

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 4, 2021

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LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn and represent Legislative District 39 and I serve as Chair of this committee. For the safety of our committee members, staff, pages, and the public, we ask those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance which is over there and exit which is over there, to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and Transcribers in clearly hearing and understanding your testimony. The pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the "entrest" door will-- the entrance door will be monitored by the Sergeant at Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter the hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. The Legislature does not have the availability due to the HVAC project of an overflow hearing room for hearings. For hearings which would-- with large attendance, we only-- request only testifiers enter the hearing room. We ask that you please limit or-- limit or eliminate handouts. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to a page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask the page to make

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copies for you now and I'll introduce the pages in a second. When you begin to testify, please state and spell both your first and last name. Please be concise. It is my request-- how many are going to testify in this hearing this morning, this LB38? OK. It is my request that you limit your testimony to five minutes. If necessary-- well, we will use the light system. And I really, really I'm going to be on the red we need to wrap up. If there are a lot of-- OK, if your remarks were reflected in previous testimony or you would like your position to be known but do not wish to testify, please sign the white form on the table outside of the room by the entrance. It will be included in the official record. Please speak directly into the microphone so our Transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is committee counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. At the left-- left end of the table is committee clerk, Grant Latimer. Now, I would like the committee members to introduce themselves starting at my far right.

PAHLS: Thank you, Chairperson. Rich Pahls, District 31, south Omaha.

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

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston, and Dakota Counties in northeast Nebraska.

LINEHAN: Our pages this morning are Thomas and Turner. They're both at UNL. And Thomas is a sophomore?

THOMAS LUKASZEWICZ: Sophomore, yeah.

LINEHAN: And Turner is a senior. They're both studying political science. Please remember that senators may come and go during our hearing as they have other bills to introduce in the committees, which is where Senator Flood is right now. He's got a bill in front of Judiciary. Please refrain from applause or other indications of support or opposition. I would also like to remind our committee members to speak directly, already did that, into the microphones. For our audience, the microphones in the room are not for amplification,

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but for recording purposes only. Last-- lastly, we are electronics-equipped committee. Information is provided electronically as well on paper-- as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and it's critical to our state government. So good morning. And with that, we will start with LB38, introduced by Senator Lindstrom.

LINDSTROM: Good morning, Chairwoman Linehan and members of the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha, before you today to introduce LB38, a bill to change provisions relating to tax credits and retaliatory taxes. Director Bruce Range of the Nebraska Department of Insurance has asked that I introduce LB38 on behalf of the Department of Insurance. LB38 is part of the Department of Insurance attempt this session to clean up confusing, out-of-date, or superfluous statutes. This particular matter was not included in the department's cleanup bill that went before the Banking, Commerce and Insurance Committee because it deals with subject matter that is allocated to this committee, which is premium tax. In short, the department has run into situations in which the inconsistent language across the various credit statutes to premium tax have caused confusion. This bill attempts to harmonize the language across various credit statutes so as to provide a framework that is consistent and either-- and easier to both understand and apply. It is important to point out that the proposed changes-- changes do not present any change to the method that the Department of Insurance historically used to calculate premium tax liabilities nor do the changes result in any change to the amount of premium tax revenues that would be received. Further, the proposed changes have previously been reviewed and approved by the Department of Revenue, who also supports the bill. And I was told earlier there might be a technical cleanup that is brought forward-- brought forth by the Department of Revenue. But again, I believe it is cleanup. One additional thing I'd like to note for the committee is that I have been made aware of several entities that have concerns with stricken language in Section 2. Tomorrow the committee will hear LB674, introduced by Senator Linehan, that opens up the exact same statutory section in order to clarify that the affordable housing tax credit can be used against fire insurance premiums. I look forward to working with the stakeholders, Senator Linehan, and the committee to figure out the language that makes sense

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for everyone. I know Director Ramge will testify behind me to provide more thorough explanation and to answer any technical questions you have. Thank you for your time, and I'd be happy to answer any questions.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Seeing none, thank you. Good morning.

BRUCE RAMGE: Good morning. Chairperson Linehan, members of the Revenue Committee, my name is Bruce Ramge, spelled B-r-u-c-e R-a-m-g-e, and I'm the Director of Insurance for the state of Nebraska. I'm here today to testify in support of LB38. And I would like to express my gratitude to Senator Lindstrom for introducing LB38 on behalf of the Department of Insurance. Like many state agencies, the department often runs into situations where existing statutes become difficult to administer. LB38 is intended to deal with this situation. One of the major responsibilities of the Department of Insurance is to assess and collect premium taxes. Premium taxes are taxes assessed on insurance policies that are sold, with the tax itself usually paid by insurance companies. Premium taxes, along with the associated retaliatory taxes, are entirely transferred each year to the State Treasurer. The Treasurer, in turn, distributes them to the General Fund, counties, and schools. Neither the premium tax receipts nor the General Fund are used to fund operations of the Department of Insurance. The department's funding comes from a collection of various fees, such as licensing, filing, appointment and examination fees. In addition to premium tax and retaliatory taxes, the department contributes excess funds from its collected fees to the state General Fund. Through the years, the Legislature has adopted various credits that an insurer may apply toward its premium tax liabilities. Unfortunately, the language across the various premium tax credit statutes is inconsistent. That inconsistency can cause confusion among the parties responsible for completing the premium tax returns and remitting the premium tax. This bill harmonizes the language across the various credit statutes, which hopefully eliminates a great deal of the confusion that can arise as a result of the inconsistencies. The wording in the bill does not change the method by which the department has historically applied the credits to tax liabilities. As a result, the bill should not cause any insurer to pay more in tax than the company was previously required to pay. Similarly, the bill should not cause any insurer to pay less than it would pay now, rendering the financial impact of the bill to be zero. LB38 has previously been reviewed by the Department of Revenue,

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which also supports passage. Adding clarity to the premium tax credit calculations will also help insurers in budgeting for their operations. Thank you again for the opportunity to testify in support of LB38. I would happy to answer any questions the committee might have. And at this time I would also like to reinforce the information that Senator Lindstrom passed along that the Department of Revenue, after taking a second look, may have a technical amendment and we'll be happy to work with them and get that to the committee as soon as possible.

LINEHAN: Thank you, Director Ramge. Is there a questions from the committee? Senator Pahls, I'm sorry.

PAHLS: Thank you, Chairman. I have a question just in general. The taxes that goes into General Funds from insurance--

BRUCE RAMGE: Yes.

PAHLS: --your department. Approximately how much is that, just approximate?

BRUCE RAMGE: The total of taxes that are transferred each year run approximately total revenue, \$116,000 or excuse me, \$116 million. Pure premium tax is right at \$100 million.

PAHLS: How much of that goes into the General Fund? Just-- I'm just--

BRUCE RAMGE: I believe 40 percent of that amount.

PAHLS: Significant amount goes into--

BRUCE RAMGE: Yes.

PAHLS: I just wanted to make sure the public knows where that tax dollar does go--

BRUCE RAMGE: Yeah.

PAHLS: --is to the General Fund, which we disburse through many programs in the state.

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BRUCE RAMGE: That's-- that's right. And then-- and then there are
taxes that go to support Fire Marshal program and then the counties
and schools.

PAHLS: So we need to bring in a good amount of money then.

BRUCE RAMGE: Yes.

PAHLS: Thank you.

BRUCE RAMGE: Welcome.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the
committee? So as to follow up on Senator Pahls, so 40 percent of it
goes to the General Fund and then how much to the Fire Marshal and how
much to county and schools?

BRUCE RAMGE: For example, last year, fire insurance tax was \$4.9
million. Workers' Compensation Cash Fund was \$3.8 million. And then
the remainde-- remainder, I believe 10 percent goes to schools. And,
excuse me, I'm going to-- I'm going to ask that, look at the expert
here. Is it 10 percent to schools?

_____: I'm not sure.

BRUCE RAMGE: OK, I'll have to get back to you--

LINEHAN: That's OK.

BRUCE RAMGE: --with that breakdown. The Treasurer distributes that
after we send it over there.

LINEHAN: OK, OK. Other questions? Thank you for bringing this to the
Revenue Committee.

BRUCE RAMGE: Thank you.

LINEHAN: I appreciate it. Other proponents. Are there any opponents?
Is there anyone wanting-- wishing to testify in the neutral position?
OK, Senator Lindstrom, would you like to close?

LINDSTROM: I'll waive close.

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LINEHAN: OK, we had no-- do we have any testimony submitted this morning? No testimony submitted this morning. We had no letters either for proponents, no opponents, and no neutral. So with that, we will bring the hearing on LB38 to a close and we will move to LB366. Senator Briese. Keep you busy this week.

BRIESE: Are you ready?

LINEHAN: Yes, go ahead, sir.

BRIESE: Thank you and good morning, Chairwoman Linehan and members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, represent District 41. I'm here today to introduce LB366, which seeks to amend the Nebraska Advantage Microenterprise Tax Credit and extend the program's authorization. The microenterprise tax credit is a state program, which is only available to businesses with five or fewer full-time employees. To apply, these businesses must make a qualifying investment in their business, such as purchasing a building, hiring an employee, or renovating a workspace. Approved applicants will receive a 20 percent refundable tax credit for up to \$10,000. This program has made a tremendous impact in my district and across rural Nebraska, with more than 340 total credit users since 2007 in my district. This has taken place in step with the economic rejuvenation of communities across the district. Knowing how important small businesses are in my area and the impact that this program has made towards their success, I believe this credit could be used by many others across the state. This is a bill which will make the opportunity more accessible, positioning it as a solution for those who need it. It includes five main components with the goals of updating it to modern business conditions, reflecting entrepreneurship characteristics and state incentive priorities. First, this bill will ease limitations on related parties. Current limitations prohibit linear family members from using-- from using the program once another relative has used the maximum amount. This update would allow different family members to apply so long as the business ownership and management are entirely separate. Second, it would decrease the reimbursement amount for depreciable personal property from 20 percent to 10 percent. This change puts more weight on jobs and income retention and creation, two goals of state business programs. Third, the maximum credit would be doubled from \$10,000 to \$20,000. The credit amount has not changed, or this maximum amount has not changed since the program was started in '05. Over 16 years, there has been a steady increase in business cost

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reflected in this proposed change. Fourth, it amends the reporting requirements from Department of Revenue, which are delivered annually to the Appropriations Committee. The new requirements are the identity of the taxpayer earning the credit, the location of the business, new investment or employment produced, and the total credits used over a two-year period. These new record-- reporting requirements should enable the committee to ensure the credits are being used as intended. Finally, the bill would extend the credit to 2024. It is currently set to expire in 2022. I want to note that this is the only state program which provides direct financial assistance for small businesses demonstrating growth of income, investment or employment akin to larger programs like ImagineNE. Very few of the businesses eligible for this program would be able to meet the requirements of other state programs. 2020 was a tumultuous year for all business owners. Many business owners put off investments due to the unpredictable economic climate, some had to dig deep into their savings to stay open, and others were forced to close altogether. The state must think strategically about how we get back to where we started a year ago and continue building from there. Utilizing the tools we already have available to us is the ideal starting place. These changes are not meant to significantly alter the program's function, but only to make it more effective for potential users, small businesses, and the state's economic goals. Things are bound to change over 15 years, which is why we need to update these programs periodically to ensure they are serving their intended purpose. Thank you for considering this legislation. I'd be happy to try to answer any questions. I believe I'll be followed up with some other folks. Happy to answer anything I can.

LINEHAN: Thank you, Senator Briese. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Do you have a-- I know there's-- it is targeted toward small startups. Do they track the success record of those businesses when they've applied?

BRIESE: Well, I think these new parameters will help us do that. I do notice, you know, reading back on the Performance Audit Committee report back in 2018, they looked at 650 firms using this in 2010, 2012, 2014. And they're, you know, four years after folks had taken out or taken advantage of this, 36 percent of them had more employees, 17 percent had fewer. Four years after, well, something similar on

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that, 24, excuse me, in 2014, 55 percent of these were expansions; 45 percent were new-- new ones. And the bulk of these are in rural Nebraska, the slight majority anyway. But really tracking the success and track, looking at the track record, I think the only data I have there is, you know, the expansion--

FRIESEN: Do they have any numbers--

BRIESE: --maintained for the majority of businesses.

FRIESEN: --any numbers on business that just totally failed?

BRIESE: No, I haven't seen that.

FRIESEN: OK.

BRIESE: Haven't seen that. Probably there somewhere. But I would submit that the new reporting requirements are probably going to make it easier. And that was one of the knocks on this thing. We weren't maybe monitoring and assessing the effectiveness of it quite as well as we should have. I think that-- that Performance Audit report suggested that. And I think these new reporting requirements in section, wherever it is, Section 4, will help to address some of that.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? OK, you'll be here to close?

BRIESE: Yes, I will. Thank you.

LINEHAN: So first we have proponents. Is anybody wanting to testify in support of LB366? We got to clean up the table. I'm sorry. Sorry. It is what it is.

