

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

STINNER: [RECORDER MALFUNCTION] in their place. Welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and I represent the 48th Legislative District. I serve as Chair of this committee. I'd like to start off by having members do self-introductions, starting with Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Steve Erdman. I represent 40-- not-- I represent District 47, nine counties in the Panhandle.

CLEMENTS: Rob Clements, District 2, Cass County and eastern Lancaster.

McDONNELL: Mike McDonnell, LD 5, south Omaha.

HILKEMANN: Robert Hilkemann, District 4, west Omaha.

STINNER: John Stinner, District 48, all of Scotts Bluff, Banner and Kimball Counties.

WISHART: Anna Wishart, District 27, Lincoln, Lancaster County.

KOLTERMAN: Mark Kolterman, District 24, Seward, York, Polk, and a sliver of Butler.

DORN: Myron Dorn, District 30, which is Gage County and part of Lancaster.

STINNER: Assisting the committee today is Tamara Hunt. Our page today is Jason Wendling. On the cabinet to your right, you'll find green testifier sheets. If you're planning to testify today, please fill out a sign-in sheet and hand it to the page when you come up to testify. If you will not be testifying at the microphone, but would want to be-- go on the record as having a position on the bill being heard today, there are white sign-in sheets on the cabinet where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearings. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please silence or turn off your cell phone. Order of testimony will be introducer, proponents, opponents, neutral, closing. We ask that, when you come up to testify, you first spell your first and last name be-- for the record before you testify. Be concise. It's my request to limit your testimony to five minutes. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

not have 12 copies, please raise your hand so that the page can make copies for you. With that, we'll begin today's hearings with LB699. Welcome, Senator Kolterman.

KOLTERMAN: Thank you, Senator Stinner. Good afternoon, members of the Appropriations Committee. My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n. I represent Legislative District 24. Today I'm here to introduce LB699 for your consideration. LB699 would appropriate \$100 million from the federal ARPA funds to the Department of Economic Development to enhance-- to enhance innovation and technology infrastructure for businesses located here in Nebraska. These grants, administered by the Department of Economic Development, will help increase research and development investment; encourage the creation, expansion, upskilling of the workforce; boost innovation and productivity across different business sectors, which will then increase wages and attract and retain investment capital here in the state of Nebraska. As we all know, COVID has had a negatively-- has negatively impacted a lot of businesses, whether they're small businesses, manufacturing, the processing companies, or companies that transport or distribute our goods. These companies have had a massive revenue loss due to the supply chain disruption, inflation and employment loss due to workforce shortages, and a decline in labor productivity. Recent studies have shown that 85 percent of the U.S. business report fundamental change to their businesses and customer expectations due to COVID. Seventy-five percent of U.S. businesses expect new opportunities for growth because of COVID, but only 25 percent of U.S. businesses feel they have the expertise and resources to pursue new opportunities. While COVID cases are decreasing, global supply chain pressure and volatility are at the highest record level ever. For example, the Federal Reserve of New York Global Supply Chain Pressure Index, which considers 27 factors impacting supply chains, shows supply chains are still under rec-- record levels of stress, leading to a high level of variability, instability, disruption, and increased cost. In a recent study, the Kansas City Federal Reserve stated that supply chain challenges disproportionately hinder states in the Midwest, leading to higher freight rates for all modes of transportation and total shipping costs, and we don't see any-- any end in sight. In the same report from the Kansas City Federal Reserve, they reported 80 per-- 84 percent of manufacturing firms are still reporting a negative effect on business activity due to COVID in January of 2022, and 52 percent of firms reported having 10 percent or more of their workforce out in January of 2022 due to COVID. Projections for 2022 indicate near continuous disruptions and costs. Purchasing manager reports continue to reveal systemwide complications

from high demand, rising costs of raw materials and freight, and slow deliveries in the United States. It's also likely that transportation challenges, which we've heard about in recent days, are likely to continue, including driver shortages in trucking and congestion at U.S. container ports; and as demand outpaces supply, higher costs are more likely to be passed on to the consumer. These COVID-driven issues show the need to continue to invest in the development of reshoring or near-shoring for component-- components of the final assembly products. Due to rising wages and transportation costs, globally, near-shoring or on-shoring activities is more competitive while companies look to avoid a repeat of 2020, 2021. In Nebraska specifically, more than 90 percent of the manufacturing businesses reported to the Nebraska Department of Labor that pandemic significantly impacted their business. The two most common challenges reporting-- reported were hiring difficulties and implementing new process improvements or efficiencies. Manufacturers reported substantially higher levels of hiring difficulty than the level of difficulty reported across all industries, and 58.3 percent of all small businesses in Nebraska were still reporting moderate to large negative impacts due to COVID in January of 2022, according to the U.S. Census Bureau's Small Business Pulse Survey. Workforce shortages continue to impact Nebraska manufacturers' processing, transportation, distribution and logistics, and small businesses as well. In the fourth quarter of 2021, data from the Nebraska Department of Labor indicates there are 30,000 persons missing from the workforce, and Nebraska is still down under 30,000 jobs total. In January of 2022, there were 50,300 open jobs posted on NEworks, the state's job advertising site, alone. Labor force participation is currently at 68.5 percent in Nebraska, which is near a ten-year low of 68.3 percent. For comparison, the ten-year average is 70.2. Workers are also still out sick, quarantining, caring for their family members due to COVID, which has increased volatility and reduced labor productivity to its lowest rate since 1981. And with record numbers of unfilled jobs, this will likely limit higher productivity rates and growth in 2022. Many industries are increasing technology to fight the pandemic or respond to supply chain and workforce challenges. Research and development, automation, and technology adoption can help fill the gaps in this and other crucial areas coming out of the pandemic. These one-time modernization and technology grants established by LB699 will do many things. It will drive high-wage job growth and accessible skill development. It will spur-- it will spur higher GDP growth to lessen state and local tax burden. It will future-proof and provide resiliency and recovery of Nebraska's key sectors. It will encourage and attract entrepreneurial talent. It will fuel U.S.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

innovation with Nebraska products and ideas. And most important, it will stay competitive in the global innovation arms race that we face. Investment in R&D, technology, and automation have been shown to increase employee wages and increase productivity. And that, while the number of jobs for low skilled employees decreases, job opportunities for highly skilled workers increase. Investments in R&D, technology, and automation are increasingly shown to help businesses retain employees, overcome workforce challenges, increase productivity and save money. Eighty-six percent of U.S. businesses report the desire or the intent to incorporate more automation and tech-- technology into the workforce. Innovation and automation will drive much of the progress and personal prosperity and ec-- and economic growth-- growth over the next 20 years, with Nebraska's top economic sectors having the most to gain as a result of COVID. So career advancement opportunities expand, rather than disappear, under thoughtful integration strategies, particularly with broad access to up-skilling and training resources. With LB699, we have the ability to invigorate Nebraska's tran-- transformation to tech-enabled commerce with a game-changing investment of the American Rescue Plan Act, ARPA, funds into one-time modernization and technology grants. As-- as you hear, listen to the testifiers, I would just tell you that I believe I have five testifiers coming up behind me today. They're from different sectors of the economy. They're-- they're-- they deal with any-- anywhere from automation to engineering composites to packaging. And there's individuals from NIFA here as well, or retired NIFA. So with that, I know this is a bold ask. We've been listening to testimony over the last several weeks about the needs in the state, how do we turn our state around, how do we get back to normal. I believe with automation and technology and innovation, we have an opportunity in front of us to do so. So with that, I would try to answer any questions you might have.

STINNER: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you, Senator Kolterman, for your explanation. I have a question. You said, about what this will do, you said future-proof in providing resiliency and recovery for Nebraska's key sectors. In your opinion, what is Nebraska's key sectors, are you referring to?

KOLTERMAN: Well, we have agriculture, we have manufacturing, we have-- those are the two major things I would say. We have tourism, but that's being handled by STAR WARS, so I don't have to worry about that.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

ERDMAN: OK.

KOLTERMAN: But, yeah, manufacturing is a huge concern in the state and creating, filling those jobs, getting higher-paid, better-skilled jobs, and that-- that fits right into agriculture as well as manufacturing.

ERDMAN: OK, thank you.

STINNER: Any additional questions? Do you envision-- I know you want this to be a grant program. Is there going to be some limitation or tier system for these grants?

KOLTERMAN: No. I-- I think I'll let the-- the people follow me, talk about that, and then this would go to Department of Economic Development and they would have to put the program together.

STINNER: OK.

KOLTERMAN: But it's been successful where we've used innovation grants like this in the past.

STINNER: Very good. Any additional questions? Seeing none, thank you.

CORY HENDRICKSON: Good afternoon, everyone.

STINNER: Afternoon.

CORY HENDRICKSON: My name is Cory Hendrickson, C-o-r-y H-e-n-d-r-i-c-k-s-o-n, and I'm here today to support LB699 on behalf of the Nebraska Chamber of Commerce. I lead the Norfolk, Nebraska, location of a manufacturing technology company called CED. We exist in Nebraska to help local manufacturers go and grow. My team does this through providing the right combination of industry expertise and support that a manu-- that a manufacturer may lack internally. An average day in Norfolk for my team looks like engaging with the stakeholders of our local manufacturers. This could be anyone from the owner of the business to the caretaker of the facility. We engage with the people who make up these businesses to listen and identify what challenges they need to overcome to succeed. Our clients have grown to know us for responding to their requests with-- with the right combination of technology that can help them minimize their challenges while maximizing their capabilities. As we embark into the new era of smart manufacturing, which is coined the Fourth Industrial Revolution, we advise our clients on the continued implementation of automation, robotics, digitization, etcetera. Utilizing technology is what's going

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

to help Nebraska manufacturers to continue to succeed both locally and globally. COVID-19 has fundamentally changed how businesses operate, and Nebraska businesses continue to struggle with supply chain and workforce challenges. Some of the greatest impacts we have seen have been on Nebraska's manufacturing sector, which accounts for more than 10 percent of Nebraska's GDP and employs 10 percent of Nebraska's workforce. I'm here today as an advocate for the continued success of local Nebraska manufacturing, not only because my company's success relies on it, but because my community in Norfolk does as well. I'd like to start today with an example. National Crane was a manufacturer founded in Waverly, Nebraska, in 1947. By all measures, they were the industry leader. In fact, if a boom truck back then was made, it was likely made here, right here in Nebraska. In 2003, after a few strategic mistakes, National Crane's product manufacturing was moved to their new owner's facilities in Shady Grove, Pennsylvania. This marked the end of National Crane in Waverly. Overall, some 32,000 cranes had been manufactured, and the company had controlled nearly 70 percent of the market share before it left the state. The story of National Crane can be a cautionary tale of how a manufacturer is never too big to fail. Even as an industry leader with complete market ownership, it's critical for manufacturers to continue to strengthen their competitive advantages if they want to achieve sustained success. This is also the lesson that COVID-19 is showing us. R&D, automation, and technology adoption can help fill the gaps in supply chain and workforce as many industries fight and respond to the pandemic. Manufacturing is not just Fortune 500 companies. It's a combination of local and regional creators such as Valmont, Reinke and Lindsay, to name a few, that are-- they're all competing to serve Nebraska and the rest of the globe. However, they aren't facing the competition that National Crane faced in 1997 or even 2003. In 2022, manufacturers are at risk to go the way of the family farms by being consumed by larger entities and directed to make products somewhere other than Nebraska, on top of dealing with COVID supply chain woes and workforce shortage-- shortages. Our pri-- our primary constraint in Nebraska today is the limited amount of people that can step in and serve this industry. On average, unemployment is 1.7 percent in our state. Labor-intensive manufacturers don't have a big base of people to hire from. A recent survey from the U.S. Chamber of Commerce suggests that labor shortages may be permanent after COVID, with 8-- 8 percent of currently unemployed respondents saying they will never plan to come back to work. Couple this with the decline of young people's interest in the trades and tech degrees and no-- with no immediate fix in sight. There are three startling statis-- statistics from the 2018 Blueprint Nebraska report that I'd like to call your

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

attention to, the first one, Nebraska is ranked number 36 out of 50 in R&D spend nationally; we have a 60 percent automation potential; and finally, the state is losing-- losing competitiveness because of lower productivity. According to that Blueprint study, the Nebraska average-- the average Nebraskan worker produces \$120,000 in value of output per day. The national average is \$137,000. That's a \$17,000 deficit per person. Take that times 2 million Nebraskans, that's equivalent to \$34 billion in lost revenue every year. Nobody here can say that it's because Nebraskans don't work hard. We're bootstrap people here. Most of us believe the best way to solve anything is by working harder and pulling ourselves up. However, the reality is, our workers are not equipped to do their jobs, certainly not well enough to continue to compete globally while succeeding here locally.

STINNER: At the red light.

CORY HENDRICKSON: Yeah.

STINNER: You can conclude, though--

CORY HENDRICKSON: OK.

STINNER: --if you have a conclusion.

CORY HENDRICKSON: Technology is the great equalizer, and when our post-pandemic supply chain stabilizes, we will have to go back to competing on cost and value. Our bootstrap work ethic attached to outdated processes won't be enough to reach efficiencies we need to compete globally. Think about your own personal experiences with products you've learned over the past two years that are no longer made in the U.S. Why wouldn't we want to say, let's make that in Nebraska? As stated, we are in the middle of the Fourth Industrial Revolution. As someone who spends a great amount of time at a lot of our local manufacturers, I can say that adoption has been extremely slow. The cost of doing nothing far exceeds the cost of investing in technology that [INAUDIBLE]--

STINNER: I meant conclude your comments--

CORY HENDRICKSON: Sorry.

