in this committee in particular. But I truly do see this as an investment. And last year we had about a $12 million fiscal note. That's why we decided to cap it. We thought it would be...this would be a more prudent path forward. [LB174]

SENATOR SMITH: So this is...you view this as a jobs bill, a pro-growth piece of incentive legislation. [LB174]

SENATOR MORFELD: Absolutely. [LB174]

SENATOR SMITH: And I think that's shown...demonstrated by the proponents on this bill. We had the Lincoln Chamber of Commerce, the Greater Omaha Chamber of Commerce send letters in as well. [LB174]

SENATOR MORFELD: Along with labor. So I think that this is a bill that a lot of people realize and acknowledge is a bill that can grow the economy and then also bring in high-wage jobs while fulfilling high-demand needs in the state of Nebraska. [LB174]

SENATOR SMITH: Very good. Other questions for Senator Morfeld? I see none. [LB174]

SENATOR MORFELD: Thank you very much. [LB174]

SENATOR SMITH: Thank you for your closing on LB174. And that closes the hearing on LB174 and for the hearings for today. I'm sorry. [LB174]

SENATOR MORFELD: And Senator Smith, I just wanted to note that the State Chamber also submitted a letter in support. I don't know if that was noted for the record or not. And if it was, I apologize. [LB174]

SENATOR SMITH: I do not have that. [LB174]

KRISSA DELKA: I've got it. [LB174]

SENATOR SMITH: The State Chamber submitted a letter, for the record. Okay, very good. [LB174]

SENATOR MORFELD: Thank you, Senator. [LB174]

SENATOR SMITH: Thank you. And that closes our hearing for the day. [LB174]