JOHN HLADIK: I feel successful making it here this morning, so anything else that happens is just fine with me. Good morning, Chair Linehan and members of the committee. My name is John Hladik, that's J-o-h-n H-l-a-d-i-k, and I'm testifying on behalf of the Center for Rural Affairs. I wanted to address Senator Friesen's question right off the top. I will touch on a bit of statistics later on. Right now, there is very limited reporting. And what we do have is from the 2018 Performance Audit. I'm not sure when it's scheduled to get another

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audit, but Senator Briese is absolutely right when we talk about reporting. That's some feedback we heard from the economic development circles, from all the stakeholders. They said, look, we want to know exactly how much is going out on a more regular basis, what that success level is, where it's going, and we're excited about what the results of that would be. So we think this is a good step and a lot of partners were on board. It was something we felt good about. We all know that the coronavirus pandemic has caused many small businesses to shutter and is forcing others to plan-- pause plans for future growth. And every Nebraska community has felt the consequences. The microenterprise tax credit can help these businesses recover by encouraging and facilitating strategic new investment. From Omaha to Chadron, we have seen that microentrepreneurship is a successful strategy for growing and sustaining the local economy. That was true in 2005 when the credit was first developed and it remains true today. In 2005, the program enjoyed tremendous bipartisan support when first introduced as LB312. The Lincoln Chamber of Commerce, State Chamber of Commerce, Omaha Chamber of Commerce, Nebraska Economic Development Association, and the Nebraska Bankers Association all lobbied in support. The program has stayed largely the same in the time since. And while microenterprises still account for about 85 percent of all businesses in Nebraska today, LB366 recognizes that important improvements are made to bring it up to the times. Details about the program, to qualify, the business must commit to generating new income and expanding their economic footprint. It's a refundable income tax credit, and it's accessible to microbusiness operators for 20 percent of increased investment that is marked for growing their business. It's set at a base year and this is especially important today as we know that small business investment in 2020 was low. Using 2020 as a base year allows businesses to receive credit for the needed improvements that they will be paying for here in 2021 going into 2022. Expenditures for maintenance and equipment and buildings and several others would qualify. Going to the 2018 Performance Audit-- Audit, the 164 firms that applied in 2014 created between 416 and 472 new jobs, and the estimated cost per job was between \$2,300 and \$11,000. Fifty-eight percent of these had more employees three years later in 2017 than they did in 2013. And 55 used the credit to expand an existing business, one that was already in place, benefits 86 percent of Nebraska's counties. Talking about improvements now, the first eight years of the program saw at least 200 applicants approved annually. That number began to decline in 2014, and applications

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remain lower than we'd like to see today. In 2019, less than half of available credits were approved. We must make changes to ensure the credit serves as a helpful tool to those who are now striving to emerge stronger from the consequences of COVID-19. So with this in mind, we met with small business and economic development stakeholders across Nebraska and Senator Briese and several others to recommend a series of small but meaningful improvements. Taken together, these proposals will update the credit to current business conditions and remove unnecessary and burdensome restrictions. The first is the easiest: increase the maximum credit from \$10,000 over a lifetime to \$20,000. Many economic development officials recommended this change, and it simply reflects inflation and the increased cost of doing business since 2005. Update restrictions on related parties: Current eligibility limits prohibit any linear family members from using the program once another relative has used it. That applies no matter how much geographic, financial, or subject area separation exists between the two enterprises. This update would allow family members who are entrepreneurial in nature to use the credits so long as the business and ownership are completely separate. We discussed the need for detailed reporting. The increased transparency can help you decide whether the program is a good investment, and we'd also like to continue authorization into 2024. Right now, it's set to expire in 2022. And with so much uncertainty facing small businesses right now, we think it's important to provide a sense of stability going forward. And while my light is still yellow, I will stop for any questions.

LINEHAN: Thank you very much. Are there questions from the committee? Senator Flood.

FLOOD: Thank you very much for your testimony. Let's just unpack this for a second. So if I get a credit, if a-- if a-- if an applicant gets a credit and they need help now, they have to wait until the next tax year to get it back on their taxes.

JOHN HLADIK: It's a refundable tax credit. That's right. But it is also something that makes you feel better with all the uncertainty we're seeing about making that investment today. So if you-- if your roof is leaking and you're not sure if you're going to be open in 2022 or '23 when you know there's a solution out there to help you pay for it, then we think that's going to be inspiring for some people.

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FLOOD: What are the chances that you go out of business? And I mean, the relief isn't immediate by any means. And so it comes in the next year. What are the chances that their business is out of, you know, isn't a business anymore?

JOHN HLADIK: Yeah, that's certainly possible. And right now, I think it's-- it's the most scary. I think for me, you trust that business owner to recognize those dangers and, you know, should I replace this or should I focus on instead keeping this business in place? Is that where I should use my-- my roof money? I think you want to trust their judgment on that, just like with some other economic development incentives we have. But there's nothing in this program or act that specifically says if you go out of business three days after receiving it, you've got to give it back. We don't have that type of stop art in there, and I think it might be a good idea to put it in.

FLOOD: Are you troubled by some of the lack of transparency that's in there now? I mean, it would help you tell your story better I think. I-- I don't know how to quantify whether this is a good investment or not.

JOHN HLADIK: I am. I am. I think that we-- you, as policymakers in Nebraska, we've all come a long way since 2005 and what we expect out of our programs, how they perform. And we've got a lot of ways to measure that today that we didn't have back then. And so we think taking this step to improve transparency is an excellent step in that direction. And I know there has been some improvements and some people wanting to see that, but I'm all for that.

FLOOD: What do they use the \$10,000 for?

JOHN HLADIK: It's going to be something that allows you to feel better about making that investment. And so you're probably going to be reinvesting that back in your business.

FLOOD: Is this-- is this a program that DED administers or does the Center for Rural Affairs administer it?

JOHN HLADIK: Oh, no, it's not ours. It's through the Department of Revenue.

FLOOD: OK. What about-- what kind of businesses could I start with this?

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JOHN HLADIK: Yeah, that's the exciting part, is that there's no-- there's no limit on that. In rural areas just like Norfolk, you have a wonderful downtown. I love going down there. And I know there are a lot of shops that have five or fewer full-time equivalent employees. And that's--

FLOOD: So a convenience store.

JOHN HLADIK: Depending on the amount of employees you have, yes; a hair salon, restaurants. We see a lot of restaurants need to take advantage. Hardware stores are something that uses that a lot. At the same time, I know in Norfolk, you want to attract technology. You want to attract innovation. And there's nothing on this that would limit those individuals from applying either. There's even some--

FLOOD: But I wonder is the \$10,000 going to do anything or even going to \$20,000, and especially with the startup when it comes the next year. You know, I-- I wonder if we are hitting the mark with this. I don't know. I'll just [INAUDIBLE] what everybody else has to say.

JOHN HLADIK: Well, I appreciate that question, and I know that a goal of the state is to increase wages, increase next generation jobs, and-- and certainly this can be used for all of those. In some of the districts, though, I'm thinking of Senator Friesen's district or-- or certainly Senator Briese's or Senator Albrecht, we need to keep that Main Street going. And there's going to need to be a hardware store there. There's going to need to be a hair salon. There is going to need to be a restaurant. And so many of these individuals have taken advantage of this to keep their doors open. And so that's-- that's just the reality of what's happening in rural communities. We can-- we can think about what we want the future to look like, but we have to think about the people who are there now, too, and strike that balance.

LINEHAN: Thank you, Senator Flood. Are there other questions from the committee? Senator Pahls.

PAHLS: Thank you. I didn't mean to make you sneeze. Here's the question. Many of you probably know where the cathedral is in Omaha? Right, just within a block of that is a small bakery. And I can remember when this came through and somehow I saw the list of the people who had received this fund. And that bakery is still there.

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It's a small, long haul bakery. So that's one of those. I don't know how I found that out. Apparently, there must have been some reporting that as a state senator I had the option-- the opportunity to see that because I've walked by that. I thought, wow. And then all of a sudden, hey, this is real. My concern-- now that was in Omaha. Having come from a small town myself when I was a kid, it was vibrant. I mean it was full of places. And night-- right now if I go back to that town, it is a skeleton of what it was. So I do think maybe even the \$10,000 for some of these young entrepreneurs or old-- older entrepreneurs, sometimes that's just what you feel that you need to make it work because we're not talking about million dollars or 10, 20 million dollar outfits. But that little bakery is still there today. And that's-- I think it was in 2006 when they established it. So I'll be curious. I've never gone in and asked. I've gone into the bakery, but I've never asked, you know, were you one of those young entrepreneurs. But I do know that did occur. So is there a way for us to see some of the businesses that have--

JOHN HLADIK: That's-- that's the transparency section here. That's something we want to get in there, because--

PAHLS: But how did I know that then?

JOHN HLADIK: It could be there was some advocacy following 2005 to make improvements to the bill. And I'm wondering if that was--

PAHLS: Oh, somebody--

JOHN HLADIK: --perhaps an organization showing, you know,--

PAHLS: Some evidence.

JOHN HLADIK: --here's a success story. Exactly. That's what I suspect is happening. Or even the department. It enjoyed tremendous support when it passed. I listed some of those. And so I can see some of those organizations, perhaps the Chamber may be lifting that up.

PAHLS: OK.

JOHN HLADIK: And if anyone from Burt County is listening, please open that bakery in Lyons or Oakland. We don't have anything up there. It's a disappointment. But that-- that's exactly right. I think, again, it's-- it's-- it's-- it's a one size fits all. It can be there for the

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high tech that we want to start, but it's there for the entrepreneurs. And some people, especially in rural or in certain parts of Omaha, you can't wait for that big manufacturing firm to come. You've got to make your own job. You've got to be an entrepreneur. That's where our jobs come from. If there's something in here that will allow you to be an entrepreneur, maybe you have a technical education, something that's going to allow you to bet on yourself, invest in yourself, that's what we need. Not everybody can roll the dice on the big programs.

LINEHAN: Thank you, Senator Pahls. Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Why do you think that like in 2019 they didn't even use up the available credits? Things were going good in 2019. Businesses were flourishing, economy was going great. We only used half the credits.

JOHN HLADIK: Yeah. Well, you'll hear from-- from-- from another Center for Rural Affairs representative on LB74 today, and we're going to address that because we've worked this year to get down to the bottom of it. Frankly, what we found most often is that people just don't know about it. We've done surveys. We've worked with some of the economic developers that you're going to hear from today on this bill and on LB74. And they're saying, wow, I didn't know about this and I'm an economic development professional. I would love to share this with my businesses. You're going to hear some of that today. And so I think, hasn't been a lot of promotion of the program, not a lot of awareness. It's an application that you need to, you know, almost like a loan. You have to sit down and you have to show where you think your revenue's going to come. You have to go ahead and file the receipts to show that you're making that investment. And that can be kind of tough if you're a sole proprietor in some cases. And-- and finally, I think the ten to twenty, if you're taking that time and you think, boy, \$10,000, I'm not sure; \$20,000 we think might change some minds. But something I think is really underrated and it's just anecdotal is I feel like this real limit on families using it is-- is much broader than it needs to be. Some-- Friesens, it's an entrepreneurial family, lots of different businesses, totally unrelated, families are like that. But if your grandpa has a hardware store in Chadron, but you want to open a brewery in Crete and you're his grandson, I don't think the credit right now allows you to use that. And that's tough. That excludes a lot of people. So you can hit that \$10,000 lifetime cap fast. It's a lifetime cap, for all intents and purposes, for your

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entire family. And then you've used that. What else is out there now?
I guess you work for the Legislature to put something else in place to
help you out. But I think there are some real practical challenges
here.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Are there other-- Senator Flood
and then Senator Albrecht.

FLOOD: What if we-- what if we change this to be \$50,000 or \$100,000
and we said this is for startups that are tech based? You know, I
think of Striv in Senator Friesen's district, probably didn't start
with a lot of money. But instead of doing the \$10,000, what if we went
to like \$50,000 or \$100,000 and said, hey, this is your second year
funding. You get things going. You make the investment. We're here in
the second year because that's when the tax credit is going to show
up. And we instead of doing, I don't know, a dog grooming business or
a bakery, which are good things, but if the market is going to support
it, it's going to support it. But what if we geared it more towards
tech startups and-- and microenterprise tech startups instead of what
we're doing now? Would that be-- and upped it so you actually could do
something, you know?

JOHN HLADIK: Something big.

FLOOD: Yeah, something bigger.

JOHN HLADIK: [INAUDIBLE] you mean by that? I think if there were tiers
in here, that could be a very smart idea. I think I'd be reluctant to
shut out some of those that you mentioned, you know, the bakery. I
would be reluctant to say you can't have it. But if there was another
tier and if you were the types of jobs that Nebraska is on record of
working very hard right now to attract and has-- has kind of decided
this is where we want to go, if you fall in that classification or
that category, here's another tier where we can hike that up a little
bit. I think that would be great and it would allow us to do both.

FLOOD: Because the first important thing on this new economy that
we're building, the information age, is friends and family funding. So
if your friends and family knew that they can give you \$50,000 and get
some kind of a tax credit and then you matched it with another \$50,000

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from Invest Nebraska or whatever else, I think you might have something. I just don't know what a \$10,000 credit does in the second year. I worry that it's not doing, it's not incentivizing anything.

JOHN HLADIK: I see that and I do take that point. And, you know, \$10,000 in 2005 sounded a bit more impressive than it does today. But, you know, a lot of small businesses, you know, a lot of the places in Norfolk, a great barbecue joint I love to frequent. I know that they can make some improvements with that. It's a-- it's a discussion they need to have, whether it's the smart improvement and the direction they want to go in; but it could be a big, big deal to them.

LINEHAN: Thank you, Senator Flood. Senator Albrecht.

ALBRECHT: Thank you, Chairman Linehan, and thank you for this information you're sharing with us. The history is always good, especially if I haven't heard about it before. But, you know, when I think about being able to promote this, I'm not quite certain why it's just in the Revenue Department and it isn't in the economic development area because we wanted to see them improve their business, grow their business. But tying this to the pandemic and knowing that the people have suffered, you know, I think of right away in my district a venue that supported weddings and, you know, family events and things like that. Now, I mean, they invested a lot of money in their company, but they-- I'm sure they don't have many more than five people. If anything, they have maybe more if they have an event that they had to serve the people. But, you know, I-- I just feel like, you know, this is something that is needed by a lot of the businesses just to keep their doors open. But to promote it through the Revenue Department, I don't see that happening. I would see it happening in the economic development because I've had other companies in my district come to me and say, hey, how can I get a grant? How can I find some money somewhere to help me get through this? So this would be an avenue to do this. So maybe redirecting where it comes from, you know, so that they're going through the application process in the economic development area rather than the revenue. I'm not quite certain how it would be in there. And why would some of the people be denied? It would-- does it tie into, you know, like the financials of the company? Not only that, but, you know, again, how many people they're going to hire or how many, you know, what they're going to do with the money? I mean, what were you hearing when you were out there talking to some of these businesses?

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JOHN HLADIK: I do want to say I think I know the venue that you're mentioning and there was a lot of investment. And when they first started off, they were doing so well. And I've thought of places like that. I have. I still see them advertised in the-- the West Point News, etcetera. And I do know what you mean by that. And I do hope that they-- that they make it through. I think that if you were going to be denied, chances are it's because they're able to trace it back to a family member who's had it or maybe you don't have an eligible expense. The expense eligibility list is pretty long. I think it could, frankly, use some stronger definitions. But right now it is what it is. It allows you to even invest if you want to just get your name out or maybe invest in e-commerce for advertising. Some of those investments are going to qualify here too. So that would be my guess. It would be an eligibility issue. And what you said about the departments is absolutely correct. You know, the Department of Revenue has to administer it just like this has to be in front of Revenue, it being a tax issue. But the Department of Economic Development do-- does have a role to promote. We have gone on the record in support of it before. And I think many of you know that we also have a small business lending arm here at the Center for Rural Affairs. And so economic developers will reach out to us for information. And we've learned that even a group like us can do a better job of just helping them. We just want to help. We don't have a horse in this race. We don't get money from this program. Our clients don't get a special advantage. But we're getting asked by a lot of people, especially right now with the pandemic, what's out there for rural small businesses? What can we do to help them out? And that's, you know, if it-- if it takes us doing better promotion, if it takes some of our-- our friends in the room from economic development agencies doing that promotion, maybe that's just what's good for Nebraska [INAUDIBLE]

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. Are there other questions from the committee? Seeing none, thank you very much for being here.