STINNER: --not continue to read them.

CORY HENDRICKSON: Sorry. So the final point is like this cannot wait. This is-- this is-- it's going to be really bad. If-- if a farm were

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

to go under today, they would be bought up and-- and sold. The people would still continue to work. If the factory closes--

STINNER: OK.

CORY HENDRICKSON: --that's, I mean--

STINNER: Any additional questions? Seeing none, thank you very much.

CORY HENDRICKSON: Thank you.

STINNER: Afternoon.

STEVE PEREGRINE: Good afternoon, Senators. I am Steve Peregrine, S-t-e-v-e P-e-r-e-g-r-i-n-e, here on behalf of the Lincoln Chamber of Commerce and myself, as a former employee with Nebraska Investment Finance Authority, to support LB699. While I was at NIFA from 2008 to 2014, the Nebraska 2010 Battelle assessment was issued with a recommendation under the innovation initiative that Nebraska develop a financing incentive for manufacturing modernization, expansion, and technological advancement. NIFA, with assistance from DED and the financial industry, developed a program designed to accelerate small business investment, to modernize their production assets, expand their production lines to increase market share, and/or target international markets with new products. The Nebraska Asset Modernization Initiative was launched in July of 2011 and was used to incentivize businesses from 2 to 200 employees and assets up to \$10 million to purchase fixed assets that met the program's intent and criteria. The Modern Asset Grant, or the MAG program, was a specific resource created by NIFA with funds from NIFA's reserves of \$1.5 million for a two-year period. The MAG offered a maximum \$30,000 direct grant based upon an amount of up to 6 percent of eligible basis of a half a million dollars of machinery and equipment ordered, acquired, and placed into service by the eligible business during the program's duration. Qualifying projects included the purchase of machinery and equipment, but also allowed for expense of dedicated utility or electrical components, computers and software, and design and engineering services required for the modernization. The qualifying projects' useful life was set at least three to seven or more years. The program manual, term sheet, rules and regulations, and application form were written by NIFA and the Kutak Rock law firm. The program was successfully implemented with a three-page application, very quick review time, and a reservation of funds if the applicant qualified. I and one other staff had primary responsibility for the program. There are short video testimonies of the program's ease and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

success from benefiting businesses, which were created by NIFA, the videos, and may be viewed at links that I have on my testimony. So the former NIFA MAG program could easily be updated and replicated with funding under LB699. It could be administered by any other entity other than NIFA; or, as the formula could be, NIFA could get money from DED since NIFA is not a state agency. So I'm here to support LB699. I just wanted to give you that background on a program that was in place, was very successful, and could be replicated. Thank you.

STINNER: Thank you. Questions? Seeing none, thank you. Afternoon.

ROGER HUGHES: Thank you, Senator Stinner and fellow senators of the Appropriations Committee. Excuse me. My name is Roger Hughes, R-o-g-e-r H-u-g-h-e-s, and I'm the president of Doane University. I appreciate the opportunity to share my support for LB699. I'm from Crawford, Nebraska. Some of you senators represent districts close to my state-- or dis-- districts close to my hometown. And when I walk the streets of Crawford, I see the effects of little or no economic development in the last 15 years. Young Nebraskans are leaving our state to find other opportunities and it breaks my heart. These economic challenges existed before the pandemic. The Milken Institute ranked Nebraska's ability to use technology and science to improve our economy 34th among the states. COVID exacerbated these issues. Our ranking has dropped in the bottom 25th percentile nationwide. To revitalize Nebraska's economy, especially in our rural areas, we need to build out technological platforms, incentivize and encourage the creation and expansion of Nebraska's workforce, and boost innovation and productivity across Nebraska's business sectors-- business sectors. Through LB699, we have an opportunity to enhance innovation, technological infrastructure, and to strengthen our economy. First, for Nebraska to recover economically, especially rural Nebraska, we need to invest in the building out of our technological and broadband platforms and increase connectivity. I coached football for 40 years and recruited students at the Division I level. I have seen many times firsthand that technological infrastructure was a major factor in the student's choice of college. We're losing some of our workforce even before we have a chance to train them. Second, our current workforce shortage has been-- been made worse by head of households having to drop out of the workforce and stay home because of interruption to childcare, school attendance, and burnout due to COVID. Nebraskans from small towns lack access to the resources and skill development to work remotely. They either leave the state seeking alternatives or they just drop out of the workforce altogether. Third, research within Nebraska shows the pandemic affected rural citizens at a much higher rate. The pandemic made us rethink business models and the modality of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

which people work. This has increased their reliance on technology and innovation. Nebraska needs incubator support for businesses and our workforce to gain the knowledge and skills to grow and adapt. To make progress in these three areas, we believe the relationship between academia and industry are crucial. At Doane, we are ready to be partners in the recovery of Nebraska. In fact, we have already partnered with local educational organizations and governments. Doane's vision is focused on the recovery of all Nebraska. We are enthusiastic to support this vision by building a tech park of innovation and creating centers that will increase broadband activity, enhance cyber and election security, provide the platform for technological advances, and support business innovation and workforce development. These will trigger economic recovery for all Nebraskans. I look forward to collaborating for a stronger Nebraska. Thank you.

STINNER: Thank you. Questions? Seeing none, thank you.

ROGER HUGHES: Thank you.

STINNER: Afternoon.

AMANDA BENES: Hello. How are you?

STINNER: Good.

AMANDA BENES: Good. My name is Amanda Benes, A-m-a-n-d-a B-e-n-e-s. I am the CEO of Fremont Automation out of Blair, Nebraska. We have been developing and building automation equipment for automotive, industrial, and the food and beverage industry for the last 30 years. We essentially develop and build automated machines that did not exist before we designed and built them. Our team consists of highly skilled employees with knowledge of engineering, tool and die machining, electrical design and build, assembly, PLC-- PLC programming and troubleshooting. I'm here today to share my company's story of how investment in automation and technology has had an effect on local companies, which has not allowed them then to compete on a larger scale and increase their economic opportunities. To begin with, I want to tell you that we have had the opportunity to work with many Nebraska manufacturing companies and understand firsthand the challenges that they face. We all know how much labor shortages are affecting companies, but manufacturing is being hit especially hard. What the labor-- the labor-- without the labor they need to produce their goods, they are at risk of losing business to manufacturing companies that can compete on a national and global scale. So how do we help them? The answer is very simple: through R&D, technology and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

automation. OK, maybe not that simple, but it is no longer a question of if this can be done but when. And the longer it takes our Nebraska companies to adapt and implement these changes, the more at risk they are. The challenges they face are sometimes simply, where do they begin? It's not as simple as throwing a robotic arm onto a manufacturing line. They need access to capital, and they need to be able to work with local partners like ourselves who can help them augment their workforce so they can keep growing. I do know that some people get scared when they hear the word "automation." Our goal as a company is never to put a person out of a job. It is to get rid of processes that are mundane, repetitive and dangerous. If a person can do a job for ten years but never learn a skill that will increase their career opportunities, that is no longer a good job. We have to put equipment in that now has-- or I'm going to go back a second. So, for instance, when we put a piece of equipment in that had maybe three or four production people running it, there now is one operator. Well, this operator now has become in charge of a piece of machinery, and they take a lot of pride in it. They're learning cylinders. They're learning troubleshooting. They are learning ways to fix and maintenance, sometimes better than the maintenance techs themselves. So from there, they have developed a skill that they can ask for more wages and it's transferable to another company. Then, for us, that's where we really see the future of automation and manufacturing going, to where we lift up every single person in that facility, not just the people are going to make a lot more money because they automated some processes. For instance, we have had the opportunity to work with Lincoln Premium Poultry in Fremont. They brought us in to take a look at a project where they had the six-packs of chicken at Costco. They folded and they taped them by hand. When we came along, we said we can automate that. So our engineers developed it. We machined it. We put it together. We did the electrical design. We did the build. We did all the PLC programming. We implemented it and now they have eight machines on their floor. So it took two to three people per line, per shift, to do, which was repetitive and you could get hurt. They now have an operator and a piece of equipment. They're getting their increased throughput and those people are able to do other jobs in that facility that is where they need the help they can get because, as you know, the people are not multiplying right now. We keep losing them. So for us, it-- I know I make it sound a little dire, but the future of manufacturing isn't going away. Everything you do every day involves manufacturing, the chairs you sit on, the car you drive, the food in your grocery store. And you can see through the pandemic that the shelves are empty, and that's because we can't get the workforce that's necessary to do it and the automation takes time and money. And

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

I think if, with this bill, we're able to get that money into the right hands with our small- and medium-sized manufacturers, they'll be able to increase their own market share and increase opportunities for other Nebraskans. Thank you.

STINNER: Thank you. Questions? Seeing none, thank you.

AMANDA BENES: Thank you.

STINNER: Any proponents, additional proponents?

STEVE WIMER: Sorry. I didn't know if I was supposed to wait. Good afternoon.

STINNER: Afternoon.

STEVE WIMER: Steve Wimer, that's S-t-e-v-e W-i-m-e-r. I work for a automation company. We focus on the manufacturing sector. I've been doing that for about 15 years, so I've been in facilities throughout Nebraska. Mostly, my-- my location, we focus on manufacturing facilities around Omaha, so about a two-hour circle, I've probably been in about 80 percent of the manufacturers in our-- in that area. So I also follow real estate. So one of the terms in real estate, I think, really helps understand what's happened in the manufacturing sector. Over the-- my time, what I've seen is-- it's called deferred maintenance. So ultimately, these manufacturers, for whatever reason, a lot of reasons, some good reasons, they're working on other projects. There's a ton of things they can do through the course of the year, but there's only so much time, right? So they'll defer maintenance on their automation or just their machinery in general, and they'll do that year after year after year. And ultimately, what I've seen happen is they get to a point where they run till failure and then that failure, in the past, so if we go back two years ago before COVID, that failure was something you could probably find on eBay and you can replace it and you could get back up and running; or, worst-case scenario, if you have to put new equipment, worst-case scenario, you have to put new equipment in, you might be down for an extended period of time while you put in pretty much the same program and machine runs like it did before. You don't take advantage of the new technology, which is a tragedy, but that was the case. Now you fast-forward to where we are today because of COVID, and my industry is stuff I would have on the shelf before. I mean, we are in a supply chain crisis, absolutely. Stuff I would have on the shelf before, I could take over that same day. That is no longer the fact. When their old equipment, their antiquated equipment fails today, eBay is

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

exhausted. The eBay strategy is gone. The factory doesn't have any. I mean, I'm not trying to sound like doom and gloom, but this is-- these are the facts. Now that new equipment, that used to be the we're going to be down for an extra week, it's going to cost us a bunch of production, cost us a bunch of extra money. That new equipment is a six-month lead time. Stuff I used to have on the shelf and I could deliver same day, is a six-month lead time. So that's the kind of the state of the industry we're at in terms of the supply chain. You couple that with I've seen facilities throughout Nebraska that aren't running lines because they don't have the people, which we've talked about today, so that's the need for the investment right there. We've got antiquated equipment. We've got a lack of supply for-- or lack of people to run lines. And together we are, in my opinion, on the cusp of a disaster. I mean you-- when you look at-- I've seen plants close throughout my career. My colleague mentioned innova-- one earlier. Those plants have closed because one, two, three bad mistakes. When you talk about a major manufacturer, major employer of Nebraska not being able to run their main line for six months or greater, eventually, someone at corporate is going to make a decision. You know, I live my-- kind of my job, my day to day, I go to market every day thinking, how can I work with manufacturing to make them the best for the state of Nebraska so when ultimately a corporate Kellogg's, or a corporate Conagra may be a better example, look at closing the doors on one of their facilities in the country or offshoring to, you know, to China, they look at the facility in Nebraska and think there's no way we can close that facility because it's such a well-run operation. Today, the state of Nebraska manufacturing, we are not there. Overall, there's some really good shining stars, but the majority not so much. One example I do want to give of an opportunity, small manufacturer, locally owned, probably employs about 100 people, a food-- a food manufacturer, talked about the impact of COVID they had and their demand. Demand was through the roof. They were running as much as they could. We walked the facility and I noticed two-- they were only running two of the three lines. And I-- I talked to the owner. I said, well, I thought you said demand was through the roof. He said, it is, but we can't get the people to run the third line. So long story short-- yellow light. Long story short, we went in there and it was, for us, because we're in that technology space, it was a no-brainer. We went in, helped them automate. We're putting in a robotic cell. I know robots aren't always the answer. We're putting in a robotic cell that's going to provide for them basically 35 people that they don't have today. So they're going to be able to not only increase their output and meet customer demand, they're going to be able to take those other people and put them in more higher paying jobs, more

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

skilled jobs. So ultimately, again, I grew up in a household, I was raised on two parents that supported our family on manufacturing jobs, and my job-- my goal is, again, to make Nebraska manufacturing better, and I think this bill could be a big part of that. Thank you.

STINNER: Thank you. Questions? Seeing none, thank you.

STEVE WIMER: Yeah, thank you.

DAVID ARNOLD: Senator Stinner--

STINNER: Afternoon.

DAVID ARNOLD: --Stinner and senators of the committee, my name is Dave Arnold, D-a-v-i-d A-r-n-o-l-d, and I'm the president of Royal Engineered Composites in Minden, Nebraska. It was a company founded in Minden in 1949, and what we do is we build composite components for the aerospace industry. So most of the OEMs and tier ones in the aerospace industry are our customers. The process of building composite components has historically been a labor-intensive process done by hand. Most people look at it and go, it's a craftsmanship kind of a thing. It's high labor. And what we've seen is, as the industry has progressed, we've seen a lot of that competition go to countries that have lower labor costs than us. We also struggle to grow just because of the workforce issues here within the state of Nebraska. I think when I checked in-- in our county, Kearney County, for December, it was 0.8 percent unemployment. So for our comp-- company to survive and continue forward, we gotta be looking at new and innovative ways to do what we've historically done in order to continue to grow our company in Minden. Some of the ways that we're looking to do that is with automation and technology and innovation. So we actually have stood up a group of people within our company that are working to build robotic and vision systems and artificial intelligence applications to build the components that we do for our customers. It's one of those things that it's sometimes difficult to find people to help us do that, especially out in central Nebraska, and get the knowledge base and the experience that we need to kind of continue and carry that forward. Kind of my point is, we're taking technology and trying to apply it into a business that's historically been a lot of hand labor. And technology is everywhere around us. I mean, we all see that. We all know that. Ag is a huge part of the industry here in Nebraska. The amount of technology and innovation going into the ag industry is phenomenal right now. But even going to another business in Minden, Nebraska, that I'm familiar with, it's a-- a simple laundry and uniform cleaning business, and the amount of technology and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

innovation that they've applied to their process, where it allowed them to compete in that industry, is phenomenal and they need people and infrastructure and the talent to be able to deliver their components, as well, or deliver their-- their technology. So what I'm-- really, I guess I'm here today to share my support for LB699, the ability to bring technology and more technology and innovation and the skill sets and the infrastructure into the state in order to allow not only Nebraska to compete within the United States, but also would allow us to compete domestically, to help solve our work-- workforce problem and really, with technology and with the investment in innovation and technology, we as business owners and-- and business operators look at that as huge leverage for us. We're investing a substantial amount of money to grow the innovation and technology within our company. Any additional support and resources and talent, a talent pool, things like that, just helps us lever that even more, continue to grow our company and be a good citizen here in the state of Nebraska, creating good jobs and doing innovative things to help move-- move us all forward. So with that, that's my--

STINNER: Very good.

DAVID ARNOLD: --story for today.

STINNER: Questions? Seeing none, thank you.

DAVID ARNOLD: All right, thank you.

TOM WILLIAMS: Chairman Stinner, committee-- members of the committee, my name is Tom Williams. I'm the director of operations at Malnove Packaging, which is a folding carton manufacturer located in Omaha. We've been in Omaha since 1948 and we have roughly about 220 employees. And I want to tell you a success story. I want to tell you why I believe LB699 is so critical for all manufacturing companies. Over the past two years, Malnove, like many other manufacturers, has endured some very challenging times. We've adapted numerous policies numerous times, all in part to keep our doors open and provide a place where hardworking Nebraskans could earn a good income. And I'm proud to say that throughout the entire pandemic, we've had zero work stoppages and actually experienced two of the strongest years in our company's history. A large part of our success was our focus in three areas: (1) retention; (2) cross-training; and (3) technology. Many industries are increasing technology to fight the pandemic or to respond to supply chain and workforce challenges. R&D, automation, and technology adoption can help fill gaps in crucial areas coming out of the pandemic. It's no secret there are more open positions than

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

jobseekers in Nebraska. And while I can appreciate the recruiting efforts that are being made to attract people to Nebraska, I don't-- I do not believe it will be enough. Investing in automation and equipment to expand capacity will be critical. Opportunities for sales growth have never been greater in the folding carton industry, as well as many others. Simply put, if you have the capacity and can manage your lead times, growth opportunities are endless. While we continue to focus on being the employer of choice and having a flexible workforce, our biggest opportunity to grow and keep up with the demand is to leverage automation and technology. And while some of you may be thinking automation means replacing our workforce, it's just the opposite. It's actually how we grow our workforce. Over the past five years, Malnove has invested over \$30 million in capital expenditures. The majority of this investment went towards new technology, such as machines with greater efficiency. These investments ultimately increased our capacity and generated more sales and profit, while also adding skilled labor to our team. As I mentioned before, we've now reached a point where open positions outnumber job seekers. And as we look for new technology, we'll begin to focus on ways to continue to grow our business with automation, such as robotic palletizers to help us stack our cases of folding cartons on the pallets. These robots won't add additional jobs in our facility, but by adding more technology to Nebraska, we'll need a higher skilled workforce, which in turn will hopefully allow us to recruit more jobseekers. Because of the success of our robotic palletizers, we are now researching in AGVs, or automated guided vehicles, as well as other robotic technology that will help us stay competitive in the future. For Malnove, it wasn't a question of whether it would be nice to have new technology. It was-- it was and is the only way we can compete in a very competitive industry. The state of Nebraska is really no different. In order for us to stand out and attract talent, we have to be a leader in innovation and drive more technology-enabled careers. Innovation and automation will drive much of the progress and personal prosperity and economic growth over the next 20 years, and Nebraska's top economic sectors have the most to gain as a result of COVID. Lastly, I'll just add, too, you know, I don't think we're going to be able to bring people to Nebraska for, you know, \$16-, \$18-an-hour jobs. That's not going to move the needle. So by adding the technology, we're creating more skilled and more lucrative type of roles that I think that's really what's going to get us people to come into the state. So we've got a great workforce that's working right now, and we just need to keep adding to it and keep investing in it. I'm very proud that I work for a company that sees that, that gets that, and that's, again, why we've been in business for 75 years,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

almost, with some-- some very competitive-- in a very competitive industry, so thank you.

STINNER: Very good. Thank you. Could you spell your name, please?

TOM WILLIAMS: Oh, jeez, sorry, got nervous. T-o-m W-i-l-l-i-a-m-s.

STINNER: Thank you. Senator Dorn.

DORN: Yeah, thank you, Chairman Stinner. Thank you for being here. You mentioned the labor force and the-- the-- the jobs. What type of salary or what type of wage for your type of company does it take today to get an employee?

TOM WILLIAMS: So we kind of have an interesting industry in that we basically feel like we have skilled po-- skilled trade positions in our company that we can-- we can train. So we have entry-level positions that start out around \$15, and then our-- our-- some of our top printing pressmen are making over 30 bucks an hour. And that's-- that's kind of our recruiting pitch. You know, you have to start out here, but pick your career. You know, we've got different machinery. We need a little bit of both, and they don't have skilled trade schools out there that teach you how to run a printing press, so we can give you the hands-on experience and you can learn first-- firsthand.

DORN: Thank you.

TOM WILLIAMS: You bet.

STINNER: Questions? Seeing none, thank you.

TOM WILLIAMS: All right. Thank you.

STINNER: Any additional proponents? Any opponents? Anyone in a neutral capacity? Seeing none, Senator, would you like to close?

KOLTERMAN: Very briefly. As you can see, the need is there. The dollars, how do we know? How much can we allocate? We have to talk about that. But the reality is, we're in the state of Nebraska where agriculture is our number one industry, and without manufacturing, like places like Conagra and Frito-Lay and the-- even the irrigators, irrigation companies, we have three major companies in the country based right here. We have-- we have seed corn companies. They all take automation and innovation. And so I would hope that we could consider

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

moving this to some extent and look forward to the debate that we have going forward. I'd be happy to answer any questions you might have.

STINNER: Questions? Seeing none, thank you, Senator. We do have one letter in support of LB699, and that concludes our hearing on LB699. We'll now open with LB6-- or LB969.

McDONNELL: Senator Bostelman.

STINNER: Senator Bostelman, how are you?

BOSTELMAN: I'm fine, Chairman. How are you?

STINNER: I think pretty good.

BOSTELMAN: It's early in the afternoon.

STINNER: Go ahead. Do you want us to change the sign up there?

TAMARA HUNT: Oh, no, it is LB1100.

STINNER: Oh, excuse me. I made a mistake. I'll have to resay that. We are now hearing 11-- LB1100.

BOSTELMAN: Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Bruce Bostelman, spelled B-r-u-c-e B-o-s-t-e-l-m-a-n, and I represent Legislative District 23. I'm here today to introduce LB1100, which would appropriate \$1 million of ARPA funding to a political subdivision in the state that owns or operates a nuclear plant. The funding would be used to conduct a feasibility study to assess existing electric generation facilities and their compatibility with being replaced by resilient green infrastructure investment advanced nuclear reactor technologies. The American Rescue Plan Act of 2021 set aside funds to be utilized by state and local entities impacted by COVID-19. After this act was promulgated, the U.S. Treasury Department issued a State and Local Fiscal Recovery Fund Final Rule. This rule, published in Federal Register Volume 87, Number 18, January 27, 2022, lists some areas not explicitly incorporated into the act that would be potentially eligible for the funding. On page 141 of the final rule points to, and I quote, category proposed additional enumerated uses not incorporated, end quote, which discusses other potential uses and highlights the need for addressing impact and-- impacts to low-income populations and communities. One such impact event of low income-- to low-income populations and communities of Nebraska already challenged by COVID-19 occurred in February 2021. A lack of grid resiliency

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

affected the significant portion of Nebraska's low-income populations and communities during the week of February 14, 2021. These communities were already dealing with COVID-19 effects and then on top of such, their employers were shut down as a result of necessary electrical power outages throughout the state. Thus, this low-- this loss of power affected them not only by not being able to go to work, but resulted in the loss of heating supply to their homes during brutal winter weather conditions. This event also affected livestock operations throughout the state with loss of animals or shut down animal processing facilities, thus further exasperating food supply chains already stressed as a result of COVID-19. Additionally, clinics, physicians, and hospitals treating COVID patients in February 2021 were further stressed in that their normal power supplies were gone and they had to rely on emergency backup diesel generators and reduce energy use in those facilities. This lack of grid resiliency during this weather event of 2021 impacted low-income population and community areas dealing with COVID-19 impacts. It pointed out to a need for a weather resilient green energy source of power to produce-- to businesses, homes, and the medical industry. Likewise, during this extreme weather event in February 2021, backup power supplies had to be called upon to support public drinking water purification systems throughout the state. This is important to note because in the Treasury Department final rule, final rule page 272 of the Federal Register page 4411 pointed to encouragement of green infrastructure investments to improve resiliency for our water supplies. Such a green infrastructure investment could include use of advanced nuclear power supplies that are zero carbon emitted. Advanced nuclear power supplies could power both small- and large, large-scale municipal water purification systems, essentials for supplying clean drinking water to medical communities, low-income populations, and all communities. Therefore, I propose that investment in a feasibility study for advanced nuclear power technologies to be potentially deployed in Nebraska falls within the qualifications of ARPA funding. With this funding, we can identify utilization of green infrastructure investment, areas that would support grid resiliency important to low-income populations and communities impacted by COVID-19, not only supporting keeping the lights and heat on, but also powering important other ventilation systems, water treatment systems, and enabling hospitals to operate at peak capacity. I received a letter from the Nuclear Energy Institute, which I have handed out to you all, which provides additional information about advanced nuclear reactors and the importance of this technology. It also provides an insight into where these reactors are currently operating or being constructed around the globe and in the United States. I ask for your support in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

advance-- advancing LB1100 to General File and I'll take questions that you may have. And there will be those behind us on some technical questions that can answer those as well. Thank you.

STINNER: Senator Wishart.

WISHART: Senator Bostelman, thank you for introducing this bill. It's good to see you. My understanding is that the federal government is moving to invest significant amounts of money in these types of technology breakthroughs when it comes to nuclear. Would this bill offer us an opportunity to position ourselves as a state for drawing down further federal dollars?

BOSTELMAN: Oh, most definitely, yes.

STINNER: What kind of timeline for permitting on something like this that what you're proposing--

BOSTELMAN: As far as permitting for--

STINNER: OK, we do the--

BOSTELMAN: --meets-- meeting the DOE--

STINNER: Yeah.

BOSTELMAN: --requirement? I think it's a fairly short fuse on this-- maybe someone behind me, but I think it may be in the May/June time frame that we have to have-- the final rule just came out yesterday, day before on it.

STINNER: OK, very good. Thank you.

BOSTELMAN: Um-hum.

STINNER: Any additional questions? Seeing none, thank you.

BOSTELMAN: Thank you.