JOHN HLADIK: Thank you for your time.

LINEHAN: Next proponent. Good morning.

JIM REIFF: Good morning.

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LINEHAN: You can go ahead.

JIM REIFF: OK, Jim Reiff with Nebraska Enterprise Fund, Reiff is R-e-i-f-f as in Frank, and I'm a proponent or we are a proponent of LB366 as well. So thank you, Honorable Chairwoman and the Revenue Committee. We're glad to be here. Thank you for this opportunity. Nebraska Enterprise Fund, as many of you know, we're a CDFI, community development finance institution, support small businesses and technical training, one-to-one support and loan funding across the state. Our clients are located across the state, both in urban and rural communities. We serve the whole state. Although they vary in size, most are small businesses with only a handful of employees. Many of those are startups and growing businesses and enterprises. We are acutely aware of the challenges that small businesses and entrepreneurs face. Whether just starting or planning to grow, accessing capital is always a consistent barrier we're seeing. Besides private lenders, we and other nonprofit institutions, including Center for Rural Affairs, are able to provide loan funding. Nonetheless, the state's funding programs are generally not available to our clients, who not-- who do not meet the high investment and employment thresholds of other programs like Nebraska Advantage. And that's why we're so much in favor of the microenterprise tax credit. It is an opportunity for all our businesses. Still, the credit has current limitations which make it less than ideal. Jonathan talked a lot about those. You know, the size limit is one of those. The other thing we're concerned about is the-- the related parties. If-- if-- I don't have a big family in Nebraska, but if I took this, my-- my daughters couldn't take this, even though they might, when they finish school at UNL, they might be fully entrepreneurial and set something up, they couldn't. They'd be precluded because of that. So that's one of the issues. And then there are recordkeeping issues that I think have been talked about and are looking-- we're looking to streamline. Additionally, the pandemic has made the situation much more troublesome for our businesses. Businesses need to do investment. They can't do those investments because they're dealing with pandemic relief and just staying afloat because of the pandemic. So this would give them some resources that they could use to put towards investment and know that they could make those investments wisely. Furthermore, the \$10,000 limit, as we said, was-- I think we've talked enough about that 16 years old. It sounded great a few years ago. Ten thousand is not quite the same as it was. The great thing, too, and small

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businesses are known for generating significant revenue for their local communities. They provide income, both for the owner and the employees. Much of this income stays local and it generates additional revenue. The tax credit recognizes this and puts Nebraska dollars to work growing our state economy. The thing-- one thing I like about that, too, is it puts our local dollars to work growing our local economies. So whether you're urban, rural or in between, that money moves local economy and grows our local economies. It has been utilized by-- throughout most of the counties, maybe not all, but most of them. And it's significantly accessible to businesses when they know of them. So we encourage the committee to support the simple changes to LB366. This is an important program for the smallest businesses in Nebraska, which has not been updated in some time. And our state programs are actually benefit to businesses. We need to monitor and update them and the changing needs of those enterprises. We believe this legislation does exactly that so thank you.

LINEHAN: Thank you, Mr. Reiff. Are there questions from the committee? Seeing none, thank you very much.

JIM REIFF: All right. Thank you very much.

LINEHAN: Thank you. Next proponent. Good morning.

REGINA KREBS: Good morning. Thank you, members of the Revenue Committee. My name is Regina Krebs, R-e-g-i-n-a K-r-e-b-s. I'm a lifelong resident of Antelope County and currently have a CPA practice in Neligh. I also serve-- I have also served for 17 years on the Clearwater School Board, which was part of Nebraska's first unified district. And we'll be bringing our new consolidated facility online this year, expanding educational opportunities and providing long-term property tax relief. After the consolidation, I was appointed to and currently serve on the Antelope County Board of Commissioners. I have been a CPA for nearly 20 years and also assist several small communities and political subdivisions in preparing their tax request budget and audit waivers and have been-- become intimately involved with a lot of their LB840 programs and other economic incentives within the rural communities. In addition to that, I have helped my clients apply for several million in microenterprise tax credits and Advantage tax credits. As such, I've had significant input into LB366. The rural economic development is hard, but it is my passion and it takes a lot of persistence and dedication to climb that uphill battle

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towards success. In Senator Kolterman's promotion of the ImagiNE Act, he stated that 63 of 93 counties in Nebraska had lost population from 2010 to '16. He stated, We must not cut back on our work to grow our economy, to grow jobs, or to grow our population. However, after the passage of the ImagiNE Act failed to address the real world economic conditions in rural Nebraska, I knew the microenterprise tax credit would be one of the very few viable options for rural Nebraska communities in this new generation of ED programs. After an unsuccessful attempt last year to kill this program, I also knew that there would have to be significant changes to this program in order for it to become more effective, and these are addressed in LB366. The restrictions on related party, we've discussed that significantly here, but I've also seen it in my practice many times over. Families tend to-- entrepreneurial families tend to grow entrepreneurs. You know, I understand the idea behind the restriction. However, the implications are much broader. Personal example is that I had a family of brothers. One brother used the microenterprise to start a very successful construction business in 20-- in 2007. The other brother's wife wanted to expand her daycare by purchasing a vacant building in a small town 45 miles away in 2017 and needed the \$10,000 tax credit to afford the down payment. Even as the state had over \$3 million in credits not used that year, she could not utilize the microenterprise tax credit because the brother-in-law had already done so a decade earlier. Small town Nebraska lost an opportunity for an essential daycare expansion because that credit wasn't available to her. The change in relationship restrictions to the microenterprise tax credit is needed, but it includes provisions to prevent abuse. The second extends the program through 2024. The ImagiNE Act has funding up to and exceeding \$100 million a year in funding allocations up through 20-- or past 2026. Extending the microenterprise tax credit to run concurrently with ImagiNE with a small \$2 million a year funding level leaves a tiny lifeline, an essential tool in the toolbox for rural economic development. The third change is the calculations for the credit to place more weight on job creation. However, this is one provision that I would like to see expanded in this bill to include a provision for purchase of existing microenterprise businesses. As important as new businesses are in our rural communities, it is equally and potentially more so important to maintain our Main Streets and provide incentives to transition established businesses. As the business owners retire, if they can't transition the business, they simply close their doors, leaving a huge hole on Main Street that is

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exponentially more difficult to fill. The final item is lacking clarification that I think needs to be addressed in this bill are the rollover funding from the microenterprise tax applications. I think currently it's rolling over into a tax credit that no longer exists. So it would just be a cleanup. I would like to encourage the members of this committee to advance this bill for debate, consider the changes I have outlined, and support it as it moves through the legislative process. Thank you.

LINEHAN: Thank you very much for being here, Ms. Krebs. Senator Flood.

FLOOD: Thank you for coming.

REGINA KREBS: Yes.

FLOOD: I'm familiar with Neligh and Antelope County and just a couple of questions. Would you-- how would you characterize the number of entrepreneurs that live in your community, in your area? I think committee members might find it surprising how much entrepreneurship exists in these rural areas.

REGINA KREBS: I think so. I looked in even in my own tax practice, we end up with families that one person finds a good job. The spouse has to go fend for themselves to a certain extent. I currently have 78 percent of my tax practice either files a business schedule, a Schedule C, or a Schedule F as entrepreneurs.

FLOOD: And what would you say-- you made a point about the Imagine Act and microenterprise. Is rural Nebraska asking for enough money?

REGINA KREBS: So it depends on, as we, you know, was discussed earlier, this program and is not advertised by the state of Nebraska economic development at all. The program details are buried four page-- Web pages deep into the Nebraska Department of Revenue's website. Even as a seasoned tax professional, I don't typically go that deep into the-- into Revenue's website. So it's an obscure program. We've been trying to-- I've been working with the Center for Rural Affairs. I've been working with economic development directors just in trying to start that conversation. I've done a couple of webinars now already to help bring that to light to our economic development directors throughout this, you know, throughout our region anyway. So I think there's definitely, I mean, this-- this program has

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huge potential just simply because of the way that it's set up. It can
be for small urban community neighborhoods. It definitely can be
utilized in rural Nebraska.

FLOOD: What would you think--

REGINA KREBS: There's provisions in there for beginning farmers. So--

FLOOD: What would you think if we moved it to \$50,000 per grant?

REGINA KREBS: It depends on the business. I've obviously tailored, you
know, my applications and my businesses towards the program that we
have.

FLOOD: The \$10,000.

REGINA KREBS: The \$10,000. You know, there's definitely some
businesses that could use the, you know, additional funds.

FLOOD: What about--

REGINA KREBS: However, some of the-- the-- the startups I've found,
you know, even the \$10,000 or the new \$20,000 is a significant
investment for them, you know.

FLOOD: What if we limited it to technology startups, so you have to
use technology to fix some kind of a problem? Doesn't solve the day
care issue I don't think.

REGINA KREBS: I think in rural Nebraska there are-- you're going to
severely limit the situations that rural Nebraska can utilize a
microenterprise tax credit if it was simply just technology based.
Technology based meaning what, though? I mean, how are you going to
define technology? But at the same time, we have a need out in rural
Nebraska to make sure that our buildings and our Main Street are
filled. We've got entrepreneurs providing for their livelihoods. And,
you know, because, quite frankly, if-- if their business on that Main
Street, whether it's technology based or not, is not successful,
they've lost half of their income in that family. They will not stay.

FLOOD: How are you feeling about the future of Neligh and Clearwater
as vibrant communities?

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REGINA KREBS: We've been working really hard--

FLOOD: I know you have.

REGINA KREBS: --to make sure that that's the case. You know, I've spent back in 2012, both Neligh and Clearwater joined together to pass sales tax and LB840 funds. So we have those in our toolbox. We've added two more communities to that in the last two years. So we're definitely trying to do what we can for economic development. But this is just one more tool that helps us do that.

FLOOD: Thank you. And you're doing a great job.

LINEHAN: Thank you, Senator Flood. Senator Albrecht.

ALBRECHT: Thank you, Chairman Linehan, and thank you for your testimony today. Do you have the figures that are in this fund right now? Do you know how much they have?

REGINA KREBS: There's-- there's current-- there's \$2 million a year is funded towards this. However, because of the underutilization, and I could go into a huge history on why that's the case, but they decided to change it. So they left rollover funds up to a maximum of \$4 million. So currently there's \$4 million in this fund. Should we come to a point when we expend that entire \$4 million, it would only be funded at the level of \$2 million per year.

ALBRECHT: But I think the greater problem here is letting people know that it's out there.

REGINA KREBS: I think so.

ALBRECHT: And you can promote it in your own towns and let people know it's out there. But is it too cumbersome? Is it-- is there too much information? Sometimes people don't like to give up all that information that's even in the bigger Advantage Act and things like that, where you tie it into a lot of the information that's proprietary and people don't. And it never really gets out and it's protected. But some people don't want to jump through all those hoops to get this type of money. But yeah, I feel like sometimes we are well intended when we pass these bills. But if we don't circle around to make sure that things are working as designed as it should have been when it was first written, then it does fall through the cracks. And

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there's money out there for people that they need to know that it's
there, especially right now.

REGINA KREBS: And when it first came online, it was, I mean, it was
well advertised and used. I mean, however, there was an issue with,
you know, farmers being able to utilize it. And I definitely used it,
utilized it in my practice.

ALBRECHT: I could see the technology side that Senator Flood was
talking about. That could-- that could easily be in the-- in the ag
industry, you know, if somebody started something up that way to help
them out, I would be too. But--

REGINA KREBS: True.

ALBRECHT: But-- but to tie it into just something like that to get the
bigger money, I don't know if there's enough industry out there
because a lot of us don't even have Internet in some, especially in
northeast Nebraska. We need to work on that a little bit more. But
that seems to be a problem. But there are people that are trying to
start up businesses to help the, you know, with the Internet so.

REGINA KREBS: Well, and hopefully, you know, and that would even be
the case. You know, my-- my house, for example, I wouldn't be able to
start any type of a technology startup because I have 1 meg download
and upload.

FLOOD: One meg.

LINEHAN: There's frustration with it.

ALBRECHT: Yeah, it is frustrating, but thank you so much for being
here and coming this far on a day like today.

LINEHAN: Thank you, Senator Albrecht. Senator Pahls.

PAHLS: Thank you, Chair. I'm curious. I've not been in the rural areas
since the '70s when I lived there. But don't the counties and the
towns, don't they have some kind of business group? I mean, I'm sure
Neligh, isn't there an organization there that? I thought throughout
the state we had these organizations that could be promoting this. Am
I--

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REGINA KREBS: So there's, you know, your Chamber of Commerce is one of the big faux pas for economic development is and they're trying to tackle is whether you truly have a Chamber of Commerce or a Chamber of Events in small towns.

PAHLS: OK.

REGINA KREBS: That would be part of it. And again, we, as rural economies, are trying to promote this, like I said. But it takes funding in some of these cases, which is why, you know, when we came in and as Antelope County, Neligh and Clearwater, when we got together and passed the sales tax bill and added the LB840, that provided us with funding that we could come in and hire an ED director. We-- we share between-- between the two communities. So as we progress in this, yes, there are becoming more and more options available or individuals available in these rural communities. But, you know, on any-- in any given county, that necessarily wouldn't be the case.

PAHLS: Right. Well, I encourage you to keep promoting what you do, because I'm a little bit leery of what I just read in the World-Herald a few days ago, Polk County, which I'm familiar with, when Bill Gates owns over 8,000 acres, we're going to find out pretty soon that our valuable land is being purchased. And we won't have to worry about the small person because, I mean, we have to do something to encourage people to stay there in these small communities or it's--

REGINA KREBS: Right. Yeah, there's, you know, rural-- the rural economy in Nebraska is, you know, in a consistent, fragile state. You know, we out there love to live out there. We love the lifestyle. But, you know, it's consistent work to make that successful.

PAHLS: Thank you, appreciate it.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? Seeing none, thank you. You have quite a list of public service there, and you should be very proud of it and I appreciate it very much, as does the committee.

REGINA KREBS: Thank you.

LINEHAN: Next proponent.

LAUREN SHERIDAN-SIMONSEN: Good morning.

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LINEHAN: Good morning.