DANIEL BUMAN: Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Daniel E. Buman. I'm-- D-a-n-i-e-l B-u-m-a-n. I'm the director of nuclear oversight and strategic asset management at Nebraska Public Power District. In addition, I'm a volunteer committee member for the first Nebraska Advanced Nuclear Forum. I've been employed at NPPD for almost 35 years and during this time, I've had the opportunity to hold various positions in engineering, regulatory affairs, and project management

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

in support of Cooper Nuclear Station. I'm testifying today in favor of LB1100 on behalf of NPPD and the Nebraska Power Association, which represents all of the 161 public power utilities in the state. As part of a diverse energy portfolio, NPPD is committed to the value of nuclear power to provide reliable baseload carbon-free energy. The safe and reliable operation of Cooper Nuclear Station allows NPPD to provide approximately 65 percent of the electricity for Nebraska customers carbon free over a rolling two-year average. The next generation of small modular reactors are based on a much smaller design that can be constructed together in a modular fashion, resulting in a smaller footprint and reduced construction costs. This smaller footprint can be utilized to colocate with existing infrastructures, further reducing the overall cost of new generation. In addition, the designs include a variety of new technologies, each with its own specific combination of value propositions such as heat storage capability, load-following capability, increased efficiency of hydrogen production, as well as other attributes. These attributes, matched with existing or proposed infrastructure, can further enhance the economics of the new generation facility. Siting studies are needed to identify the best combination of features and locations to maximize the value for Nebraska. While the design and construction of the various technologies are in different levels of progress, some modular nuclear facilities are scheduled to come online in the United States later this decade, starting in 2026. While the siting studies would determine acceptability of the underlying geology, hydrology, surrounding population to locate a small modular react-- excuse me, small modular reactor, it would also assess the expense required to modify existing or install new required infrastructure. We support the allocation of \$1 million for the-- from the American Rescue Plan for grants to conduct feasibility studies for the siting of small modular reactors at various locations throughout the state. We believe the siting studies to be the next logical step to investigate which of the technologies and locations would best serve the energy needs of the citizens of Nebraska into the future. Thank you for your time and I'll be glad to answer any questions.

STINNER: Any questions? Seeing none, thank you very much. Additional proponents?

JACOB MEYSENBURG: My testimony is being copied right now, so it will be just a minute. Thank you. The page has it, so. Good afternoon.

STINNER: Afternoon.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

JACOB MEYSENBURG: My name is Jacob Meysenburg, J-a-c-o-b M-e-y-s-e-n-b-u-r-g, and I'm here to testify in favor of LB1100. Sorry, I should have been a little more prepared. I didn't realize.

STINNER: He's got a long way to walk.

WISHART: It's going to take him a little time.

JACOB MEYSENBURG: OK. Should I just get started?

STINNER: Absolutely.

JACOB MEYSENBURG: OK. So nuclear power in Nebraska has been something that we've had for several decades. I am a student at Southeast Community College in the energy generation operations program. The-- OK. My apologies, I am a little nervous.

WISHART: I promise you, you know more about nuclear power than we do, so no pressure. The pressure is on us.

JACOB MEYSENBURG: OK. Thank you for that. I appreciate it. Nuclear power currently makes up about 20 percent of the United States energy generation profile. Right below coal and natural gas, it is the greatest source of green energy carbon free in the United States. It is also the greatest source of carbon-free energy in Nebraska, as it makes just up-- just over 18 percent of our energy profile. All of that comes from Cooper Nuclear Station and right now what we have in Nebraska is you have an excellent opportunity to add additional nuclear capacity. As Senator Bostelman pointed out last February, we had serious issues with intermittency in our grid and having extra baseload generation would help resolve those issues. The nuclear plant at Cooper was up the entirety of the blackout last February and was providing power to Nebraskans that entire time. The-- currently, our energy infrastructure, our baseload energy infrastructure consists mostly of coal, although there are some gas plants. We have a plant down in Hallam that's the Sheldon Coal Station and it is currently going to celebrate-- unit 1 is going to celebrate its 61st birthday in July and then unit 2 will celebrate its 54th. These are old plants and that's not unusual for coal in Nebraska. Both of the units at Gerald Gentlemen Generating Station in the southwestern part of the state, Sutherland, are over 40 years old. The unit 1 in Nebraska City's coal generating station is over 40 years old. Right now, there hasn't been a new baseload-- thank you. I appreciate that. We haven't had a new baseload large energy generation unit installed since 2009, when Nebraska City installed a second 700-megawatt coal plant. With the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

lead-up time to install new plants, we could be looking at upwards of 20 years in between new large baseload generation for Nebraska. In addition to this, LES has promised a net zero carbon by 2040. OPPD and NPPD have both promised net zero carbon by 2050 and currently, the entire plan for that has been wind and solar. As I'm sure you all are aware, you cannot produce solar panel power at night and you cannot produce wind power when the wind is not blowing. In order to overcome these intermittency issues, the current plan is to overbuild capacity and then store them in large batteries. We do not have the battery technology necessary to do this, which is why nuclear, if we're going to be moving our large public power utilities to completely carbon free, is essential if that's going to be the plan. I'm here to support this LB1100 because I think time for action on nuclear is now. Nuclear is a safe, clean technology. It's powered Nebraska for decades. There have been zero deaths attributed to acute radiation sickness from a nuclear power plant in the United States and on average, a nuclear worker receives less radiation over the course than even a flight attendant does. So we have the money and we have several exciting new nuclear technologies to explore so we should use some of this money to ensure that Nebraskans have reliable energy in their future.

STINNER: Very good. Any questions? Senator Clements.

CLEMENTS: Thank you. As a student at Southeast Community College, are you getting trained in, in nuclear technology?

JACOB MEYSENBURG: That's correct, yes. Yes, we have an instructor who spent several years in the nuclear navy and has been teaching at Southeast Community College for several years as well. And in addition, Senator Bostelman's wife Jan was a-- is a nuclear engineer who worked at Fort Calhoun Station, which closed in 2016. She also teaches classes there.

CLEMENTS: And so do people from that program get hired at Cooper?

JACOB MEYSENBURG: Absolutely.

CLEMENTS: Is that a possibility?

JACOB MEYSENBURG: Yes, there were-- we just had people from a program get hired in Cooper's last class. And we were talking about good-paying jobs, bringing them to Nebraska. The starting wage at the last class at Cooper was \$38 an hour, so.

CLEMENTS: Wow. OK, well--

JACOB MEYSENBURG: And that was a-- for entry-level position.

CLEMENTS: That-- so the-- if Nebraska did come up with some advanced nuclear, we would have some training to add to their employment needs then.

JACOB MEYSENBURG: Yes, yes. And with the closing of Fort Calhoun in 2016, there were-- there are a bunch of people who currently work for OPPD who do have experience operating a nuclear-- pressurized water reactor plants, which are what most of these new designs are, PWRs, or at least the new scale one, which is the only one that's been approved by the NRC.

CLEMENTS: Thank you.

STINNER: Thank you. Any additional questions? Senator Hilkemann.

HILKEMANN: Yeah, this, this is exciting. I, I was afraid nuclear energy was going out in the United States. You're saying with this technology, it may be coming back.

JACOB MEYSENBURG: So there was originally going to be a nuclear boom planned in the U.S. prior to Fukushima. That got the brakes put on it for the last decade or so, but there is a resurgence and new investment in nuclear technology. A large portion of the ARPA bill has devoted money to nuclear development and right now, they're building a, I believe, a 600-megawatt plant in Idaho that is a small-- it's 12 modules, a small modular reactor plant. They're building a somewhere around 400-megawatt plant that is, I believe, a molten salt-cooled reactor in Wyoming. So there are plants coming up in the U.S. that are approved and are going to be built before the end of the decade.

HILKEMANN: Good.

STINNER: Very good. Additional questions? Seeing none, thank you.

JACOB MEYSENBURG: Thank you.

STINNER: It wasn't so bad.

WISHART: You did great.

STINNER: Additional proponents? Seeing none, any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you like to close, Senator?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

BOSTELMAN: Thank you, Chairman Stinner. Thank you-- let's see-- Mr. Meysenburg for coming in today. He is one of my wife's students. I've actually sat in the class and I've watched her teach that, instruct that class a couple times. They do have a lot of young people in that class and they're looking for work. They're looking for good jobs here in Nebraska. I've handed out to you-- in the handout, if you go to the back of it, it will show you-- Senator Hilkemann, as you were talking-- what, what type of growth has happened in the country. It will show you-- one of the, one of those handouts will show you the number of companies that are designing and building and that's in the licensing process. Advanced nuclear is something that is, is growing worldwide. Also in the NEI letter, you'll see in there where Russia and China are far ahead of us. By the time we get going, we're probably about ten years behind China on building some of our reactors. So this is really an important opportunity for the state, for the nation. To answer Chairman Stinner, you asked a question earlier. I misspoke. I was thinking of my other bill that I had. This is really just ARPA funding coming in that-- any timeline deals with, with ARPA funding requirements. There is no shot clock, if you will, on this one to get done in a certain amount of time. This will allow that entity, the recipient of this to be able to do a thorough feasibility study, look across the state, what needs there might be, as Mr. Buman had commented on, and this gives us a good look in the state. You know, is this the right thing, where that might be. You'll also see on the handout 2030 is when we expect to have a significant, I guess, reduction in cost for these type of facilities because they're going to be-- there will be a lot more of them online. The initial ones are out there so production of this cost will go down and it'll be very competitive in our markets across the United States and it does provide us excellent jobs. You'll see some of the financials in there from the NEI. Economic growth within the state is significant and again, it's clean, green, carbon-free energy, so.

STINNER: Senator Wishart.

WISHART: So Senator Bostelman, you know, this study, would it allow for some of the aging coal plant-- you take an aging coal plant, for example. Would there be an ability to transition that to this small nuclear and then those people who worked at that coal plant would be able to transition over to these jobs?

BOSTELMAN: Certainly. That would be one of the-- I think that's one of the opportunities that they'll be looking at or should look at. As Mr. Meysenburg said, you know, if you look at Sheldon specifically, it's an older unit. Is that something that's time to be phased out and then

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

bring something like this in? I don't know that. You know, those type of opportunities, I think, is what this study is all about.

STINNER: Senator Clements.

CLEMENTS: Thank you. Will this study look at electricity rates, whether they can do it at, at a competitive price to the consumer--

BOSTELMAN: Oh, definitely.

CLEMENTS: --is that going to be part of this?

BOSTELMAN: Well, I would, I would assume that any feasibility study, that would--

CLEMENTS: I would--

BOSTELMAN: --you know, will be a part of it certainly.

CLEMENTS: --I would hope so. Are you-- have you any indication as to whether they can compete?

BOSTELMAN: Sure. You know, the feasibility study-- and I, I can't speak to it, but I would say, you know, there's a lot of things that go into that feasibility study. We're talking about aging units out there. We're talking about, you know, going to carbon zero, green energy. You know, what are those costs that go into there? You know, typically this fuel is a low fuel cost for it so once they're up and running, they're a low fuel cost so it does have its advantages there. Plus one thing you'll notice, if, if-- these can follow-- I'm just going to say follow renewables in the sense that we have renewables. There's times when the wind blows and when it doesn't and when the sun shines and when it doesn't, some of these plants can literally be ramped up and ramped down to follow that load. So as the need is, they can power them up, they can power them down and on existing units, that's not always the case. So these have the opportunity to really provide a significant benefit to the state, especially in the, in the carbon-neutral/zero type of environment.

CLEMENTS: Thank you.

BOSTELMAN: Um-hum.

STINNER: Additional questions? Seeing none, thank you.

BOSTELMAN: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

STINNER: We have six letters of support for LB1100. We will now-- and that concludes our hearing on LB1100. We'll now open up on LB977. Senator, how are you?

SLAMA: I'm doing well. How are you? I-- I feel a little bit nuclear today. Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Julie Slama, J-u-l-i-e S-l-a-m-a, and I represent District 1 in southeast Nebraska. I'm here today to introduce LB977, which would upgrade the electrical infrastructure in Richardson County. Falls City has almost everything going for it to make it the perfect site to grow Nebraska's economy. As a ready site with access to rail, gas, fast, reliable broadband, incredibly, and a large workforce within commuting distance, the one thing we are missing is access to the electrical capacity needed to grow. Falls City Economic Development and Growth Enterprise, EDGE, has proactively secured options on more than 1,000 acres of land situated next to both the BNSF and Union Pacific rail lines. The site has gone through several layers of review process, including site review, ops review and, most recently, rail access review. An engineering schematic has been completed with Union Pacific to create a new rail site park. This site is flanked by a natural gas pipeline and U.S. Highway 73 and has ready access to redundant fiber for broadband. Unfortunately, the site continues to lose out on potential development prospects because of our inability to secure redundant and resilient access to power. Not only is there no access-- excess power to offer to a potential project, but the service we do have is also challenged. Falls City regularly experiences power outages that affect the day-to-day lives of our citizens and businesses, and this is as a result of Falls City specifically being on its own kind of electrical island. You don't have the resiliency, you don't have the backups, so these outages are relatively common. Without upgrades to our electrical infrastructure, there can be no growth. Our local economic developer recently filled out an application for a \$900 million project looking for a greenfield site that would bring 70 new full-time jobs. We checked all of the boxes for a multitude of criteria, except that they needed access to 50 megawatts of electricity. And frust-- frustratingly, we don't have anywhere close to that, so we can't compete and we can't grow. LB977 would utilize ARPA for expanding an electrical system capacities and enhancing redundancy and resilience. This assistance would be targeted to an area that is facing economic harm due to the pandemic. Richardson County has low-income populations presumed to be impacted, and I have an updated ARPA request sheet here, as well, that I'll share with the committee. The capital expenditures will both improve

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

our public health infrastructure and address negative economic impacts due to COVID. Thank you for your consideration.