LAUREN SHERIDAN-SIMONSEN: Totally not in my wheelhouse to come and do this, so I will be nervous and I will admit that. Good morning, Chairman Linehan and members of the committee. My name is Lauren Sheridan-Simonsen. And I'm going to go through the whole alphabet here. L-a-u-r-e-n S-h-e-r-i-d-a-n-S-i-m-o-n-s-e-n. I am the director of economic development for the city of Neligh and the village of Clearwater in northeast Nebraska. I would like to thank Chairwoman and the Revenue Committee for the opportunity to come and speak with you about something very important to growing and supporting small businesses in rural Nebraska communities. I would also like to thank Senator Briese for introducing this legislation. I am originally from Norfolk, Virginia. I lived in rural Nebraska now for, we're going to go really show my age, so back 30 years and since I got out of college. It's my home. I never thought I would like living in a rural community and then I did it, and I would never give up what I have for a lifestyle there. It's no secret that populations continue to decrease in rural communities and businesses are struggling to compete with big box stores. The pandemic helped residents realize the importance of supporting local small businesses. We are concerned some will revert to old habits when we lose some of the wonderful-- and we will lose some of our wonderful entrepreneurs who have invested in our communities. New entrepreneurs are emerging and looking for the incredible quality of life you can only find in rural Nebraska, especially Antelope County. They are also looking for help to start up their businesses. Small communities cannot compete with metro areas with incentives to help startups. We have few tools in our toolboxes. LB840 has been a game changer. We have created local incentives to help with electrical expenses, digital facades, downtown revitalization, loans and grants. However, these are not enough. The Nebraska Advantage Microenterprise Tax Credit is a tool needed for rural Nebraska. Most businesses in the communities I represent and reside in are microenterprises with five or fewer employees, which is in line with 86 percent of all registered businesses in Nebraska. The remaining businesses are small and employ nearly a quarter of all Nebraska jobs. We count on entrepreneurs in Nebraska and need resources to help them succeed. We also need ways to be able to help these businesses transition when a new owner steps forward, when the other person is retiring. And we found that that's been extremely challenging. As Mrs. Krebs said, when we have someone come in and want

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to purchase a business, there-- there are no provisions within the program currently to help these transition businesses, which would be a void in our Main Street. Businesses needing our support, perhaps, maybe now more than ever for resilience and recovery. The tax credit is the state's only program specifically supporting Nebraska's smallest enterprises. Improving the microenterprise tax credit is-- is a good idea and it needs to be updated and some easy improvements will make it better for microenterprises. Wouldn't it be great to help grow our small business community and increase rural resiliency in Nebraska? I believe 62 other counties in Nebraska are also facing these challenges and would hate to lose the program. Rural populations often feel left out because we are smaller and we feel we have less of a voice. But make no mistake, we know we don't have the population, but we have a passion. And we have the people there that are making steps to change things. So I ask you to vote in support of LB366 and sincerely thank you for your time and happy to answer your questions.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Seeing none, are you driving back today?

LAUREN SHERIDAN-SIMONSEN: Yes.

LINEHAN: Be careful. Are you together?

LAUREN SHERIDAN-SIMONSEN: Yeah.

LINEHAN: OK. Both of you be careful. OK, thank you very much. Seeing no questions from the committee, thank you.

LAUREN SHERIDAN-SIMONSEN: Thank you.

LINEHAN: Next proponent.

SEAN KREBS: All right. Thank you, Chairperson Linehan and members of the Revenue Committee. My name is Sean Krebs, S-e-a-n K-r-e-b-s. I am a resident of Antelope County, a student at the University of Nebraska-Lincoln, and I'm also in support of LB366. Along with my current work, I also serve on my local Antelope County Farm Bureau Board and help the family farm. I ask that you please bear with me as this is my first attempt at testifying before a legislative committee. And I want to take a more anecdotal approach, speaking from personal experience and sharing impactful stories of my peers. This first story is kind of, is exactly from last weekend. I attended the Young Farmers

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and Ranchers Conference in Kearney, hosted by the Nebraska Farm Bureau. At the event, I had competed in the discussion meet, where individuals address major problems within the agriculture industry and collaborate to come up with solutions. Fitting enough, the two issues we had talked about were rural population decline and reliable broadband for the state of Nebraska. Now there's a much larger web of issues that all seem to be interconnected through those two problems, and I would like to list some of the talking points presented by my colleagues. The total tax load on Main Street businesses or your microenterprises is equally important as those on ag producers and needs to be reduced. Second talking point was the housing market is near nonexistent outside of the metro areas, your tri-cities of Omaha, Lincoln and Kearney. The reliable high-speed broadband needs to be accessible to attract larger-- larger businesses. And all of these needs need to be marketed in a way that people actually hear about it and utilize these programs. The microenterprise tax credit with the amendments provided by LB366 is just a small but integral part of the entire list above. My second story is the-- that of my college classmates. And I finish our-- as we finish our educations and contemplate our futures, many of us are drawn back to our rural roots. Many of us also come from entrepreneurial backgrounds and business ownership is just part of how we were raised and what most of us would like to strive for in our future endeavors. However, as we are considered any type of startup business, when I mention the microenterprise tax credit, I was shocked to learn how many of my colleagues had parents that had already utilized that tax credit in their own businesses. After 15 years of the current microenterprise tax credits, an entire generation is coming of age with the desire to foster their own ideas and create opportunities in their home communities. The changes in LB366 would allow for that entire second generation of entrepreneurs to come back to their hometowns and bring their dream of starting their own business into reality. My final story is that of my own. Our family farm is currently a first generation farm, with me being the second. The microenterprise tax credit was something my parents used to offset some of the tax burden of a young business and to construct the building needed for our operation. I'm currently attending the University of Nebraska-Lincoln, where I'm finishing my degree in mechanized systems management. This has given me the opportunity to meet several of my entrepreneurial friends. Every one of those friends had an influence from a parent, a grandparent, or other relative who had utilized that same 15-year-old

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tax credit to help get a business off the ground. With the current rules, my friends and I are not eligible to apply for the microenterprise tax credits. With COVID still raging, our prospects for jobs after graduation seem limited, prompting the prospect of business ownership. The changes outlined in LB366 would allow and incentivize a new generation of such business development and innovation in our rural communities. And it would expand the lifetime maximums to reflect the increased investments required to start a business in today's economy. With that being said, I'd like to thank you for your time. I'll be opening myself up to any questions.

LINEHAN: Thank you very much for being here. Are there questions from the committee? Seeing none, thank you very much. Good luck.

SEAN KREBS: Thank you.

LINEHAN: When do you graduate?

SEAN KREBS: Hope so.

LINEHAN: When do you graduate?

SEAN KREBS: May.

LINEHAN: Congratulations. Next proponents. Are there any other?

ANDREA McCLINTIC: Good morning, Chairperson Linehan and members of the Revenue Committee. I appreciate the opportunity to speak to you day--today and for the record, my name is Andrea McClintic, A-n-d-r-e-a M-c-C-l-i-n-t-i-c. I appear before you today as the executive director of the Dawson County Area Economic Development Council, as well as on behalf of the Nebraska Economic Developers Association in support of bill LB366. I want to thank Senator Briese for his willingness to shepherd this vital legislative bill. I have prepared these written statements, but I was lucky enough in my delay on the interstate here to listen to the livestream and do have some responses to questions you previously asked other testifiers. To my previous or to my prewritten statement, I previously served as the Nebraska Department of Economic Development's field service rep in central and southwest Nebraska. During my time at DED, I consulted numerous entrepreneurs looking to formally establish their businesses and existing small businesses to expand. Following that, I was associate director of external relations for career services at the University of

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Nebraska-Lincoln, where my primary responsibility was to assist employers in filling internships and full-time positions with our students and alumni. Many times our Nebraska businesses were at a disadvantage in securing local talent because businesses from other states were offering higher salaries or more advanced and progressive facilities. In my experience of almost 20 years serving and assisting Nebraska entrepreneurs and businesses of all sizes, I have had more conversations than I can count regarding their struggles in starting up, staying in business, and growing those businesses, whether it is due to restrictive policies, workforce shortages, or struggles with capital. There are very few program-- programs that microbusinesses qualify for, even though they are the lifeblood of most of our communities, large and small. Especially in the smaller communities, having businesses such as a local restaurant, grocery store, pharmacy, gas station, hardware store, salon, etcetera, is absolutely necessary in order to sustain and grow those communities versus having those residents moving to larger communities with more amenities. However, most, if not all, of the businesses I just listed would not qualify for the majority, if any, of our existing programs, simply because they are not creating 20 new full-time positions or investing \$250,000 or more dollars or more, which are the minimums for programs like the ImagiNE Act. With that being said, I am also a proponent for programs like the ImagiNE Act and our business and innovation programs as a way to support growth and investment on a larger scale with certain industries and with-- and to recruit new businesses in Nebraska. However, we must support the microbusinesses of our state as 86 percent of all enterprises in Nebraska are microbusinesses. It is paramount to modernize and renew this tax credit program. I fully support the increase in the amount of the tax credits to \$20,000 or more. I believe an increase would make the program more appealing and worth the time for businesses to apply. However, I would encourage you to keep the credit for eligible depreciable personal property at 20 percent. In many instances, I've worked with businesses that need to replace or upgrade equipment to continue or grow operations. This type of investment may not always create new jobs, but is definitely there to retain jobs and potentially raise wages if those upgrades in equipment require additional skills to operate. One great example is how this is-- how this is a huge need within our businesses would be the success of the Nebraska Asset Modernization Grant program that was coordinated through NIFA and promoted by DED in 2011. That program was successful and the funds were quickly depleted because it is a

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competitive advantage for businesses to capitalize on emerging technologies in their industry to be more efficient and productive. It was disappointing that there was not funds to subsequent fund this program. However, this tax credit program we are discussing today can provide similar opportunities investing new equipment for microbusinesses. The best thing about this tax credit is that it is not limited to asset modernization or job creation, but most all investments that help grow our businesses. No other program is this flexible, which is why we cannot allow it to sunset and it must be extended to improve and improve the benefits. One last thing, one last improvement I would like to see in the future is an increase in the cap of full-time equivalents to go from 5 to 10 full-time employees. The SBA defines microbusinesses as entities with one to nine employees. A large number of those I work with have had 5-- more than 5, but less than 10; and they continue to struggle to find assistance in growing their businesses. In closing, I want to reiterate our favor-- our support in favor of LB366 to extend the microenterprise tax credit program to 2024 or beyond and increase the amount of credits for qualifying businesses. It is the very least we can do as a state to support 86 percent of our businesses.

LINEHAN: Thank you.

ANDREA McCLINTIC: Luckily, I talk as fast as I drive.

LINEHAN: That was excellent, especially considering the morning you've had. So she had a little trouble getting here. Yes, there are questions. Senator Pahls.

PAHLS: Thank you, Chair. Reading this, it says you are on the Dawson County Area Economic Development Council.

ANDREA McCLINTIC: Um-hum.

PAHLS: So they-- we do have groups out there who can be promoting.

ANDREA McCLINTIC: We are the local economic development organization. We cover all of Dawson County, Elwood and Eustis. And so I have promoted it with my time there as well as my time that I served at the state. And also when I was at UNL and I was talking to businesses that were looking to add employees and we hear about them wanting to hire even more.

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PAHLS: OK. But the point I'm trying to get across, there are organizations out there in other counties similar to yours.

ANDREA McCLINTIC: Yes, absolutely.

PAHLS: So this information should be getting out to the people because of the organizations.

ANDREA McCLINTIC: Yes. If you look at the first number of years this program was in existence, many times the funds were expended or allocated at the very beginning of the year. And so I personally feel that a lot of resource providers, CPAs, and other individuals hesitated to promote it because you are providing them a resource that usually they have money in it. I know that hasn't been the case in the last couple of years, but I do think with additional promotion that it would be extremely useful and-- and those funds would be used every year.

PAHLS: Thank you.

LINEHAN: Thank you, Senator Pahls. Are there other questions from the committee? I still want-- do the local, like hometown community bankers use this project to help people to point them in the direction?

ANDREA McCLINTIC: I know that it is something that in the communities I work that I share with them. I go to interagency meetings with other nonprofit resource providers, as well as chamber meetings and any other local economic development organizations to spread the word to as many entities as I can. It has been promoted by the Department of Economic Development. It's on the Nebraska Advantage brochure. However, most of those programs don't apply to small businesses, so a lot of times they aren't provided that brochure.

***ZANE FRANCESCATO:** My name is Zane Francescato, and I serve as the Development & Government Affairs Director for the Seward County Chamber & Development Partnership (SCCDP). As the sole combined chamber and economic development corporation in Seward County with a standing membership of 257 public and private sector business partners, our organization would like to go on record and enter this written testimony in strong support of Legislative Bill, LB366; a bill which would improve and expand the Nebraska Advantage Microenterprise

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Tax Credit Act (MTC). Seward County is a collection of ten communities which vary in size, proximity to Lincoln, and number of businesses all which affect the local economy. Despite the unique traits of each community, they all have experienced growth and success thanks in part to the prosperity of their small businesses, many of whom are classified as microenterprises. Seward County communities are filled with a variety of small local businesses that provide the most vital of services essential to maintaining a high quality of life. The county's entrepreneurs bring entertainment, retail, small manufacturing, and many other unique enterprises all of which constitute a substantial portion of our local employment opportunities. These companies not only attract Seward County residents to work locally, but residents from 19 different counties in the region work for Seward County-based businesses. More than 85 percent of all registered businesses in Nebraska have fewer than 20 employees, which make up a quarter of the state's workforce. The MTC is one of the state's main vehicles for promoting the growth of local small businesses. However, for several years it has been underperforming, hard to track, and rapidly aging. Updating the MTC to reflect the modern needs of small businesses would not only fix these issues but would show that the state has a continued interest in preserving microenterprises. Therefore, the improvements and changes as proposed in LB366 should be adopted. There is no doubt that starting or expanding a business is an expensive endeavor and a \$10,000 tax credit is a sizeable amount. But for many microenterprises, \$10,000 creates a small impact relative to needed investments, especially after paying for professional fees to apply for the MTC. The cost of conducting business in the modern economy has significantly increased since the passage of the MTC in 2005. Changing the maximum amount that a business could qualify for to \$20,000 would more accurately represent the current cost of running a small business, especially in rural areas struggling to compete with larger cities. According to a state audit of MTC data, 24 Seward County businesses received \$142,126 in tax credits from MTC between 2007-2017. The same audit revealed that regionally, Legislative District 24 (comprised of Seward, York, and Polk counties) had 85 businesses receive \$493,337 in tax credits from MTC between 2007-2017. This small snapshot of the MTC's impact in both Seward County and in our region proves the vitality of the program as it stood. As our state navigates and examines the COVID-19 economy, a common factor shared among small businesses is the need for investment capital. Many

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of our organization's members had to put 2020 plans on hold for expansion, needed renovations, or technological improvements to keep their doors open and employees paid. This is not only true for Seward County entrepreneurs, but for entrepreneurs across the state. The proposed changes and improvements to MTC as proposed in LB366 will make the program vital asset for helping small businesses emerge from the COVID-19 economy strong and increasing their ability to boost the local and state-wide economy. We urge the Revenue Committee to support LB366 as proposed. Small businesses are vital to Seward County and communities across the state. We believe these improvements will help make the MTC reflective of current small business needs and have more impact on the economy.

LINEHAN: Thank you very much. Are there other questions from the committee? Seeing none, thank you very much. Be safe, OK? Are there other proponents? Anyone else wishing to test for the bill? OK, are there any opponents? Is there anyone wishing to testify in the neutral position? Senator Briese, would you like to close?

BRIESE: Thank you again, Chairman Linehan and members of the committee. It's going to be hard to follow up on what we've heard here. You know, it's-- I really appreciate folks coming to testify and it's great to hear from people out and about, people involved in these issues, people that really you consider boots on the ground. I know it's important to have them here, and I want to thank them for coming. And appreciate the questions that were asked and great questions. And, Senator Flood, I agree with you. You know, with the issue, are we hitting the mark here? Are we-- we getting where we need to be? Well, you know, taking this limit up to \$20,000 that's a step in the right direction. As far as targeting tech, you know, that's an issue we can talk about another time. And-- but I don't want to exclude these nontech folks. You know, Senator Pahls, appreciate you bringing up the example of a nontech business in your area that utilized this and has been very successful as a result. Senator Friesen, you talked about lack of utilization, but increasing this limit. Changing, altering the family member situation, that's going to help there I would think. And Senator Albrecht, you pointed out about publicizing this and making sure people know this and that'll help also if we can do that. You know, your idea about Department of Economic Development taking a larger role, maybe that could be something that could help, too. But-- but anyway, I appreciate the comments, appreciate the questions. And rural depopulation is a problem. We're hearing that back here. And,

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Senator Flood, I think you've talked about in the past, rural depopulation is an issue. And when redistricting comes front and center, that's going to slap us in the face. And, you know, there are a lot of tools we can utilize to address that. But the bottom line here, this-- this is a valuable tool that can help us. It can be one of the many tools that can help us in that regard. And I think we should take these steps to improve upon this program to enhance its-- enhance its utilization and help it become a more valuable tool in addressing the needs of our rural Nebraska and all Nebraska so thank you.

LINEHAN: Thank you, Senator. Briese. Are there questions from the committee? I have one. Why would you sunset it in 2024? Isn't that, I mean, like ImagiNE goes for 10 years.

BRIESE: Yeah, I just extended it two more years. We could go beyond that, but we could also increase the caps, a lot of things we could do different to make it better.

LINEHAN: And we moved the larger incentive package, LB1107. Did it not move ImagiNE from the Department of Revenue to Department of Economic Development?

BRIESE: Yeah, that sounds right, yeah.

LINEHAN: OK, so.

BRIESE: Yeah, that's a great question. Why are we only going to 2024 when ImagiNE's a ten-year program? So, yeah.

LINEHAN: OK. Thank you. Anybody else? OK, thank you very much.

BRIESE: Thank you.

LINEHAN: Oh, OK. I have-- this is just-- I'm confused. I have LB366 dropped-off proponents, four, but I only have one here plus the one that just testified. Is there a typo there? I have this one from Seward and-- it's OK, I just-- oh, these are letters for the record, I'm sorry. So the proponents that dropped off testimony this morning were Zane, Zane Francescato, Seward County Chamber and Development Partnership. Letters for the record were four proponents, one opponent, and no one in the neutral position. So with that, we open up on LB531. Change the sign, guys. Senator stays. Senator Briese.

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BRIESE: Thank you and good morning again, Chairman Linehan and members of Revenue Committee. My name is Tom Briese, T-o-m B-r-i-e-s-e. I'm here today to present to you LB531. This bill concerns the creation of the Nebraska Child Care Contribution Tax Credit, which offers financial incentive to taxpayers who are interested in developing this aspect of their local and statewide infrastructure. Research recently published by First Five Nebraska reveals that our state has been bleeding hundreds of millions of dollars annually due to the gaps in childcare availability. Those losses have only increased with the arrival of COVID-19, which has been especially damaging to Nebraska's childcare programs. State government and federal relief packages alone cannot solve this problem. LB531 represents a significant opportunity to involve the private sector in this effort. LB531 proposes a tiered, nonrefundable tax credit to individuals, companies, or other taxpaying entities who make a qualifying financial contribution to increase the availability of quality childcare in our state. These contributions may be made to a specific childcare program, projects that grow the early childhood professional workforce, or initiatives to make quality childcare more affordable to parents. This legislation offers two tiers of nonrefundable tax credits. Contributors may claim a 50 percent credit for monies donated to a licensed childcare programs or related initiatives that meet the eligibility requirements outlined in the bill. A 75 percent credit is available for contributions to eligible childcare programs in Nebraska Opportunity Zones or programs that serve families who qualify for the childcare subsidy. In either case, the size of the credit is capped at the taxpayer's income tax liability for that year or \$100,000, whichever is lower. The terms and requirements for the tax credit point to three key takeaways. First, this bill is about increasing the overall quality of our early childhood system. High-quality childcare programs help parents steer their youngest kids toward success in school and life. In turn, we must cultivate a world-class, world-class professional workforce to staff these programs and make childcare a rewarding career choice for educators. Second, this bill is about developing those areas of our state where we most urgently need to grow economic opportunity and infrastructure. Making childcare more accessible and affordable to parents will help us realize the full benefit of other investments we currently make in housing, worker training, and business attraction. Finally, LB531 is about building on our strengths as a state. Nebraska has a proven track record for involving both its public and private sectors to address some of our most pressing early childhood

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challenges. This bill creates rewarding opportunities for taxpaying individuals, businesses, and others to invest in a system that truly matters to our economic security and quality of life. And, and I want to underscore the importance of high-quality childcare to Nebraska. In Lincoln, we talk all the time about growing our state, creating opportunities for folks to live and work and raise their families in Nebraska. We talk about repopulating rural areas of the state that we briefly hit upon on the last, on the last bill. And, and growing our state, creating those opportunities really should drive policy in Lincoln. And how do we grow our state? How do we grow our population? And obviously there is no magic wand, but there is a variety of tools we can use. We can talk about tax policy. We can talk about business incentives. We can talk about housing. We can talk about K-12. We can talk about other forms of infrastructure, broadband availability, among other items. You know, those are all factors, but I would submit to you where I come from in rural Nebraska, early childhood programs are absolutely crucial to workforce development and to the growth of our state, arguably as important, if not more important than any of the factors I just listed. As we try to attract a skilled workforce to our communities, the presence of quality early childhood is crucial. Young families want and need to locate where their children have access to early childhood facilities. You've seen the surveys and data suggesting that. I served on the Urban Affairs Committee and one of the hearings we had last year struck me as an individual was talking about where he located and he was asked, you know what-- why did you locate in that community? And he said the presence of childcare was the main reason they went to a particular community. And if you survey young couples, young residents out in rural Nebraska or any community, that's going to be a very-- it's probably-- might not be the universal response, but it's going to be a very common response. They need childcare to attract folks to those areas. If your community doesn't have such opportunities, families are going to look at-- a lot of families are going to look elsewhere. And if-- when businesses are looking to locate in our state or expand in our state, they understand the importance of early childhood to their company's success. They realize it'll be easier to attract, to attract residents to that location if those residents have access to childcare. But perhaps more importantly, businesses realize that the foundation established in a quality early childcare environment enables a young person to enter the workforce with a wider array of marketable skills. And lack of early childhood programs can keep able bodied adults out of the

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workforce and can handicap the quality of our future workforce,
period. And I would submit that access to quality early childhood
programs truly is one of the keys to growing our state and this is a
bill that could help us achieve those goals. And there will be those
who testify after me that they're going to be able to expand more
fully on the context and components of LB531, but in the meantime, I'd
be happy to answer any questions you might have of me. Thank you.

LINEHAN: Thank you. Senator Briese. Are there questions from the
committee? Senator Flood.

FLOOD: Senator Briese, this isn't maybe so much for you, but for the
testifiers behind you. The two-- for 100 percent of the tax credit, it
either has to be located in a federal Opportunity Zone or it has to be
a-- you have to have at least one student that is enrolled in a
program established by Section 68-1202.

BRIESE: Yes and, and that's a 75 percent credit, but go ahead--

FLOOD: That's a 75 percent.

BRIESE: Yeah.

FLOOD: What is a program established by 68-1202?

BRIESE: I think that's aid to dependent children comes within that
statute.

FLOOD: OK.

BRIESE: I have the statute right here, but I think it was ADC
essentially--

FLOOD: Oh, OK.

BRIESE: --and they'll, they'll know for sure, but--

FLOOD: That will be great.

BRIESE: But that-- great question. I asked myself the same thing and
that's why I looked it up. I think that's what the answer is.

FLOOD: Thank you for bringing it.

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BRIESE: You bet.

LINEHAN: Thank you, Senator Flood. Other questions from the committee? I have-- and this is probably technical for somebody behind you too or maybe a CPA, but that-- we had left-- if, if it's in an Opportunity Zone-- no, excuse me. We have opportunity zones all over the state. They're not just in urban areas, so--

BRIESE: That would be my understanding, but I would like to ask them the same question because that was a question I had also. Where are these located? I wasn't sure, so-- I shouldn't even hazard a guess on that.

LINEHAN: And then I think it's, it's for both profit and nonprofit--

BRIESE: Yes.

LINEHAN: --but-- so if it's a nonprofit, it would be ducted-- deductible contribution too, right? I mean, you would be able to deduct if it's a nonprofit.

BRIESE: A nonprofit organized under the Internal Revenue Code, yes, I would say so.

LINEHAN: But would it-- and this is not-- I don't expect this answer, but it's a question I have. If it's for a for-profit, would it be deductible from your income taxes?

BRIESE: I would be skeptical.

LINEHAN: Yeah, that's what I was wondering.

BRIESE: Yeah.

LINEHAN: OK, OK, well, those are just a couple of things. Any other questions? All right, thank you very much for being here. Proponents.

ELIZABETH EVERETT: Good morning, Chairperson Linehan and members of the Revenue Committee. Thank you for allowing me to testify today. My name is Elizabeth Everett, spelled E-l-i-z-a-b-e-t-h E-v-e-r-e-t-t, and I'm the deputy director of First Five Nebraska. First Five Nebraska is a statewide public policy organization focused on promoting quality early care and learning opportunities for Nebraska's

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youngest children. I am here today to testify in support of LB531. Despite the obvious importance of childcare, there are very few supports that make owning and operating a childcare program or working in this industry a viable career for existing or aspiring educators and entrepreneurs. High employee turnover, low profit margins, and burdensome operating costs represent a serious challenge to the sustainability of many childcare programs. Demand for childcare typically exceeds the number of providers and slots available in our communities. As a result, Nebraska has suffered from a chronic shortfall in access to childcare in all regions of the state. Recently, First Five Nebraska commissioned the University of Nebraska Bureau of Business Research to conduct a study of the annual economic losses our state sustains due to gaps in childcare availability in Nebraska. The study concluded that the state sustains roughly \$745 million annually in direct economic losses due to inadequate access to childcare. The childcare industry experiences significant challenges even in optimal economic, economic conditions. In the face of an unprecedented challenge such as COVID-19, it is more important than ever that our public and private sectors are actively involved in helping to sustain this critical industry. LB531 offers an opportunity to do so. LB531 or the Nebraska Child Care Contribution Tax Credit provides a nonrefundable income tax credit for any individual or employer that makes a qualifying contribution to promote quality childcare in Nebraska. Contributions to an eligible childcare program or approved intermediary must be monetary. Contributions of services or property do not qualify for the tax credit. Qualifying contributions include those that establish or help operate eligible childcare programs, help train childcare professionals, and establish grant programs for parents requiring financial assistance for childcare purposes. The Nebraska Child Care Contribution Tax Credit is a tiered tax credit program. A 50 percent nonrefundable tax credit would be available to any taxpayer who makes a qualifying contribution to promote quality childcare. A 75 percent nonrefundable tax credit would be available to any taxpayer who contributes to an eligible childcare program that has a physical presence in a Nebraska Opportunity Zone or contributes to an eligible childcare program that has at least one childcare subsidy enrollment. The total amount of the nonrefundable income tax credit is capped at either the taxpayer's actual income tax liability or \$100,000, whichever is lower; \$15 million would be available for each taxable year and the tax credit program would sunset on January 1, 2027. Nebraska childcare industry

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needs help. LB531 would incentivize the private sector and provide more diverse funding sources to help sub-- stabilize the childcare industry. LB531 is not only an investment in the childcare industry, but it's investment in the future of our workforce. Nebraska's working parents and employers depend on stable care arrangements. Permanent or temporary closures in childcare programs can and will continue to impact our state's ability to mobilize the workforce we need for economic recovery. Again, thank you for allowing me to testify today and I would like to express our appreciation for Senator Briese's leadership on this important issue. Thank you.

LINEHAN: Thank you, Ms. Everett. Are there questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chairman Linehan, and thank you for being here and your testimony. So you say a 50 percent nonrefundable tax credit would be available to any taxpayer who makes a qualifying contribution. What is the qualifier?

ELIZABETH EVERETT: So qualifying contribution includes a variety of things, but what will be listed in the bill is that it has to go to-- towards promoting quality childcare in Nebraska. So things such as providing a financial donation to either help establish or operate an existing childcare program, help parents with childcare assistance by creating a grant or loan program that could go towards their childcare payments, helping a-- establish or create a dissemination information referral system, which would help parents understand more of those childcare services that are available to them, helping, you know, either a program or a collaborative that currently has training and technical assistance that they can provide to childcare providers, and then really helping any intermediaries such as a community foundation or a collaborative that also provides financial assistance to a childcare program.

ALBRECHT: So, so most of these childcare facilities would not be a home daycare setting. It would be more of the institutional type where it's a larger building with many children, would you say, or--

ELIZABETH EVERETT: No.

ALBRECHT: --is it actually-- oh, so, so the basic home daycare that we would think of--

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ELIZABETH EVERETT: Um-hum.

ALBRECHT: --would qualify, but they have to hit on all cylinders
before they could?

ELIZABETH EVERETT: No, no, no.

ALBRECHT: OK.

ELIZABETH EVERETT: So they would qualify as themselves just being an
eligible childcare program. So in the bill, an eligible childcare
program can be a for-profit or nonprofit organization or it can be
religiously affiliated. They just have to be part of the Step Up to
Quality system and they have to be licensed. So an individual, like a
taxpayer or, or an employer, could donate to a family home provider
and as the individual, the taxpayer or the employer, they would be the
ones who would get the nonrefundable tax credit.

ALBRECHT: OK, perfect. And tell me more about the Opportunity Zones.
Where are they and--

ELIZABETH EVERETT: Yep.