STINNER: Thank you.

SLAMA: And I'll do my best to answer any questions. I've got some experts behind me that will probably do a better job.

STINNER: OK. Questions?

HILKEMANN: So--

STINNER: Senator Hilkemann.

HILKEMANN: So the request is--

SLAMA: Yes.

HILKEMANN: --\$29 million?

SLAMA: Yes. The request is for \$29 million.

HILKEMANN: So I'm familiar with that area in that--

SLAMA: Yes.

HILKEMANN: --part of the state. Do you have enough workforce if you do get a large plant there?

SLAMA: Absolutely. That's something that our economic development coordinator will speak to, I'm sure, in his testimony. Falls City is-- if you do a 100-mile radius around the Falls City municipality, you have access to the most people out of any other community in the state of Nebraska. You can access the Omaha workforce, Kansas City, Lincoln area. We don't have a problem with people in Falls City and Richardson County in general doesn't have a problem recruiting. It's just a matter of we don't have the infrastructure on the electrical side to grow. So, yes, we've-- we've-- we've got the people ready to-- ready to come here for-- to take the jobs.

HILKEMANN: So, and you-- so, OK, and then a hundred miles, you're saying people from Kansas City would regularly come to Falls City for a job?

SLAMA: Kan-- Kansas City area is about an hour away from Falls City, just like Omaha and Lincoln, as you know, being from that neck of the woods.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

HILKEMANN: OK.

SLAMA: So, yeah, if it's a good, high-paying job, Falls City has a wonderful community, wonderful set of amenities, and is a lovely small town. I can imagine they would be interested in coming to Falls City.

HILKEMANN: OK.

STINNER: What-- who-- who services? Is it MUD or NPPD that services?

SLAMA: OPPD.

STINNER: OPPD?

SLAMA: Yes.

STINNER: And that's a public power, right?

SLAMA: Yes. There-- there is a mix. And again, our expert from Falls City can get into more detail about the municipal control in-- that works in unison with OPPD. Yeah.

STINNER: OK. Very good.

SLAMA: Thank you.

STINNER: Thank you. Proponents, please, come on up.

LUCAS FROESCHL: Sorry, guys. First-time experience here. Excited to be here. Thank you. Let's see, these two, right? My name is Lucas Froeschl, from Falls City, L-u-c-a-s F-r-o-e-s-c-h-l, director of Economic Development and Growth Enterprise in Falls City, acronym EDGE. To speak on the workforce, I've got a prepared statement here, but we've got-- everything is in place and we'd like to think that if folks who live within 100-mile radius are seeking jobs from the Omaha, Lincoln, and Kansas City metro, that Falls City would be a good place to live. They'd be close to their families. We've got 35 buildable sites for new housing ready to attract this workforce. So EDGE supports LB977 for critical power infrastructure in southeast Nebraska, for Nebraska's premier megasite. Main thoroughfares for Union Pacific, BNSF rail-- rail lines intersect in Falls City. Option land agreements on over 1,000 rail-serve acres are in place. Prelim-- Preliminary engineering plans for added rail lines have been designed and supported by UP and BNSF. Falls City is one of only a few places in the entire Midwest with this much undeveloped land at the convergence of these two railroads. It's a unique opportunity that has

yet to be exploited. The idea of this development is poised to be Nebraska's next big thing, but the priority need is access to more power. Falls City does not have enough power to even consider developing the site, let alone attract an anchor prospect. About 12 years ago, Falls City invested in Nebraska City's NC2 coal-fired plant, secured a beneficial contract for power transmission. Six years ago, the Falls City Board of Public Works spent \$11 million on a 155-ton engine for a power plant that can generate 9 megawatts as a valuable insurance policy for the community. Falls City is on an electrical island. One of the transmission line-- and the one transmission line feeding our town is sometimes disrupted, necessitating the need for in-house power generation. This investment creates value for the state's newest megasite as Falls City continues to invest in what we can control. Falls City's peak load is 14 megawatts in the summer. We have 2 to 3 megawatts available for development. The proposal, the \$900 million proposal, requires access to 30 million bushels of corn to create 70 full-time jobs, but they need 50 megawatts of power. There are-- these are the type of opportunities we're trying to capture, but a chicken-or-the-egg paradox-- paradox exists. Business won't commit to the site until there's power. Power provider often needs a commitment from the business before building an infrastructure. The ins-- the inspiration behind this bill is to bring light to an opportunity. Four-point-two million people live within 100 miles of Falls City. There's no other city in the state with access to a larger population within that radius. In the next two years, Falls City will invest \$4.1 million to upgrade the antiquated electrical distribution system that supplies power throughout our downtown district and a few neighborhoods. Some have asked, well, what are you going to do with the power if you ever get it? This reaffirms a proactive approach to ready our community when access to power is available. The upgrade is designed with an extra distribution port that's earmarked for a potential rail site development. Falls City has continued to lose citizens since the railroad operations left around 1990. The average median income has suffered. And according to the Nebraska Department of Education-- Education, 53 percent of our kids at Falls City Public schools receive free-- free or reduced-rate lunches, top one-fifth in the state. Reversing this trend is realistic with access to more redundant and resilient power. Falls City has done its part in preparing for this moment. Expanding Nebraska's transportation connectivity is a focus of Blueprint Nebraska for jobs and quality of life. The railroads exist in our backyard. We have purchase options on that land. Electrical and rail engineering plans have been developed, but our region needs

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

access to public power to capsule-- capitalize on Nebraska's next big thing.

STINNER: Thank you. Any questions? Senator Clements.

CLEMENTS: Thank you. Have you had companies come, wanting to locate at the megasite?

LUCAS FROESCHL: So not specifically the megasite yet, but we did lose out. We were-- we were on the final top three of a-- of a network, a Nebraska networking company that ended up locating in Columbus, and they said that we do not-- we're not coming because you don't have power.

CLEMENTS: Thank you.

LUCAS FROESCHL: Yeah.

STINNER: Thank you. Any additional questions? Seeing none, thank you.

TIM O'BRIEN: Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Tim O'Brien, T-i-m O-'-B-r-i-e-n. I'm the director of economic development and external relations for the Omaha Public Power District. I am-- I thank you for the opportunity to testify in support of LB977 and thank Senator Slama for the bill. The bill appropriates federal funds to the Department of Economic Development for expanding electrical system capability from the federal American Plan-- excuse me, the American Rescue Plan Act of 2021. The electrical system is an expensive and complex system. The North American power grid is often referred to as the world's largest machine. This committee has heard other site development requests, and this bill offers another opportunity to drive economic development. This program would benefit communities who are targeting specific industries in their areas. This targeted approach to economic development and site development is a best practice. As Lucas stated, from Falls City EDGE, touched on many of these points earlier and has done a nice job to plan, control and think about the future growth for Falls City. Falls City is not a direct customer, retail or wholesale, of OPPD's, but is an embedded utility with a separate and distinct service area designated by the Nebraska Power Review Board. Falls City has capability to generate their own electricity-- electricity within their electric system, but predominantly works with the munic-- excuse me--Municipal Energy Agency of Nebraska, or MEAN, to arrange for the delivery or import of power from other generators located in the regional transmission grid, including a small portion of one of OPPD's

generating facilities. In this case, OPPD has transmission and distribution facilities in that area, as do other utilities, and is directly interconnected with Falls City's utility system, thus providing them the primary conduit for Falls City's access to the larger networked transmission grid and wholesale power market in the region. OPPD has completed some system upgrades in this subregion, as we call it, of our system in recent years to increase capacity to accommodate planned growth. However, the types of large industrial growth loads Falls City is seeking would require much increased in-- much increased upgrades to the electrical system, well and above what OPPD has planned and completed. We've worked closely with Falls City on the system planning options, and transmission expansion would further benefit the subregion with enhanced reliability, resiliency, along with adding transmission capability to facilitate future growth. You might ask, why doesn't OPPD just pay for these upgrades? Large system upgrades do not occur every day. There are other electric utilities also in this area as well. To date, OPPD has not built large system upgrades for speculative loads or projects early in the longer planning horizon without a firm customer or revenue justification for the expense. We have a detailed planning process in coordination with other utilities and our regional transmission operator, the Southwest Power Pool. This program is thoughtful for today and for the future. It would encourage partnerships and would be a great use of funds to help with economic development in southeast Nebraska as a one-time capital project for ARPA funds. Thank you for your consideration of my testimony, and I'll answer any questions that you may have.

STINNER: Any questions? Senator Kolterman.

KOLTERMAN: Thank you, Senator Stinner. Thanks for being here.

TIM O'BRIEN: Yeah, you bet.

KOLTERMAN: I've-- I've had an opportunity to visit with the bringer of the bill and kind of understand the situation. Having once worked for a company that sold distribution lines and distribution materials, you guys, do you have any distri-- or, I mean, any transmission lines in the area that could-- that could feed to them, and how big are they?

TIM O'BRIEN: Curr-- so, Senator, if I can maybe make sure I'm understanding your question, you're-- you're asking about, does OPPD have transmission lines in the area and then what are the-- the size or capability?

KOLTERMAN: Correct.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

TIM O'BRIEN: Yep, you bet. We have a 69 kilovolt system that's right around the Falls City area that interconnects just on the edge of town. So OPPD owns and has the transmission system that's then transformed to the local distribution system that Falls City has in and around their service area and then the-- the site that Lucas spoke of.

KOLTERMAN: So if I'm correct, what you're saying is you already have a system in place, but it's only 69 KV.

TIM O'BRIEN: Correct. We have a--

KOLTERMAN: Is that not big enough to handle the demands that they're talking about?

TIM O'BRIEN: Correct, yes. So we have a system in place, but for the type of growth that's being sought, a new system, or actually an addition to our system, south of that could be built out to increase more capacity to the area.

KOLTERMAN: How big would that have to be, be 45 KV?

TIM O'BRIEN: There's some things that we can-- we can do. We would likely go to our next higher voltage, which is 161 KV, is how our system operates. We'd look at that and then another interconnection into the Falls City area. So there would be pretty sizable upgrades really within the whole southeast part of the state of Nebraska to support more growth.

KOLTERMAN: So is-- is it fair to say that Falls City is being penalized because years ago they took on their own power system, their own residential distribution in the community, and now they want to grow, but it's going to cost millions of dollars and OPPD or NPPD or Kansas City Power and Light, or none of them want to service that? Is that-- is that an unfair statement?

TIM O'BRIEN: It's a great question, Senator. I would say maybe it is a little unfair, if that's OK. If I-- if I can explain just a little bit more, it's an excellent question. So part of it is local decisions and local decisions that have made-- that have been brought to this point. I think there are solutions. We had a great lunch of talking about cost sharing, and right now OPPD isn't receiving revenues because we're not selling electricity into Falls City. They have a small output of our power plant, but-- so there's a revenue source to justify upgrades. I think that's one piece. We had a similar situation, actually, nearly like this with the city of Fremont. They

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

were seeking to grow. This was ten or so years ago. So we worked with them to build a line from Fremont to Blair. It was close to some of our other interconnections, so costs were shared to construct that line. So there's been solutions around these types of issues, and I think there's opportunities to do that. This bill does a good job of helping fill in sort of that gray area, so to speak.

KOLTERMAN: So when you did that between Blair and Fremont, who paid for that?

TIM O'BRIEN: We shared costs.

KOLTERMAN: With Blair and Fremont?

TIM O'BRIEN: Um-hum, with Fremont and OPPD, to be specific.

KOLTERMAN: OK. Was the state involved in any way?

TIM O'BRIEN: Don't believe so.

KOLTERMAN: Wouldn't it be prudent for you to do the same thing here?

TIM O'BRIEN: It could be. In-- in the instance with the Fremont line, we had a-- OPPD had a system need as well. To date, we don't have a system or customer need in Falls City, so the revenue source isn't-- isn't there, frankly.

KOLTERMAN: But it would be if everything else is accurate, what I'm hearing.

TIM O'BRIEN: No.

KOLTERMAN: And if they got the demand, I mean, they've got people that are wanting to come.

TIM O'BRIEN: Yeah.

KOLTERMAN: I mean, I-- I had the similar situation in Fremont and Blair.

TIM O'BRIEN: It would be-- it is a little similar, but with Falls City, we are not the electric service provider, so we'd be building the interstate--

KOLTERMAN: I get that, but they're asking you to help them.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

TIM O'BRIEN: Correct. So it's just a justification of cost. Do we build an interstate system, so to speak, with no revenue or use? That's-- that's the quandary that we're in.

KOLTERMAN: So when-- when OPPD or NPPD or Kansas City, whatever, builds power lines, does the federal government ever help with any of that other than through ARPA type of funds?

TIM O'BRIEN: They-- they're-- the infrastructure package that was passed in November, December, is-- is part of that. And then transmission lines are also contributed by the regional transmission organizations that we're part of. And so if there's a need, the regional transmission organization, or the Southwest Power Pool, in this case, if they see an imminent need, they will put that in their model and the-- the boards of those entities will make decisions to socialize or share transmission costs to move electricity between states and regions. So in essence, there are other entities that pay for transmission lines. So OPPD has been the beneficiary of some of those improvements that are paid by region or regional pool, and that's one of the major reasons why we're part of the Southwest Power Pool. So if we had a customer and-- and knew they were coming, there could be some-- that's just another benefit of the chicken or the egg, of do you build it or you don't.