ALBRECHT: --and how do they qualify the--

ELIZABETH EVERETT: So there are 44 different Opportunity Zones
throughout Nebraska. I can list them. It's Lancaster, Adams, Lincoln,
Buffalo, Madison, Colfax, Merrick, Dakota, Red Willow, Dawson, Scotts
Bluff, Dodge, Thurston, Douglas, Valley, Garfield, York, and Hall
Counties. So there's 44 different tracks in there and the reason why
we included that in the bill was because we found that on average,
there were higher gaps in quality childcare options in those
Opportunity Zones versus the-- throughout the rest of the state. And
when we look at using state dollars, we really want to target those
individuals, those, those family home providers that serve the most
vulnerable populations because they will be able to help them move up
in their, in their lives and provide more economic security to their
families.

ALBRECHT: Perfect, thank you.

ELIZABETH EVERETT: Thank you.

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LINEHAN: Thank you, Senator Albrecht. Senator Flood.

FLOOD: Thank you for testifying. Quick question, if I'm an employer
and say I have 50 employees, can I set up a daycare that I could fund
for my employees and get the tax credit?

ELIZABETH EVERETT: You would be able to do so, but the goal is to,
one, provide more additional-- not just establish a program. It has to
be towards an existing program and then two, as an employer-owned
business, you'd have to be part of Step Up to Quality.

FLOOD: So one of the things that would concern me here and this,
this-- I wouldn't want to use this money to help an employer set up a
special thing for just their employees and consider it an employee
benefit. I would only want it to be used to set up a daycare that
serves the entire community.

ELIZABETH EVERETT: Yeah.

FLOOD: And is there a way that, as it's currently written, somebody
can say, hey, I'm going to sponsor this kid's daycare, like--

ELIZABETH EVERETT: Um-hum.

FLOOD: --and I don't think we want to do that. I don't think we want
to have somebody-- underwrite somebody else's daycare and get a, get a
tax credit. I-- wouldn't we rather make them give it to a
community-based organization that's running the daycare and say, hey,
this is for all kids and you can't tie it back to the provision of
daycare services for one particular kid?

ELIZABETH EVERETT: Correct. If I, if I understand your question
correctly--

FLOOD: Yeah.

ELIZABETH EVERETT: --you're wondering if an employer, for instance,
would be able to have, like, a direct connection to a provider--

FLOOD: Right.

ELIZABETH EVERETT: --and be able to get some sort of benefit from it.
So, I mean, the goal for this bill is one, to-- one, it is to

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establish relationships between employers and providers. But for the most part, we don't think that employers would establish childcare programs on, on site and just use the money themselves. From the most-- from what we've heard from most employers, they would use this resource to help with community providers and make sure also that their employees are able to access those programs as well. In statute, we did write that in order for an employer to take advantage of that, I mean, it does have to be a bona fide business transaction. It can't be for personal use.

FLOOD: So Senator Briese, in his district, actually has a, a-- I think it's called New Beginnings--

ELIZABETH EVERETT: Um-hum.

FLOOD: --a childcare facility. You're familiar with that?

ELIZABETH EVERETT: I am.

FLOOD: That's the kind of facility I would want to see the contributions go toward, not towards some kind of a private deal where you're benefiting just your employees.

ELIZABETH EVERETT: Correct. Yeah, that's the point of this bill.

FLOOD: So would there have to be some clarifying language to make sure that happens?

ELIZABETH EVERETT: It should already be in statute, but I can clarify again with the Department of Revenue just to make sure that we wrote it correctly.

FLOOD: OK.

LINEHAN: Thank you, Senator Flood. Are there other questions? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Do you know what percentage of the childcare facilities in the state would qualify? Because there are some qualifications--

ELIZABETH EVERETT: Um-hum, I do. So right now, licensed childcare providers that are part of Step Up to Quality, there are 539

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participating programs, but it's very easy to be part of Step Up to Quality. All you have to do is complete an on-- an online orientation, which is watching a video, complete a program application, and then input your information, your director and staff-- employee name and credentials into a system. It takes about an hour or so for you to complete it, so it's very easy for you to do so. So we are hoping that this would encourage also more providers to be part of Step Up to Quality, so--

FRIESEN: What percent do you feel this is of the daycare facilities? I know some of them aren't registered, but of the registered daycares out there, what percentage of them would meet that requirement?

ELIZABETH EVERETT: Of the license-- I can get you that information. I don't have the total--

FRIESEN: OK.

ELIZABETH EVERETT: --licensed childcare capacity on hand right now.

FRIESEN: OK, thank you.

ELIZABETH EVERETT: Um-hum.

LINEHAN: Other questions from the-- I'm sorry. Thank you, Senator Friesen. Are there other, other questions from the committee? I have a couple. Can you provide the committee with that list of counties--

ELIZABETH EVERETT: Yes, I can.

LINEHAN: --because-- oh, it's in here?

ELIZABETH EVERETT: There is-- yeah, a list in the-- it should be in the tax incentive document that I provided you.

LINEHAN: OK, because when you read it off, it struck me as odd. You said page-- OK.

ELIZABETH EVERETT: Sorry, there's maybe--

LINEHAN: Anyway, I did not hear Gage, Johnson, Pawnee Counties. Are they on there--

ELIZABETH EVERETT: The--

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LINEHAN: --Gage County, Johnson County, Pawnee County, southeast
Nebraska?

ELIZABETH EVERETT: I-- no, I do not believe that they're part of the
Opportunity Zones.

LINEHAN: OK, so what, what's-- can you give us a definition of what--
OK, it's right here-- elevated rates of poverty--

ELIZABETH EVERETT: Um-hum.

LINEHAN: ---or low levels of median family income. From looking at
other information across Nebraska, I would think this is almost every
county in Nebraska.

ELIZABETH EVERETT: Yeah, you would, you would assume--

LINEHAN: Is it up to the county to apply for this-- who-- it's--

ELIZABETH EVERETT: No, it's a federal-- yeah, it's a federal bill or a
federal requirement. They're the ones who decide on who are considered
Opportunity Zones or not, so it's not--

LINEHAN: Because it strikes me as odd--

ELIZABETH EVERETT: --state.

LINEHAN: ---that Dawson County-- oh, OK, this is-- have to look into
this-- and then could you answer the question I had for Senator
Briese? So I know it can go either a for-profit or nonprofit, but the
for-profit, you wouldn't get a tax deduction, right?

ELIZABETH EVERETT: So the for-profit or nonprofit childcare program
wouldn't get the tax deduction at all. It would be the taxpayer who
gives the money, so--

LINEHAN: I'm sorry, right. So the taxpayer who gives the money--

ELIZABETH EVERETT: Um-hum.

LINEHAN: --he gives it to the nonprofit, he or she. They get a
deduction on their federal income taxes--

ELIZABETH EVERETT: Um-hum.

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LINEHAN: --because it's a 501(c)(3) and a deduction from their state income taxes and then they get the 75 percent tax credit in addition to the deductions. But if it's a for-profit, they would just get the 75 percent credit, even if they wouldn't be able to deduct it from their income taxes.

ELIZABETH EVERETT: Correct.

LINEHAN: OK, all right. I think those are the questions I had. Yes, Senator Flood.

FLOOD: What should we be investing in early childhood, in your opinion, as a state, if we were to really mitigate this issue?

ELIZABETH EVERETT: In general, where, where it should be going? Well, so the Nebraska Early Childhood Workforce Commission released a report recently-- Senator Stinner was on, on the committee-- and we found that on average, in order to fully fund the early childhood system, it's going to require \$912 million in Nebraska, which is a lot of money.

LINEHAN: How much?

ELIZABETH EVERETT: Yeah, but that means that every, every child receives quality care. It means that every parent can afford quality care. It means that every childcare provider can break even or make a profit. So that's what we mean when we say a fully funded early childhood system. So we do have a gap right now in our state based on what we currently provide, both state and federal investments and then private investments of well-- as well. We have a gap of about \$452 million. Now we're not going to reach that probably any time soon, but if I would determine where that money would go first, it's probably towards the early childhood workforce because again, in order to have those quality childcare programs, we need to have those individuals there to support children's needs. We also need to look at salaries. We need to look at how to make working in a quality early childhood setting realistic and appeal-- appealing for most childcare providers. And right now on average, family home providers, for instance, I mean, make between \$18,000 and \$21,000 a year. And a lot of the times, these family home providers that are themselves operating a program of, of kids, they end up having to put their own money into the system, into their program to make it operational. So I would say that and then

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finally, I would say making it more affordable for parents, finding ways to look at family fees, what it actually costs for parents, and being able to help them mitigate any costs. One of the reasons why we included the childcare subsidy portion of this was to hopefully encourage more private-- or more, excuse me, childcare providers to invest and provide those childcare subsidy slots because those are the parents that need it the most right now. And right now across our state, there's not as much as we would like.

LINEHAN: Thank you, Senator Flood. Other questions? What was the first number you said to Senator Flood? I don't-- I just didn't hear you.

ELIZABETH EVERETT: Oh, \$912 million is where we technically would need to be in order to fully fund an early childhood system in Nebraska. But again, that's in a utopia situation where everybody has quality care, every provider can break even and, and make a profit, and every child or family can afford it.

LINEHAN: OK, thank you. Are there other questions from the committee? All right, thank you very much for being here.

ELIZABETH EVERETT: Thank you.

LINEHAN: Other proponents.

DAN MAUK: Good morning, Chairperson Linehan, members of Revenue Committee. My name is Dan Mauk, D-a-n M-a-u-k. It's good to see you back in the building, Senator Flood. Today I testify in support of LB531 and I'm testifying on behalf of our organization, Nebraska City Economic Development, as well as the Nebraska Economic Developers Association. We believe this legislation will help bring the private sector into addressing the significant issues that are involved with the-- our childcare system. I've been in this business about 20 years, actually just 20 years. I joined the Nebraska City Development Corporation five years ago. One of the first things I saw or was asked to do when I got there was to address problems within the childcare system. I think they looked at that and say, this is the oldest guy in the room, let's have him go fix this. And I thought it was simple. I learned from our major employers that the lack of available, affordable childcare was a problem. It affected their absenteeism, their employee retention, and their recruitment challenges. Two parts of local-- large employers went so far as to do business plans to try

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to figure out how to do one on their own, but they didn't get support from higher up in corporate. This is as much an economic development issue as job creation or housing has been. The parent needs the job, it needs a place to live, and it needs a place to take care of their children. I found this is a complex system. I, in my mind, thought I'll just help somebody start a, a center and then we'll, we'll have 50 kids licensed-- but it is much more complex than that. It took me three years of very hard work to get a center open and, and welcome, COVID-19. The rich didn't help the situation. In Nebraska, childcare services cost more than rent or tuition. In 2018, the Nebraska median household income was just under \$5,000 a month. In my county, it's \$4,200 a month. The parent would have spent 20 percent of that household income on childcare services for one child. Providers are finding staffing difficult and they face high turnover rates because they're paying minimum wage. The median salary for a early childhood educator is \$18,700, which is below the poverty level for a family of three. Twenty-seven percent of home-based and 20 percent of center-based, the larger centers of early childhood educators, are on public assistance themselves. Wages are low due to market pressures affecting the per-child rates and the parents' availability to afford the care-- ability to afford the care. In my county, I did a survey in 2017 and an infant was paying \$125 a week-- would cost \$125 a week. And my son had a baby two years ago in Omaha and paid \$232 a week for infant care. So it's more difficult in the rural areas because the, the average wages are lower. Many parents actually plan on when they-- where they are in the queue to have their next child because there's a constraint on infant care. They're-- one for every four and so centers can't make any money on, on infants. So that's the, the highest demand and the most difficult to, to fix and there's, there's not a profit incentive for the centers. Many in-home providers in our county are over the age of 65. In Syracuse, a community to our, our west, three-fourths of the providers there are age 65 and over and looking at retirement and Syracuse leadership are, are concerned about what are we going to do, how are we going to take care of our children with these, these mostly gals retire? Most of our in-care-- in-home providers do not accept subsidies, the Title XX subsidies, which make it more burdensome on new and lower-income families that are entered-- enter into the workforce. They don't take that because it's a little bit difficult to apply for and they don't need to because of the-- demand exceeds supply. I believe-- we believe this bill would help address it, won't solve it, but it will help address by-- the problem

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by incentivizing some private money to get into the system. The COVID-- just to touch bit a bit-- a little bit on COVID effect, we've had intermittent closures where it has been difficult for families to-- or, or providers to provide-- to schedule services because they, they know that-- well, they're in school this week, they're out of school next week. The parents are working from home or they're not working from home and, and the older providers are concerned about their health. I'd welcome any questions you have.

LINEHAN: Thank you, sir, for being here. Are there questions from the-- Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So I'm going to, I'm going to kind of lay this out a little bit different, but we've got an incentive program that incentivizes businesses to come here and to create good jobs. We subsidize housing. We subsidize healthcare. We're going to subsidize daycare. What, what responsibility do these businesses have to make sure that their employees have access to it? Shouldn't they-- couldn't they contribute to daycare, make large donations? They're all tax deductible, is that correct?

DAN MAUK: I wouldn't be able to answer that directly because I'm, I'm not a large employer. I know that it-- I think it probably has to get to a point where-- a tipping point, if you will, where they can't fill slots because they don't have the, the employees. In my community in Nebraska City, Cargill is our largest employer. They've submitted a letter in support of this. They are willing to cooperate and they've also worked with us informally, but they don't know of a way to be fair for all. This would be a simple way for them to just write a check and, and help address the problem. If it gets-- if this isn't addressed as a country, not just Nebraska, we're going to see some significant problems because there will just not be people that-- there won't be any incentive for people to take care of each other, so we'll be back to who's-- you work and I, I stay home kind of situation.

FRIESEN: Again, I, I, I look at it as a small business person. If my employee can't make it to work because they don't have childcare, I'm going to do something about it. I'm going to make a contribution to my daycare that's in the area or I'll get other businesses to join in. It's in my best interest. Why, why should the taxpayer that has worked hard to have their money-- we're called a high-tax state and now we're

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supposed to subsidize everything that happens out there. Why should they have to do that versus the employer being responsible, paying a better wage so they can afford daycare?

DAN MAUK: This is a, a, a systemic problem. You as a small businessman may see that as a, as a method. How much can you contribute to, to solve that problem may not be very significant. This is not a very significant amount of money in this bill, but it is something that-- maybe it helps guide us on a public policy standpoint to try to help address this problem.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir. You know, you, you talked about the affordability of, of childcare being one of the significant problems that we're trying to address with this, not the only problem, but, but one of them. Why not go the route of targeted tax credits to individuals to offset just the childcare costs for an individual in-- instead of kind of going through this process?