KOLTERMAN: Which one, the chicken or egg?

TIM O'BRIEN: Unfortunately, yeah.

KOLTERMAN: Thank you.

TIM O'BRIEN: Very good questions.

STINNER: Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you for coming. I think Senator Kolterman is on the right track. So you said OPPD hadn't planned or completed any kind of these projects, and that's because you don't know if there's going to be a demand or a use or be able to sell like crazy to those people, is that correct?

TIM O'BRIEN: That's a good part of it, yes, sir.

ERDMAN: So if you haven't decided-- you decided that's not a good idea to do that, why is it a good idea for us to put ARPA money into something that we don't know if they're going to use it? So why can't we use the same scenario why we shouldn't do this because you decided

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

not to? Tell me where we-- why we should do this. If it's not economically feasible for a private company or a publicly owned utility to do it, why should the state do it?

TIM O'BRIEN: Wonderful question, Senator. Couple thoughts come to mind. So we've been focusing on the-- the new customer, potential growth perspective. I would say the benefit from the state and the ARPA funds, as I understand, that there's a desire to look towards, you know, one-time capital projects that help with res-- resiliency or reliability or the support of the reliability of the city of Falls City, so the-- all citizens, in my opinion, would receive benefit from the re-- the reliability aspects that would be included for the city of Falls City, and then good part of southeast Nebraska would also have that benefit as well.

ERDMAN: But it's this committee's job to try to decide how to best spend those ARPA dollars to make the best return on our investment. So if you don't think it's a good investment to build that, why should we spend our ARPA money to do that?

TIM O'BRIEN: That-- I-- Senator, I gave you the best answer I have, and I think that's the tough decisions that you'll have to make about how-- how you prioritize these.

ERDMAN: I-- I think probably Senator Kolterman was onto it when he said they're being penalized because they chose to do their own generation back-- whenever they decided to do it. That looks like that's what it boils down to, to me.

STINNER: Additional questions?

ERDMAN: Thank you.

STINNER: I'm sorry, didn't mean to interrupt you.

ERDMAN: I'm done.

STINNER: Additional questions? Seeing none, thank you.

TIM O'BRIEN: All right, thank you.

CHRIS DIBBERN: Good afternoon, Senator Stinner, members of the Appropriations Committee. My name is Chris Dibbern, C-h-r-i-s D-i-b-b-e-r-n, and I'm the general counsel and a registered lobbyist for the Nebraska Municipal Power Pool and also for the Municipal Energy Agency of Nebraska that was mentioned earlier. We are MEAN, but

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

that's just an acronym, not our attitude. So MEAN se-- we serve about 200 small communities in four states, and we are very supportive of LB977 and thank Senator Slama for bringing this bill on behalf of using federal funds in this way. Communities that lack redundant transmission paths are vulnerable to extended outages in the events of storms or equipment failure, so the first reason is really reliability. And OPPD runs a very good, reliable operation, but, as you've heard, there's not a redundant system in Falls City. Falls City has some small backup generation, this-- this 90 megawatts, for-- for that reason, to help power the town, but it's also critical to have a grid deliver power to them. Sometimes, when you're at the end of a transmission system like Falls City, there are difficult grid decisions to be put into place. How redundant do you make it? Chicken and the egg, that we've talked about. What-- what about future growth? Do we build it and they come, or do you wait for them to come and then reinforce it? So the second reason is the economic factors that you've heard about from EDGE and the economic development organization. The current lack of additional capacity doesn't allow for a lot of future development in the city. Businesses require adequate and dependable power supply for them to function. Projects of this type, that we heard about that could come, create the necessity-- the-- the necessary infrastructure to attract them and also retain them. Measures like this improve economic development for the entire southeast Nebraska. So I know you're going to hear a lot of requests all over the state, four times the amount of what we have to give, but I also think, in fairness, to take a look at the regions and where they could put infrastructure and where it might get more for-- bang for its buck. The Municipal Energy Agency helps Falls City schedule their power, so we don't deliver power for them, they're not part of our buying club, but they're a service power-- service provider. So we help them schedule power into southwest public-- Southwest Power Pool and also look at their generation, that standby generation, where we can use it, where their system is connected to Nebraska City too. So we're not their power supplier, but we're their partner. And-- and this is not uncommon. We represent dots on the map, municipals, and Grand Island operates its own system, Fremont operates its own system, Hastings does, Nebraska City does, so we're all public power, but in it, just-- just like there are REAs, there are NPPD wholesale and retail towns, MEAN has a collection of towns, and then there are municipalities that are independent, can work tog-- work on their own. Any questions?

STINNER: Questions? Senator Hilkemann.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

HILKEMANN: If they had a commitment from XYZ to set up this, dependent upon getting this, how long would it take to put this in place?

CHRIS DIBBERN: Well, you have to put a study into SPP and ask for a-- you get in the queue, get in the line, and say, I need transmission from A to B, and that study might take six months to a year. It also is-- that-- that's-- that's the study part of it. So I-- I'd say you're looking at least a year to get the study approved and-- and into the system.

HILKEMANN: So the study, that doesn't-- that doesn't get you the electrical supply.

CHRIS DIBBERN: It does not, but that-- it does not, but it gets you into the queue.

HILKEMANN: How long from the time of the study until you can get the supply there?

CHRIS DIBBERN: That I don't know. I don't-- the-- the great transmission operators in the state probably know that answer.

STINNER: Additional questions? Seeing none, thank you.

CHRIS DIBBERN: Thank you.

STINNER: Additional proponents? Any opponents? Anyone in the neutral capacity? Seeing none, Senator, would you like to close?

SLAMA: Yes, very briefly. Thank you, Chairman Stinner. Members of the committee, I'm really grateful for the discussion we were able to have today, not just about a concept of economic development in Falls City, Nebraska's furthest southeast county seat that finds itself on an electrical island, but also talk about the issues in Falls City related to electrical reliability, because I do think that is another big issue that this committee needs to consider. We have a city of 4,000 people in our state that regularly has power outages because of a lack of redundancy in the system. To Senator Erdman's line of questioning, which I thought was fantastic, in terms of the investment of state dollars into this project, when you're weighing the benefits, if you're just OPPD or you're just the state or you're just Falls City, you're right, standing alone, probably not going to be a good investment of your resources. But if all three of these entities can come together and invest in this project, we're going to be setting Falls City up for success for generations to come. And I'm more than happy to answer any questions you may have. And also a question was

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

raised about how long it takes to actually get the power flowing once the project is approved and the study happens. So a year for the study and then two to three years to actually get the power going after that, so you can imagine, for the chicken-and-egg issue, if you're an economic development project, you're not going to be sitting around for three to four years for this power supply.

STINNER: Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, Mrs. Slama.

SLAMA: Mrs. La Grone, Mrs. Slama, I've been called worse things today.
[LAUGH]

CLEMENTS: The \$29 million. I'm wondering if this-- would that do the whole project or are there other partners that would contribute some of the cost?

SLAMA: That \$29 million would be the full upgrade, and I am absolutely open to negotiations. I think OPPD and Falls City would absolutely come to the table to talk through other options if the \$29 (million) figure is not attainable.

CLEMENTS: OK, yeah, I was wondering if-- if they've shown any willingness to contribute to a project like this. You think they have?

SLAMA: Well, there's a reason why we're asking for money from the state government. I-- I think this is a very good motivator to bring the parties to the table because this is a discussion that's been happening for well over a decade now, so.

CLEMENTS: Thank you.

SLAMA: Thank you.

STINNER: Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Senator Slama, you may--

SLAMA: Yes, sir.

ERDMAN: --know the answer to this or you may not, but I'm going to ask. This isn't something that come up yesterday.

SLAMA: That's correct.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

ERDMAN: They've been working on this. How long has this been an issue? How many years have they been talking about this?

SLAMA: Oh, boy. As far as I remember, which is not too terr-- terribly far in terms of years, but at least for the last decade or so. This is an issue not in just bringing a big economic development project to Falls City, but also just long term how can the community grow, even smaller amounts, because they're essentially at their-- their limit.

ERDMAN: It just seems to me that if OPPD understood that, they'd have made plans long ago to help out before they got this far.

SLAMA: There have been many discussions towards that end.

ERDMAN: That's my opinion. Thank you.

STINNER: Thank you. Additional questions? Seeing none, thank you, Senator.

SLAMA: Thank you.

STINNER: We do have one letter in support of LB977, and that concludes our hearing on LB977. We'll now open up on LB969. Senator Dorn.

DORN: I'm back again. So thank you. Thank you for having the time to introduce the bill, LB969. Good afternoon, members of Appropriations Committee. My name is Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30, which is Gage County and southeastern Lancaster County. I'm in-- I am introducing LB969 for your consideration. This bill would appropriate \$10 million of American ARPA funds to support and improve the reliability and resiliency of the electric grid in Nebraska. We all know that when we have widespread power outages, downed power lines, and disruption in service, how our daily lives are negatively impacted. This summer I went to a convention up in South Dakota. I left home about 5:00 in the morning, and this was right-- the morning of the windstorm that came across Nebraska and Omaha that affected all that region, drove down interstate between Aurora and Grand Island, drove across the big power lines that had fallen down that day. About an hour later, I heard on the radio that the interstate was closed because of the power lines down that day, so that was a little interesting. When I went across it at 75 miles an hour, nobody had a stop sign out there or whatever, so that was kind of part of-- later in the day, I realized all what the news and everything and what had happened in Omaha and parts of the state of Nebraska. LB969 would allow the Department of Environment and Energy to provide grants for electric infrastructure projects to address such

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

things as obsolete overhead conductors, antiquated underground cable, or problematic distribution lines. Grants could also be used for deployment of advanced metering infrastructures, which are called AIMS, and an integrated system of equipment, communication and information management systems, for utilities to remotely collect customer usage data in real time. I'm an offering [SIC] amendment which would replace the reference to the electrical infrastructure pro-- pro-- project and insert "entity," reducing-- reducing a grant from \$2 million to \$1 million, and that would add per year. So basically, the amendment would give an entity of \$1 million of grants per year. Part of what we did with this-- OPPD originally came to me with this-- we also incorporated all of the-- a lot of the electric companies in the state of Nebraska, and this was added in there so that one company can take and basically take a good share of the project. This is to spread this out across the state of Nebraska. I would ask the committee to adopt the amendment and include this bill in the ARPA proposals. I guess, thank you, and if I [SIC] have any questions, and there will be some people behind me that'll answer some more of the technical stuff and how they are looking at maybe using some of these funds.

STINNER: Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Senator Dorn, thank you. So who would be eligible for these grants? Would it be-- it would be the transmission people? It wouldn't be the, necessarily, local REAs, would it?

DORN: No, we have been visited by cities even, also, that could possibly be eligible for these grants too. I know some of the cities in my area have installed over the years, they've installed the electronic equipment whereby meters are read electronically instead of having a person go around. So this is open to more entities than just the big-- well, the bigger ones like OPPD and that.

ERDMAN: Ten million one time?

DORN: Ten million one time, and then it would-- part of what we did with amendment was to pare that down so that somebody like an OPPD or-- or LES couldn't come in and use half of the grant or whatever. This is so it's disbursed across a wider area and used by more entities.

ERDMAN: So who's going to manage this fund? Where is it going to go?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

DORN: This is going to the Department of Environment and Energy.

ERDMAN: OK.

STINNER: Additional questions? Seeing none, thank you, Senator.
Afternoon.

DANNIE BUELT: Good af-- good afternoon Chairman Stinner, members of the committee. My name is Dannie Buel, D-a-n-n-i-e B-u-e-l-t. I'm director of engineering for Omaha Public Power District, and I'm a first-time testifier. I thank you for this opportunity to testify in support of LB969, a bill to appropriate federal funds to the Department of Environment and Energy to improve reliability and resiliency of the electric grid from the federal American Rescue Plan Act of 2021. I especially wanted to thank Senator Dorn for introducing this vitally important bill. The Nebraska Power Association also supports this legislation. OPPD, a political subdivision of the state of Nebraska, is a publicly owned electric utility engaged in the generation, transmission and distribution of electricity. OPPD serves an estimated population of 855,000 people in a 13-county, 5,000-square-mile service area in southeast Nebraska. OPPD supports LB969, which establishes a \$10 million grant program to support activities that reduce the likelihood and consequences of impacts to the electric grid due to extreme weather and accelerate asset management programs to improve system reliability, resiliency and public safety services for our customers. The following would be eligible for funding in the grant program, amongst others: installation of communicating or smart reclosers; replacement of obsolete overhead conductor; replacing aged underground cable, increased vegetation management, and undergrounding of targeted problematic distribution lines. It would also include the use and deployment of advanced metering infrastructure to allow for technology investments that enable the use of data analytics software as a service, the integration of distributed-- distributed energy resources, and to mitigate the impacts of extreme weather by using technology to read, monitor, and support these meter systems. OPPD and our customers just experienced a storm that we'll never forget. The July 2021 storm, with wind gusts over 90 miles per hour, was one of the most severe OPPD has-- has seen in recent history and caused almost 188,000 outages. By comparison, the Father's Day tornadoes in 2017 had outage numbers around 75,000. At one point, we had close to 1,000 people working on our system from several states and utilities. Downed limbs and debris added complexity to the restoration process. The proposed infrastructure grant program would have a positive impact on reliability and would minimize the time, scope, duration and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

severity of outages as restoration efforts, while also-- outages and restoration efforts, while also increasing safety services for urban as well as rural customers throughout the OPPD service territory. All of this is to say that the damages caused by the July storm were not due to any disregard on the part of OPPD of the importance of storm hardening and upgrading our transmission and distribution systems but, rather, due to the unprecedented strength and force of the storm. These events have given urgency to efforts to offer electric utilities credible tools to toughen vulnerable transmission and distribution infrastructure. This will increase our reliability and resiliency while also reducing the severity of outages, all while maintaining the highest levels of public safety services. Thank you for your consideration of my testimony, and I'll answer any questions you may have.