DAN MAUK: I'm not a public policy person. I'm, I'm an economic developer. I see a, a problem here and I'm trying to address it the best way I can. I, I didn't know anything about childcare. My, my baby is 36 years old when I got involved in this particular issue. I see it's very complex and, and what you're suggesting may be a, a solution. First Five Nebraska studies this and works on this all the time and I'm taking the cue from there that this is a bill that may help. Is this a solution? I don't-- I can't say.

BOSTAR: Thank you, sir.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? Thank you very much for being here.

DAN MAUK: Thank you.

LINEHAN: So you're in Nebraska City?

DAN MAUK: Nebraska City, yes.

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LINEHAN: Just one question: does Nebraska Public Schools [SIC] have a
early childhood--

DAN MAUK: Yes, they do. It's got a large waiting list. Our, our
Catholic school system, Lourdes Cedar [SIC] Catholic has also got a--
preschools and, and it's got a waiting-- large waiting list as well.

LINEHAN: And do they both operate on a, a how much you earn is how
much you pay-- a fee scale? I know in the public schools, they have to
operate on a fee scale. Do they--

DAN MAUK: I don't--

LINEHAN: It's OK.

DAN MAUK: Being an old guy, I don't know.

LINEHAN: All right, that's fine. Thank you very much for being here.

DAN MAUK: Thank you.

LINEHAN: It's complicated, I know. I agree, it's very complicated.
Next proponent.

LISA SCHOENBERGER: You all look a lot further away on NET when I
watch, so this is, like, very intimate right now. Good morning,
Chairwoman Linehan and members of the Revenue Committee. My name is
Lisa Schoenberger, S-- L-i-s-a S-c-h-o-e-n-b-e-r-g-e-r, and I am here
testifying in support of Senator Briese's LB531, which would expand
access to early childhood education in our state. I've been asked to
disclose that I am an elected member of the coordinating council for
the Learning Community of Douglas and Sarpy Counties, but I am not
here on behalf of the council today, just as a private citizen,
although we do support the bill. I knew you would get a lot of really
great sort of macro information about this childhood problem, but if
you would kind of permit me to zoom in really far, I wanted to paint a
really good picture of what this looks like for what I consider a very
typical Nebraska family like mine. So my husband and I are both
Nebraska natives. He grew up in-- or near Enders, Nebraska, which is
in Senator Hughes's district. I hail from Waterloo, which is Senator
Linehan's favorite part of her district. I won't make you confirm that
on the record, Senator, but I think we both know. We both hold
bachelor's degrees from the University of Nebraska-Lincoln. We were

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married in 2015 and purchased our first home in Millard, in Senator Pahls's district. We have since welcomed two daughters. They are currently four and two and we both work full time as what has been determined as essential workers throughout this pandemic and our daughters are thus enrolled at a childcare center near home. And to be clear, that center is completely outstanding. The workers there love our daughters as if they were own-- and provide a service that enables us to work while enriching their emotional and intellectual development. They really go above and beyond. And based on our extensive research, we would consider our center to be moderately priced for our area, so not the most expensive, not the least expensive either. And throughout our adventure as parents, we have had our, our children in a couple different types of settings, including smaller faith-based centers, larger commercial centers. At one point, a friend who was taking some time off for-- from the workforce watched our daughter. I would not say there was a massive price difference between all of those that would really make a difference in the info I'm about to present to you, but this year, we pay \$380 a week for their care. We are grateful that our particular center is considered teacher friendly, which means that we get to pause our enrollment there for the months of June and July. That is very atypical, especially in the Omaha area, where slots can be really difficult to find. Even with those two months off, we will pay nearly \$17,000 in childcare costs this year. If we did not have the two-month reprieve, we would be paying \$19,760 this year. Comparatively, if our two daughters, this year, were enrolled at the University of Nebraska-Lincoln, their tuition and fees would cost us \$19,744. So you can see it would actually be cheaper for us to have two children in college this year than it is to have them in daycare. Of course, as, as you hear often in this committee, there are many ways to fund a, a college education. There are currently very few to no such ways to fund childcare. There's not, like, a 529 you start on a good first date in case maybe that results in children somewhere down the road. If you broke the property tax payment on our current home down monthly, it would be around \$280 per month. That is \$100 less than we currently pay for childcare, so that means that we pay five times more for childcare than we do property taxes in our suburban Millard home. And I know those are often the topic of discussion here in this committee. We maximize all flex spending accounts available through our employer to lower our taxable income. The maximum allowed by the Internal Revenue Service for those programs is \$5,000, which is again,

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less than one-third of our total annual cost. When we found out we were expecting our second child-- I'll hurry up here-- which feels like a very reasonable number of children, we sat down and did the math and decided whether or not it made sense for my husband, who's a teacher at, at an alternative high school in the Omaha metro area, whether or not he should continue to work. It-- the math really barely penciled out for him to continue to work. If a third child were to come along, there would be no question that, that the cost would eclipse his potential, which would mean that, that students in that district would miss out on an absolutely phenomenal educator that does have the desire to continue to be in the workforce. I believe that Senator Briese has presented a solution that would be really, really helpful to families just like mine, which, you know, we, we consider ourselves very blessed. So please advance this to the floor, show young Nebraskans that you have our back, and I'm happy to answer any questions. I "white-knuckled" it down here from Omaha this morning because this is so important to me, so I'm happy to answer any questions you have.

LINEHAN: Thank you, thank you. Do we have any questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, ma'am, for coming in.

LISA SCHOENBERGER: Yeah, yeah.

BOSTAR: And, and I'm obviously trying to learn--

LISA SCHOENBERGER: Sure, sure.

BOSTAR: --a lot about this bill as I go. So if LB531 were passed, what, what would that do to the costs of, of the childcare for your two daughters?

LISA SCHOENBERGER: Sure, so right now our employers offer flex spending accounts. Those are limited by the IRS to the maximum that we-- it's basically a, a deferred contribution, just like a medical FSA. So we, we contribute, you know, our money pretax to those. If there were a program that could exist outside of those programs that wasn't necessarily like an IRS, you know, pretax deduction, something like that, maybe our employer had a match-- similar to kind of, you know, what they do sometimes with a, a retirement account or something

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along those lines, then that may be super helpful. Either way-- you know, we've been watching for several years. This is the first sort of foray into solving this problem that I've seen. I know we've been really, really focused on some other major economic burdens for Nebraska families. This is our big deal for the moment. So, you know, either way, we're-- we really just appreciate the, the opportunity to sort of tell our story and that Senator Briese is proposing a, a workable solution that may help people like us and certainly people whose income is less than ours as well.

BOSTAR: No, I-- and forgive me, so--

LISA SCHOENBERGER: Yeah, you're good.

BOSTAR: --if-- so what I'm, what I'm understanding is this bill might make childcare more affordable, more affordable for your family--

LISA SCHOENBERGER: Um-hum.

BOSTAR: --but also it might not depending on other things going on.

LISA SCHOENBERGER: Sure, sure. Yeah--

BOSTAR: Is that, is that correct?

LISA SCHOENBERGER: --it opens a possibility, I would say. That's the way I understand the bill. Certainly, I think there's probably people that could-- can speak more to the technicalities of it, but I really wanted to lay out the fact that this is a major problem that deserves really thoughtful consideration for a solution. So that's kind of what--

BOSTAR: I have a two-year old. I--

LISA SCHOENBERGER: Sure, you get it.

BOSTAR: --I understand what it costs.

LISA SCHOENBERGER: Yeah.

BOSTAR: Thank you very much.

LISA SCHOENBERGER: Of course.

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LINEHAN: Thank you, Senator Bostar. Are there other questions from the
committee? Did you-- flex account.

LISA SCHOENBERGER: Yeah.

LINEHAN: I didn't know this. So you can, you can use pretax dollars to
pay for childcare?

LISA SCHOENBERGER: Yes, up to \$5,000 combined and that is regardless
of how many children that you have. So \$5,000 that you can defer
pretax of the, you know, \$17,000 that we'll pay this year.

LINEHAN: Right, so \$5,000 of the \$17,000 is-- you don't have to pay
income taxes. Do you have to pay Social Security taxes or just
completely tax free?

LISA SCHOENBERGER: I believe it just reduces your income by that
amount per paycheck, so it just-- it, like, just takes it down and
divides it by however many paychecks you have. And you defer that
amount just like a medical flex spending account.

LINEHAN: OK, thank you. Other questions from the committee? Thank you
very much.

LISA SCHOENBERGER: Yeah, thanks.

LINEHAN: Other proponents? How many do we have waiting to testify?
Just because we're all trying to figure out if we need to run to the
restroom or not. OK, two more. OK, thank you. Good morning.

DIANE TEMME STINTON: Good morning, Chairman Linehan, members of the
Revenue Committee. My name is Diane Temme Stinton, D-i-a-n-e T-e-m-m-e
S-t-i-n-t-o-n. I'm the owner and the chief executive officer of TMC
based here in Lincoln and I'm here today on behalf of the Nebraska
Chamber, the Lincoln Chamber of Commerce in support of LB531. I'm
sorry that the testimony that you have received is the unabridged
version. I will try to keep it brief. TMC is a contract metal
manufacturing company with 190 employees. We are a second-generation
small family business. Of course, as the pandemic started nearly a
year ago, businesses were faced with unprecedented challenges and we
were shown what it really takes to, to have our doors stay open for
business and this includes childcare and early childhood education is
just critical for, for our people to be able to, to get to work. In

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the fall of 2020, alarming headlines across the nation reported that a record number of people were leaving their jobs due to family obligations stemming from the lack of school and childcare. Nebraska is currently back to prepandemic unemployment levels and that's under 3 percent in many counties. I saw that in your county, it's actually under 2 percent. To hear that people are dropping out of the workforce due to insufficient childcare infrastructure at a time when it is extremely difficult to hire qualified people is extremely disheartening. As a company headquartered in Nebraska, when we talk about expansion, we are seriously considering expanding to a different state where labor resources are available. Conversely, under these conditions, it will be very difficult or impossible to attract businesses to come to Nebraska. Unsurprisingly, the people leaving the workforce to care for young children are also disproportionately women. This threatens to worsen gender inequalities, wage gaps, and opportunities in the workplace as they are left behind. Of course, like the U.S. Census Bureau has reported, that the poverty rates for women are higher than men even before the pandemic. In addition to women, the absence of childcare disproportionately affects the hourly shift worker and the production employees that need to be physically present at work to keep our businesses running. Ninety-five percent of TMCO's employees are production employees that have no choice but to show up to work. Of course, due to COVID-19 and the pandemic, there are many childcare facilities that are at risk of closure. And with that closure, it is uncertain how many facilities will, will be reopened after the pandemic. Of course, this has seismic consequences on our workforce and especially those who just don't have the luxury of working at home during these hard times. We really, really rely on childcare in order to keep our operations running, but of course, this is nothing new. Even before the pandemic, our employees were struggling to find affordable, available, quality opportunities for their children. The fact is that we need to find innovative solutions to address early childcare infrastructure. LB3-- or sorry, LB531 offers nonrefundable tax credits for employer-sponsored childcare assistance programs. And so we ask, why do employers need this incentive? TMCO has recognized the burden of our employees as a small business and has a commitment to subsidize quality child-- early childhood education partnered with a trusted provider. This is a nonprofit provider, to your question, Senator Linehan, and we contribute directly to our employees' children's tuition. We do not take the nonprofit deduction, but the truth is that we are a very

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small minority in terms of businesses that engage with early childhood education. As I was thinking about the issue and looking at our different options, the models that are commonly referenced are billion-dollar companies like Goldman Sachs or Patagonia with the on-site childcare facilities. Most businesses do not have the resources to commit to providing childcare to their employees outright. LB531 helps engage employers by allowing them to chip in without a backbreaking initial investment. The hard truth is that many businesses do not see this issue as their problem. In exploring how TMCO could help, again, I was consulting with my, my business associates and professional friends and I was quite alone in the room. There was a lot of naysaying to overcome. You can't do this because of the liability. You can't do it because it discriminates against employees who don't have children. You can't do it because it will drain your bottom line. It's not a money-making venture and shouldn't the government just take care of it? The business community needs an incentive to get the conversation going and to build awareness around the effects and consequences of inadequate child-- childcare resources for the economic future of Nebraska. And so I'm grateful to the Nebraska State Chamber, Lincoln Chamber for their forward thinking on this issue. COVID has exposed the fragility of the current infrastructure and the need for immediate support. And in closing, when you ask who is ultimately responsible for supporting early childhood education, your support of LB531 gives further support to the idea that quality childcare and education is also a significant economic and workforce issue. It sends the message that legislators believe it's important--

LINEHAN: OK, you're going to--

DIANE TEMME STINTON: --sorry-- for businesses to contribute and it really invites companies to come to the table to be part of a solution.

LINEHAN: Thank you very much.

DIANE TEMME STINTON: Yes.

LINEHAN: Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chair Linehan. So does your company-- you, you said I think in your statements that you do help with childcare--

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DIANE TEMME STINTON: We do.

FRIESEN: --for your employees?

DIANE TEMME STINTON: Yes.

FRIESEN: Do you give any contributions currently to a daycare?

DIANE TEMME STINTON: Yes. Well, we subsidize up to 55 percent of the costs for children enrolled in a, a daycare partner.

FRIESEN: OK, so do you, do you ever make any other contributions just directly to a daycare as part of your charitable contributions?

DIANE TEMME STINTON: So we support the Lincoln Littles campaign, which provides scholarships to children in need, but when you start picking and choosing, then, you know, there's a fairness issue there. So you have to be a little bit diplomatic as a business in, in how you support. I, I believe that this bill would allow us to support all of our children and provide donations to, to those childcare facilities as long as they meet the criteria.

FRIESEN: But currently, though, you could make those donations and it just be a charitable contribution, correct?

DIANE TEMME STINTON: We could, but again, there's the fairness issue.

FRIESEN: OK, thank you.

DIANE TEMME STINTON: Yes.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? You, you pay-- you deduct as a business expense, though, right? If you pay 55 percent, it's part of their salary. It's a business--

DIANE TEMME STINTON: Yes, it is a--

LINEHAN: --deduct--

DIANE TEMME STINTON: --an employee benefit.

LINEHAN: So it's a, it's 100-- it comes in before you pay taxes. It's a deduction from your revenues.

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DIANE TEMME STINTON: Yes.

LINEHAN: OK.

DIANE TEMME STINTON: Yes. I'm sorry, yes.

LINEHAN: Thank you very much.

DIANE TEMME STINTON: Thank you.

LINEHAN: Good morning.