STINNER: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you for coming. Have you seen the-- maybe you haven't seen the fiscal note, but the fiscal note says you're going to do one full-time employee for '22-23 and then one for '23-24. How long will that employee be needed? How many years will it take before this money is used up? How long is the grant process? Is it like two years or do you have-- do you have information on that?

DANNIE BUELT: If I understand your-- your question correctly, how-- how fast could we consume the dollars? We have several very significant infrastructure investment programs already at OPPD and-- and the ability to use this, this funding, to help accelerate some of those programs, we could use up the--the money easily within a year.

ERDMAN: Because it says going to have a full-time employee for two years, I just wondered how long the program was going to be set up. Maybe someone else after you [INAUDIBLE].

DANNIE BUELT: Yeah, I might-- I might not have the right answers for you on that one, but I can check and get back to you.

ERDMAN: Thank you.

STINNER: Additional questions? Seeing none, thank you.

DANNIE BUELT: Thank you.

KYLE KALDAHL: Chairman Stinner and members of the Appropriations Committee, my name is Kyle Kaldahl, K-y-l-e K-a-l-d, as in "delta," -a-h-l. This is my first time testifying and it's an honor and a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

privilege to do so. I'm a budget and cost analyst and current project leader for an advanced metering infrastructure project with the Nebraska Municipal Power Pool, a not-for-profit coalition of approximately 200 towns across the Midwest. We are in support of LB969, and I'd like to thank Senator Dorn, both personally as a resident of Bennet, Nebraska, so thank you for representing me for District 30, and professionally for introducing this bill. There is a real need for advanced metering infrastructure in our small rural communities. AMI automates meter readings. It increases reliability and prepares the electric grid for the next generation of challenges, including rates, load management, rate structure, rate philosophy, cost recovery. It saves time. It saves money. A lot of our smaller rural communities have a lower population density with potential larger geographic service areas, and this can result in potentially up to two days a month of meter reading, driving around, walking on property. We currently, at NMPP, have a dozen communities standing ready to install this new technology with a program that we launched last year. We are asking for the use of the federal funds for three reasons. First, LB969 is consistent with the American Recovery Act because it is a safer and healthier way to provide services. It eliminates the need to walk on someone's property to read a meter, and it does take cars off the road as we drive around to gather those meter readings. This is clearly one of the safety features of the American Recovery Act. Second, these meters can be used for water, natural gas, and electricity. The communities will buy the meters, but the beauty of this project that NMPP is-- is leading is eliminating the need for an IT person in each community to han-- handle the back-end data through a data management system. This is what LB969 is providing, the initial upfront, back-end infrastructure for each of the communities to set up the service. And third reason LB969 would-- would be funds well-spent that are easily accountable to the Department of Environment and Energy on utility projects that are ready to go and will help dozens of small towns in Nebraska and thousands of citizens. That ends my testimony. Do you have any questions?

STINNER: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Stinner. Thank you for coming today. So you're going to put in these meters that can be read from your location, wherever headquarters is. And so I understand that there's going to be a savings because you don't have people driving around out there?

KYLE KALDAHL: Right.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

ERDMAN: You don't have a people-- person go out to read that, but you're going to replace that person with an IT person in the office to read the meter, is that correct?

KYLE KALDAHL: So that's what-- that would be a challenge for these small communities is they would not be able to-- that'd be cost-prohibitive for them to replace it with an IT person. So this, when I said two days a month, you're not going to lose that employee. They're not going to get rid of the meter reader. But from a person to manage the data, manage that back-end data, they would need to go out and hire a new individual if that was-- if they were doing this on their own. So our project, we are managing the data for them. They have access to their data. They can read their data, but they don't have to worry about-- if it goes down, we are there to support them.

ERDMAN: So let me see if I understand this. So that person is not going to be eliminated from the company that used to read to meters.

KYLE KALDAHL: From the utilities, right.

ERDMAN: But you're going to hire somebody else with an IT degree or an IT position to read the meters and you're not eliminating that person, so how is this an effective cost saving to the electrical utility company when you haven't saved any money because you're not eliminating a person? All you're eliminating is the amount of time they're driving around.

KYLE KALDAHL: So you do save the time. Now when we have a dozen communities, that is a dozen individuals that can be managed by this one system. So NMPP, we will manage this system, this back-end system for the initial dozen and potentially dozens of communities as this project is rolled out. So that will be cost savings that, both from a personnel perspective but also from that back end, it costs mon-- money to set up that data management system. So you are paying for that data management system for each community, and by centralizing it and coming together, those 12 communities, they are now paying for one centralized data management system rather than each of them individually paying for their own.

ERDMAN: So how much cost savings would there be to a local utility to have their meters read that didn't have-- you're not eliminating the person.

KYLE KALDAHL: Right, right.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

ERDMAN: And so let me give you an example. Back in the early '80s, I was on a co-op board and we were going to start using computers. We didn't have computers. And so the sale to us was we're going to be able to eliminate people in the office when we go to these computers and at the end of five years, when they fully implemented the computers, we had four more people than we had before we started that. And so the cost savings was nothing, so my opinion is you're going through these automated machine-- or meters to read that and send the information in, but you're not eliminating any people to go out in the coun-- those two people, those people are still going to be there, so the cost savings may be minimal, if anything to do this.

KYLE KALDAHL: So-- so our cost estimates for this back end, initial, up-front, are anywhere from ranging \$600,000 to a million dollars. And if each town went out individually, they would be having to spend those dollars by themselves versus splitting that \$600,000 to a million dollars 12 ways, or more ways as we continue to grow this-- this service.

ERDMAN: So why don't they just keep reading them like they have? It doesn't cost \$600,000 to a million dollars to do that.

KYLE KALDAHL: Correct. Now the meters, the meters are the cash register for these communities. So when an-- an outage occurs at a-- whether it's in residential or large commercial, that is what keeps these-- that is how they recover costs. And with advanced metering infrastructure, they're going to be able to see instantly that meter's down, get someone out there, versus right now, when they're re-- reading it, they might get to the end of the month and realize, oh, wow, that meter failed shortly after we read and we missed a full month of revenue.

ERDMAN: I see. OK.

STINNER: Any additional questions? Seeing none, thank you.

KYLE KALDAHL: Thank you.

STINNER: Any additional proponents? Seeing none, any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you like to close, Senator?

DORN: I'll waive.

STINNER: Senator close. We do have one letter in support of LB969. That ends our hearing on LB969 for today. We'll now open with LB1125.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

AGUILAR: Thank you, Senator Stinner. Members of the Appropriations Committee, good afternoon. My name is Ray Aguilar, R-a-y A-g-u-i-l-a-r. I represent Legislative District 35, which includes Grand Island. Today, I'm here to introduce LB1125. During the session, you've heard many stories from across the state of how Nebraskans have been negatively impacted by the COVID crisis for the past two years. We are still dealing with COVID, as well as supply chain issues that have developed from the crisis. Last week Senator Groene appeared before this committee introducing LB788, which asked for \$50 million from the Nebraska Rural Projects Act to fund new rail projects designed to help alleviate some of these supply chain issues. Applications for the Rural Projects Act to fund these projects totaled \$73 million in requests on the first day alone. That covered four communities. Other communities have expressed interest in participating in the program if funds are available. There are two overriding themes during the 70-- LB788 hearing. The first was the urgent need for the development of our rail infrastructure. The second was the massive potential economic benefit to the local areas and the entire state if we can fund these projects. These projects will draw workers to our railroad communities, strengthen our workforce, and potentially produce billions in economic benefits for our state. LB1125 asks that \$75 million from the Coronavirus State Fiscal Recovery Fund, as part of the American Rescue Plan Act of 2021, be appropriated to the Department of Economic Development. The DED shall provide grants for new construction of industrial railyards. LB1125 is meant to be another path forward to these funds, these rails projects, and the Nebraska Rural Projects Act cannot meet these needs. Some of the speakers today may be some of the same people you've already heard from over the past several weeks. Some of the testimony may sound familiar to you, but I appreciate their dedication and their hard work to ensure the future and sustainability of Nebraska's railroad infrastructure. Nebraska has the potential to be able to help alleviate national supply chain problems, as well as being able to meet our own needs. We need to have the foresight to build these projects, which we will turn-- in turn build a stronger Nebraska workforce and stronger Nebraska communities. Thank you.

STINNER: Additional questions? Seeing none, thank you.

AGUILAR: Thank you.

JONATHAN JANK: Hello again.

STINNER: Good afternoon.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

JONATHAN JANK: Chairperson Stinner, members of the Appropriations Committee, my name is Jonathan Jank, J-o-n-a-t-h-a-n J-a-n-k, and I serve as the president and CEO of the Seward County Chamber and Development Partnership, and SCCDP is our acronym. We're the sole combined chamber of commerce and economic development organization in Seward County, with a standing membership of approximately 280 public and private sector business partners. I'm also an active member of the Nebraska Economic Developers Association, or NEDA, and I'm the immediate past president of the Nebraska Chambers Association. I'd like to go on record as a representative of Nebraska Economic Developers Association and enter this written testimony in support of LB1125. The COVID-19 pandemic has disrupted our supply chains, causing revenue loss, price hikes, and empty shelves. Kansas City Federal Reserve data indicates that supply chain challenges disproportionately hinder states in the Midwest, such as Nebraska. As of January 2022, 50 percent of Nebraska's small businesses were still reporting supply chain disruptions and delays of some type. While the topic remains a complex issue, solutions are available that aid in the rhythm of supply chains, while also bolstering economic development. An investment in rail parks will markedly expand and expedite critical infrastructure and site development efforts planned in communities today. As transportation bottlenecks are eased and production is localized, the inflation impact and quality of life for Nebraskans will subside and be replaced by economic security and resilience. Nebraska's-- Nebraska cities will better be able to retain and increase high-wage, high-demand jobs and attract new families to their communities. The substantial investment described in LB1125 will help create further investments in Nebraska's high-growth sectors across all regions. In my recent testimonies for LB788 and LB1033, you heard me tell the Seward County story. I shared how an initial \$75,000 investment in site due diligence by the Nebraska Department of Economic Development led to the city of Seward investing \$7.8 million in the Seward/Lincoln Regional Rail Campus, which attracted \$126.2 million investment from Petsource by Scoular. These sequential investments have tremendous-- made tremendous impacts in both our local economy and the state's. Today, I want to emphasize the mathematical necessity of the funds in 11-- LB1125. Thus far, the state has already received \$73 million in Nebraska Rural Projects Act funding requests from communities across the state to support their rail park developments. This figure does not include the additional \$30 million that Seward County is preparing to request, nor does this figure include any requests from Lincoln or Omaha, both of which will benefit from rail park investments to support their continued growth. Between LB788's \$50 million and LB1033's \$10 million funding request

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

towards rail park development, the \$75 million in LB1125 is critical to prepare the shovel-ready sites around the state for success. I recently spoke with a mentor of mine who has served in economic development role for nearly 40 years in the state of Nebraska. I asked him if he had seen funding for economic development site readiness to this magnitude before. He confidently answered: not during my career. LB1125 provides a once-in-a-generation opportunity to invest in shovel-ready sites that can attract and retain investments and jobs in the state of Nebraska like we haven't seen in 40 years or more. Thank you for your time and consideration of support.

HILKEMANN: Any questions from the committee? Yes, sir, Senator Erdman.

ERDMAN: Thank you, Senator Hilkemann. Thank you. Thank you for coming. You're not the first one to say that we have supply chain problems. So the-- the problem is the products aren't there to be shipped. So how does having a rail gonna solve the problem of finding something to ship? We heard earlier today that people said there's no products out there to be bought. And so if there's not-- how much solution is there for having a rail when you can't have any product to ship? How does that solve that problem?

JONATHAN JANK: Right. So I-- I think, from-- from the perspective of supply chain issues, we need to localize our manufacturing to create products locally so we're closer to the source of-- of shipping. And I think rail park, I know rail park developments specifically are-- are something that will help create that ability to manufacture locally and-- and distribute more efficiently. And right now, we're struggling to compete against other states. I-- I reply to a number of requests for proposal in partnership with the state of Nebraska, as well as utility partners, and most of my replies come back after I submit and say there's other states that have more shovel-ready sites, and I think you're going to hear that from my other colleagues on-- on the same bill. And so the way that we compete and the way that we ultimately take care of some of these supply chain issues is to localize our manufacturing and rail parks are absolutely critical for our local companies to grow, as well as to recruit new companies to manufacture the products that we need to-- to grow.

ERDMAN: OK, thank you.

JONATHAN JANK: Thank you.

HILKEMANN: Any other questions of Mr. Jank? Seeing none, thank you for coming.

JONATHAN JANK: Thank you for your time.

HILKEMANN: Other proponents for LB1125?

DAVE TAYLOR: Senators, thank you again. My name is Dave Taylor, D-a-v-e T-a-y-l-o-r. I serve as the president of the Grand Island Area Economic Development Corporation and thank you for this time again. I also thank Senator Aguilar for the introduction of LB1125. I'm not going to go through everything that you heard from myself yesterday and-- and my colleague in my office the previous week. I want to talk a little bit more specifically maybe about Grand Island and what's there for an understanding standpoint. Dual-serve rail, you heard that earlier today and what that means, so Grand Island has the same thing. BNSF and UP go through Grand Island to the tune of 20,000 cars a day, railcars, go through Grand Island on one of those two lines. West of Grand Island, Cornhusker Industrial Park, a 19-square-mile facility that used to make bombs basically. And if anybody's been to Husker Harvest Days and taking the back roads, Old Potash out there, the railroad crossings that you go over are what we're talking about upgrading. So there's a five-mile gap in between the UP and the BNSF lines. Currently, to be considered a short-line rail, which this would be, the operator has went through all of the due diligence for interconnecting BNSF and UP on that 90-pound rail that currently exists. So as of December 2 in 2021, he is now licensed to-- to take full cars on there. He can't legally because it's 90-pound rail. So he's got everything in place. The land is owned. There's 23 miles of rail that currently exists out there. I stated Grand Island's asking a modest amount. We're asking for \$5 million. So we're-- we're in the part of this bill where two-and-a-half gets you two-to-one, so we're asking for a total of \$7.5 million because \$2.5 (million) is in place. So it's a \$5 million ask. This five-mile stretch, if it's-- says yes today, I text them, at the end of this year, it's operational. That line is working at the end of this year. From December 1 of 2022, 18 months out, he'll have the rest of the rail up and ready to-- up and ready to roll on that facility. I think it's important to note that the other-- there's other things that are going to be needed as-- as industry comes. The electrical is going to have to get out there; natural gas is going to have to get out there. We've already got those in place, whether it's with the Tallgrass going directly or if it's through Southern Power. The city of Grand Island, we've had projects come through that require city water and sewer. We know there's going to be millions of dollars that's needed to get these other facilities out there. They will come with this rail that actually is in place. That's all I have at this point. I thank you for your time.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

HILKEMANN: Are there quest-- Senator Kolterman.

KOLTERMAN: Yeah, I just have a question. Thank you for coming again. You know, we've-- we've talked about \$50 million. We already had \$10 million in the pot from a year ago. So where does Grand Island sit in the-- in the application process? First come, first serve, I think that's kind of how it was set up.

DAVE TAYLOR: I-- I was told-- I wasn't here two weeks ago. At that point, we thought we were potentially in first position. We were-- ours was submitted, I think, at 9:33 a.m, on the first day, so 9:00 was opening, 9:33 we submitted. I was told yesterday we're in third position, so we're--

KOLTERMAN: So there's a good likelihood the money that we've already kind of talked about might be allocated to you.

DAVE TAYLOR: I think it's-- I think it's \$30 million for number one, \$30 million for two, ours is \$5 (million) if we're third, so.

KOLTERMAN: Oh, OK, so those--

DAVE TAYLOR: It could be-- if it's 50, it--

KOLTERMAN: OK, the other two--

DAVE TAYLOR: --it could already be gone and we would get--

KOLTERMAN: OK, thank you.

STINNER: Senator Dorn, do you have a question?

DORN: Thank you, Chairman Stinner. Thank you for being back here. I remember you some other times too. And I guess I-- part of what some of these questions that have come about today is-- is, I don't know, the infrastructure and the cost here and the different things. And I guess as I sit here this year, and I guess, what does this do or what-- does Grand Island have the workforce to, I call it-- not only Grand Island, all these other entities, as we are having a lot of requests for different things, is the workforce or will the workforce be there?

DAVE TAYLOR: It's-- I'm not going to lie. It's challenging. We manu-- Grand Island, we build things and this specifically, I think our workforce is going to change. As I sat here today, I felt like I could have probably talked about any one of these things, whether it's

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

electricity or automation and-- and innovation. Manufacturing is changing. That workforce is going to change. McCain Foods in Grand Island, Nebraska makes 70 million pounds of onion rings every year. I went through their facility. I'm a fan of Lean Six Sigma and certified black belt, so, the less time you touch anything, I get it. I went to something in California, ultimately introduced McCain Foods to this company. They don't own it. They just get employed by the company and then they own it. So they put a robotic arm to orientate the root of an onion that comes in a Gaylord bag. Instead of three people on four lines, it's now a robotic arm that never needs to take a lunch break, then they get cut off. Nobody loses their job in automation right now with these automations, but that's what's changing. So I guess, to answer your question, if something came and needed a thousand employees, we don't have them.

DORN: OK.

DAVE TAYLOR: You heard of projects earlier where there's 30 million bushels of corn. Grand Island is-- is in that game too. That's 50 to 70 employees. That kind of growth I think we can handle. It's the large ones that would be different, and-- and it's that capital investment on the projects that are looking at Grand Island, and specifically this Cornhusker facility, they're \$900 million, they're \$500 million, they're \$350 million, they're green companies. Green is-- is such a push. Some of these projects, because we irrigate, we lose points. They want to have dryland corn, potentially. So there's-- there's so many factors. You gotta do carbon index tests on every farmer that could potentially provide something to them. What do they fertilize with? What are the-- what diesel fuel do they put in their tractors? These-- these things are real and happening right now with all the green pro-- projects that are going on for us. But having the dual rail, a modest ask, it-- it-- the size and scope of what's out there, whether Southern Power owning the land or the economic developments ourself, we own the land out there already. The rail is owned. The rail is there. It's-- we just need this over the hump.

DORN: Do-- do any of the incentives that the Advantage Act, the Imagine Act, some of these business incentives, and I don't know-- I'm sure you're familiar with a lot of them. Are any of those something that would benefit some of these projects, or not only the rail project but some of the other projects?

DAVE TAYLOR: Yeah, they-- the state-- when they're big projects, the state is usually involved, the state DED. So, yes, they-- they do take benefits from those Advantage Acts and-- and the different ones,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

different tiers, depending on, you know, capital investment and number of employees, is the main thing that has come into play.

DORN: Thank you. Thank you.

STINNER: Thank you. Additional questions? Seeing none, thank you very much.

DAVE TAYLOR: Thank you.

GARY PERSON: Senator Stinner, Senators, Gary Person, spelled like "person," P-e-r-s-o-n. I'm president and CEO of the North Platte Area Chamber Development Corporation. I also am representing the Nebraska Chamber of Commerce and Industry today, who has also went officially on record in support of this legislation. We really appreciate Senator Aguilar's efforts on LB1125, addresses the need for additional funding for industrial rail park-- parks at strategic locations in our state. I've been before this committee four times in recent days, so you know our story well. I don't want to be redundant and I want to respect your time. One thing I didn't dwell on previously, because this is pandemic related, is that when we started working towards the development of a rail park, which, to reiterate a previous point, we were restricted from having rail access for any additional industry for the past 75 years in North Platte, Lincoln County, because of the uniqueness of Bailey Yard, world's largest rail classification yard there, just the massive congestion that occurs. So we've overcome that hurdle. We've got the approval of the Union Pacific to move forward on this. The-- and the reason that we focused on the location over near Hershey was the presence of a Greenbrier Rail Services that was located there. And we were beginning to negotiate with them, and they were very receptive to being the catalyst that would move our product in and out on the shipping there because they had an existing spur, and then we would control all the land around it to have a rail park. It was a-- it was a great working partnership, relationship. Then COVID hit, and so rail traffic fell off nationwide 50 percent. They had to actually wind up temporarily closing, a year later made the decision to permanently close, so they are not opening again. So you have basically a \$5 million structure there with existing rail spur. It needs to be reactivated, and the only way that we can develop this rail park is to purchase that property, so that's an additional challenge we have, another \$5 million price tag besides the \$60 million of infrastructure needed to develop this park. Certainly, with what you did last year and what you're contemplating doing this year, springboards us into action, so we anticipate getting right after it as soon as official announcements are made on-- on funding of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

applications, and-- and sincerely appreciate your efforts. And, Senator Erdman, to further answer your question, the majority of the product in and out of this park would be outputted out of the-- of the park itself. The five most serious companies we're working with are all agriculture related, all processing, take that value-added product and make it more valuable, bringing the residual benefit financially, that back into the farmer/ranchers' pockets locally rather than through a third party.

ERDMAN: Thank you.

STINNER: Any additional questions? Seeing none, thank you.

GARY PERSON: Thank you.

STINNER: Good to see you again.

CHRIS BRUNS: Good afternoon, Chairman Stinner, members of this committee. My name, again, is Chris Bruns. I am the-- oh, spell my name: C-h-r-i-s B-r-u-n-s. I am the chairman of the Lincoln County Board of Commissioners. I want to thank you for allowing me the opportunity to speak on behalf of the Lincoln County Board of Commissioners today and express the full and unwavering support that we have in favor of LB1125. I would like to submit to you all a resolution that my colleagues and I unanimously passed supporting this piece of legislation and the important and worthwhile impact that this, that its passage will potentially have on Lincoln County area and many other communities across the state. Members of this committee-- committee, I fully understand the challenges that you all face, along with your colleagues in the full body of the Legislature, when it comes to finding appropriate, one-time, meaningful and transformative uses for the unprecedented amount of coronavirus state and-- and local fiscal recovery funds received by the state through the American Rescue Plan Act. I'm faced with the same challenges on the Lincoln County Board, although I-- I readily admit it is at a much smaller scale than what you guys have, so. But we all understand the importance of how any expenditure, that it-- that it must be respectful of the taxpayers because that's whose money this really is. My colleagues on the board, we believe that LB1125 meets the tests provided in the state and local fiscal recovery funds final ruling that it is in keeping with the spirit and intent of the American Rescue Plan Act, and that the passage of LB1125 will help our area and others across the state, per the final rule introduction where it references appropriate utilization of these funds to be able to fight the pandemic and support families and businesses struggling with its

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

public health and economic impacts, as well as build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity. Here is why I say that. It's no secret that our economy is facing tremendous logistical supply chain issues as a direct result of COVID-19 pandemic, many of which are in the transportation sector. It's also no secret that through this pandemic we've realized that we need to bring manufacturing back to America, and particularly-- I'm kind of biased-- our state. LB1125 will help our community in Lincoln County and others combat the negative economic impacts of the pandemic by specifically enhancing and expanding access for supply chains to freight rail lines through the development of industrial rail parks and provide a mechanism and an environment for manufacturing to-- to be able to build. As you well know from testimony provided last week on LB70-- LB788, Lincoln County is working diligently to develop our own industrial rail park. That park will tremendously help all of our region's businesses by its thoughtful design that allows for trans-loading access for anyone, even if they're not located in our park, to be able to utilize and have access to the rail. Passage of LB1125 would potentially allow Lincoln County to further leverage its extraordinary access to the busiest freight rail in the United States by supporting the development of our parks specifically designed to integrate with the ex-- existing Union Pacific Rail Line and our unparalleled rail infrastructure found in the world's largest classification yard in North Platte. At a time when businesses are continuing to try to find ways to survive, to-- to get their raw materials delivered to them and their finished products shipped out, which in many cases, as you well know, is-- is many months in backlog because of this pandemic, LB1125 will provide a-- a much-needing [SIC] financial resource to assist in the development of one-time meaningful and transformative solutions found in industrial rail parks that will address those issues, solutions that will literally help us build strong, resilient, and equitable recovery that support long-term growth and opportunity. Given that fact, I humbly ask for your support and advancement of this legislation that will help so many communities across the state of Nebraska. I thank you for your time and consideration and the work that you all do for our great state.

STINNER: Any questions? Senator McDonnell.

McDONNELL: Thanks for being here. How much money did you guys receive as Lincoln County from ARPA?

CHRIS BRUNS: Approximately \$6.8 million.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 16, 2022

McDONNELL: How are you spending that money? Has there been discussion of directing some of that money towards something similar to help with LB1125?

CHRIS BRUNS: So the county is waiting on, I believe it's, House Resolution 5735 in Congress right now that would allow us to expand the use and-- and scope of what the counties can-- can spend that money on, which would include surface transportation projects. It is my personal desire, I can't speak for the entire board in that, that area, but that we utilize some of our funding in that regard. But we have other areas, just like this committee does. We're being approached by other groups that have meaningful and worthwhile requests, as well, so we're in the process of trying to figure out what's the best use.

McDONNELL: Thank you.

STINNER: Any additional questions? You know, Senator Erdman and I go by North Platte all the time, so I hope you and Gary are riding together. I don't want you wearing that interstate out. [LAUGHTER] Anyhow, thank you for your testimony.

CHRIS BRUNS: Thank you.

STINNER: Any additional proponents? Any opponents? Anyone in the neutral capacity? Seeing none, Senator, would you like to close? Senator waives closing.

McDONNELL: Thank you. Thank you, Senator.

STINNER: We have two letters in support of LB1125. That concludes our hearing of LB1125 and our hearings for today.