CHAD MARES: Good morning. Morning, Senator Linehan, members of the Revenue Committee. For the record, my name is Chad Mares, C-h-a-d M-a-r-e-s, and I am the senior director of workforce services at the Greater Omaha Chamber. I'm testifying today on behalf, on behalf of the Omaha Chamber of Commerce supporting LB531, the Nebraska Child Care Contribution Tax Credit. I run the Greater Omaha WorkLab, or GROW program, in my role at the Omaha Chamber. GROW is a workplace benefit that provides a group of partner employers with access to a navigator. Our navigators assist employees with any issues that are keeping them from being physically or mentally present at work. The conversations and assistance that we offer are free and confidential for employees and they provide us with a unique insight into our employees' lives. For employees of businesses across our state, something as simple as a 2 percent increase in their salary can cause them to lose their childcare subsidy benefits and face a difficult decision to quit their job to maintain a spot with the childcare provider that they chose. One solution to the employee's affordability problem would be to negotiate with the provider. However, by offering a reduced fee to the parent, the provider reduces their revenue in a business that already runs on very tight margins. Issues like this one that I just described are at the heart of what I call the catch-22 of childcare. For individuals who purchase the service, the cost can be substantial and force difficult financial decisions on families when choosing between a job and their children. On the other side, the small business owners of childcare services, whether they're center-based or family in-home care, are operating on thin margins and it can be challenging to pay your employees a competitive wage, let alone yourself. Over the past year, affordability, accessibility, and quality issues in early childhood education have become especially acute. The move to a work-from-home environment for many employers, coupled with the

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closure of schools and uncertainty around whether or not it was safe to keep a child enrolled in daycare created challenges and opportunities for the future of childcare and an employer's relationship with it in our state. The difficulties to the childcare-- to childcare as an industry are daunting. However, our changing work environment has created an opportunity. A lot of us have done our fair share of Zoom calls and for the first few months of the pandemic, I recall that I did not have one call that was not interrupted by one of my coworkers' children or my own. This window, this window into each other's home lives has provided us with an understanding of how important the people who care for and teach our children are to us. Businesses now more than ever appreciate the need to support the whole employee. The fact that a program like GROW exists and has had significant growth in employer investment over the past year is proof of that. I support LB531 because it will allow citizens and organizations in Nebraska an opportunity to experiment with new models for how we invest in early childhood education. For individuals, the chance to ease their investment in childcare against their state tax liability helps. However, I feel that the opportunity for organizations, especially businesses, to make targeted investments in childcare for the benefit of employees, establish relationships with providers, and adapt from practices that work and those that don't could provide our state with an opportunity to break new ground in this all-important part of our economy. Our neighbors to the west in Colorado have a similar piece of legislation on the books and when I first learned about it, I thought that it presented an excellent opportunity for us in Nebraska to learn from what they have been able to do and accomplish things here that they have not been able to accomplish there. This is something that we used to be good at in the 1990s, if you guys recall. The GROW program is a part of a national network of providers in cities spread across the United States. One of our partners is WorkLife Partnership in Denver, Colorado. When our work started here in early 2019 after a year-long grassroots engagement effort with leaders in our community, shortly after that, I was having a conversation with the executive director of WorkLife and she commented to me that there must be, quote, something different in the water in Nebraska, end quote. That's-- something different to me is the people that make up our communities. The ethos that makes them different is encapsulated in a statement written by David McCullough in his book *The American Spirit*. Quote, good people involved in joint efforts to accomplish things for the better, end quote. I urge you to

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consider the adoption of LB531 and see what the good people of our
state can accomplish together. Thank you for the opportunity to speak
with you and I'm happy to answer any questions you may have.

LINEHAN: Thank you very much. Are there questions from the committee?
Senator Flood.

FLOOD: Very briefly, would you send me some information about WorkLife
group and what, what the program is in Omaha?

CHAD MARES: Yes, absolutely.

LINEHAN: Thank you, Senator Flood. Are there other questions? Could
you-- do you know or could you tell us how many of your members of the
Omaha Chamber of Commerce take advantage of the flex pay for early
childcare?

CHAD MARES: I, I do not know that, no.

LINEHAN: That would seem like kind of important information to know if
your employers know about it. It's-- I mean, I know it's \$10,000
basically per child, but that's half of it.

CHAD MARES: Yeah, it's, it's \$5,000, \$5,000 in, in total for the, for
the flex spending.

LINEHAN: Well, I'm not an expert--

CHAD MARES: Yep.

LINEHAN: --I'm just going--

CHAD MARES: Yep.

LINEHAN: --by a previous--

CHAD MARES: No, no, absolutely.

LINEHAN: So I think it would be helpful if we knew how many businesses
were already taking advantage of what seems like a pretty good
program.

CHAD MARES: Yeah, I believe that most businesses do know about it and
take advantage of it. I-- before in my role at the chamber, I was an

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H.R. director with Coca-Cola here in the state and we offered it to our employees. I think it's also something that individual taxpayers can take advantage of on their own, on their taxes, but there's that, that year-long lag there on the child dependent tax credit. But yeah, I, I believe that most employers know about and offer it. I just don't know a percentage of the chamber members that, that know about it and offer it.

LINEHAN: OK, thank you. Other questions from the committee? Thank you for being here, appreciate it.

CHAD MARES: Thank you.

LINEHAN: Other proponents?

JEREMY EKELER: Good morning. Thank you.

LINEHAN: Almost, you've got five minutes.

JEREMY EKELER: Five minutes? All right, so good afternoon at the end. I'll be quick. My name is Jeremy Ekeler, that's J-e-r-e-m-y, and Ekeler is spelled E-k-e-l-e-r. Chairwoman Linehan and members of the Revenue Committee, like I said, I'm Jeremy Ekeler and I am the associate director of education policy for the Nebraska Catholic Conference. Nebraska Catholic Conference advocates for the public policy interests of the Catholic Church and advances the gospel of life through engaging, educating, and empowering public officials, Catholic laity, and the general public. For the sake of background and perspective, for nearly 20 years, I've been blessed to work in Catholic schools ranging from the preschool level to the collegiate level. I helped construct the Nature Explore preschool while coordinating fundraising and community involvement efforts for that project. I also sit on various early childhood boards in the community. Most importantly, I married an early childhood special educator, so there's really no getting away from this topic in my house. I also have five kids, 11 and under, so our house is a bit of a, a preschool setting most days too. But my point is that I have seen the impact of programs LB531 seeks to create, enhance, and support and they are game changers when they're done right in cooperation with the family. The church's Second Vatican Council in its Declaration on Christian Education recognize the following. The family, which has the primary duty of imparting education, needs the help of the whole

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community. Its function is to promote the education of youth in many ways, namely to protect the duties and rights of parents and others who share an education and to give them aid, and according to the principle of subsidiarity and the endeavors of parents and other societies that are lacking, to carry out the work of education in accordance with the wishes of the parent. These principles underlie our support of LB531, a bill that incentivizes donors to support a plurality of early childhood and childcare facilities while also supporting families in need. This bill would create more options for parents to choose the right fit for their child in a quality setting. I'd like to talk about this from the perspective of our Catholic schools. We have 132 of them and statewide-- that's statewide and, and three of our dioceses-- in the three dioceses combined, we have 80 childcare centers. These empower parents as the primary educator of their child, creating access for those with lesser means and honoring the right of a parent to find the best fit for their child. LB531 LB531 would enhance the work of our schools for the families that choose them. I wanted to give you kind of an idea of what these places look like. We heard a little bit about Nebraska City Lourdes, a couple other examples. The Nature Explore program I talked about at Cathedral immediately hit capacity. We offer scholarships there and it was featured in the Journal Star. David City built their preschool to, to face a capacity need. That preschool was actually built in conjunction with their high school. Their high school kids helped build the preschool. We now have programs in development in Seward, St. Vincent De Paul, and St. Peter's Lincoln. There are some others. There's a really neat relationship at St. Pat's in North Platte between the-- St. Pat's North Platte private and public schools, which is how education should be done, as a community. And kind of sadly, St. Mary's and Sacred Heart closed a couple of years ago and they were serving a lot of preschool kids in areas that had had high need. So as I end there-- end the-- as I near the end of my testimony, I remind the committee of a few foundation-- foundational matters. Number one, there is no better setting for a child than a stable home environment. Families make great sacrifices to provide this environment for as long as possible. Number two, despite the importance of family environment, the hard truth, which is a term we've heard a few times today, is that many families face long-term, or just episodic even, issues. COVID has exacerbated these issues and exposed inequities. As a result, we are compelled to support quality childcare problems. And number three, access to a plethora of educational opportunities is vital for the

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family, the child, and the community at large. Catholic schools have historically filled this role and continue to provide options for families in their communities, so we believe that LB531 honors the principle-- these principles. I thank Senator Briese and his office for the rich conversation around the bill. Senator clearly wants the best bill that he can, he can put together and with all of this in mind, we support the advance, advance of LB531 and I'm open to any questions if you, if you have any.

LINEHAN: Thank you very much, Mr. Ekeler. Are there any questions for Mr. Ekeler? Seeing none, thank you very much--

JEREMY EKELER: All right, thank you.

LINEHAN: --appreciate it. Are there any other proponents? Are there any opponents? Is there anyone wanting-- wishing to testify in the neutral position? Senator Briese, would you like to close?

BRIESE: Yes, thank you, Chair Linehan.

LINEHAN: OK, we'll let you.

BRIESE: What's that?

LINEHAN: We'll let you close.

BRIESE: OK. Just briefly, you know, I want to thank every-- thank the testifiers, everyone, for being here and they've done a great case of laying-- a great job of laying out the case for why this bill is important to Nebraska, how it could enhance our workforce, improve our business climate, and be good for our citizens. I think it's good legislation, a well-written bill. And to your point, earlier, Senator Flood, I'd thought of some hypotheticals too where-- does this cover that? Is that actually what we want to do? And Section 4, paragraph 5, subparagraph (a) probably addresses the concern you had about the business and, you know, simply using these dollars to do something they're going to do anyway. Any-- anyway, we'll have to look at that and see if that language is tight enough to address all situations and make, make sure we're in agreement with that. And Senator Bostar, you made-- had some great comments about the price of childcare. It's ridiculous and, you know, I hear from my son and daughter-in-law what they pay in Omaha and I'm just shocked and we heard that from some of the testifiers too. But this bill is really about-- more so about

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availability, but availability can lead to more affordability in the long run, in my view, and so it, it will help in that respect, it would seem to me. You know, it's not a-- doesn't have a direct impact, but it should have an impact over time, one would think. Anyway, I, I think it's good legislation. Maybe look a little bit on the language, make sure we're-- everybody is comfortable with it. Might be some tweaks here and there, but, but thank you for your consideration.

LINEHAN: Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Two minutes. Senator Briese--

BRIESE: Yeah.

FRIESEN: --I mean, you've been on this committee for quite a while too and we keep being asked to lower the corporate income tax rate, lower income tax rates. And at the same time, we keep being asked for incentives because our tax rates are too high and it all boils down to what is the business' responsibility for providing for their employees? So I'm kind of asking you at the same time-- I mean, there's-- we all see the responsibility, but our laws would raise the cost of childcare because we put stipulations on because obviously, the wages and that childcare are bottom of the barrel. So why, why should the taxpayer, I guess, be interested in that when this is something that really businesses should be way more involved in, whether through charitable donations to childcare, child credits, or just higher wages so that people can afford childcare?

BRIESE: Sure, no, a great question, Senator. And I think, number one, the taxpayer should be extremely interested, interested in the issue because this inter-- this issue impacts the future of our state and the ability to attract the workforce and the ability to have a good business climate and grow our state. But I think maybe your point is more so why should the taxpayers be ponying up some support of this as, as opposed to the business community? And my response would be so much of the business community in rural Nebraska, especially in small businesses in urban Nebraska, they don't have the financial wherewithal to do this on their own, you know, to, to fund child-- you know, you heard about the cost of childcare and I don't-- there's just so many businesses that can't pony up a decent salary plus oh, yeah, I'm going to pay for your childcare too.

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FRIESEN: Does it cover taxes?

BRIESE: It just doesn't seem practical. Now the big companies that somebody mentioned earlier-- I don't recall what the example was-- maybe in that situation, the multinational companies on the east and west coast, yeah, they can do it. And somehow Nebraska--

FRIESEN: Businesses can't afford it because our taxes are too high or--

BRIESE: Well, I-- yeah, property taxes in particular. Yeah, but, but part of your concern goes to maybe what Senator Flood said about, well, we want to be careful in exactly what we allow businesses to capitalize on under this and make sure the language is what we intend it to be. And there's other hypotheticals where you think, yeah, you want to make sure it's accomplishing what we're wanting to do here and people aren't taking advantage of it.

FRIESEN: Thank you.

BRIESE: I, I think it's well written the way it is, but we, we should look at a little language too.

FRIESEN: Thank you.

BRIESE: You bet. Good question.

LINEHAN: I just have-- anybody else have a question? This is more for the record, I don't expect you have an answer, but I find it odd that on some fiscal notes, we have a huge cost. It's, like, \$150,000 from some office of-- chief information officer and on yours, there's no expense from the chief information officer. I'm just saying that so we notice--

BRIESE: Yeah.

LINEHAN: --that going forward that sometimes we have, like, \$200,000 on it because we're changing the tax code and then other times, it's not on there and I find that odd.

BRIESE: That's a good catch I didn't get.

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LINEHAN: I read enough of them. OK, see you all back here at 1:30. Oh, wait a minute. Yes, yes, yes. We had 12 letters in support, one against, none in neutral. We had-- nobody brought anything in this morning. They all came in person. Thank you very much.

BRIESE: Thank you.

LINEHAN: Close LB531. We'll see you back here in an hour and a half.

[BREAK]

LINEHAN: [RECORDER MALFUNCTION] committee public hearing. My name is Lou Ann Linehan, I'm from Elkhorn, I represent the 39th Legislative District. I serve as Chair of the committee. I know everybody's not here yet, but they will be. So for the safety of our committee members, staff, pages and the public, we asked those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in process-- progress, excuse me. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrances, which is over there, obviously, and exit doors, which are over there, to the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clear, clearly hearing and understanding your testimony. The pages will sanitize the front table and chair between testifiers. Public hearings for which attendees reach seating capacity, which I don't see the Sergeant at Arms, but I think we're pretty close. So hopefully we'll, we'll have a Sergeant at Arms monitoring the door who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear a face covering while waiting in the hallway or outside the building. The Legislature does not have the availability due to the HVAC project of an overflow hearing room for hearings which attracts several testifiers and observers. For hearings with large attendance, we request only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up the bills in

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the order posted, which I already said. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off your cell phones. The order of testimony will be the introducer, the proponents, the opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hang on to a page when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 12 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you. Now, when you begin to testify, please state and spell both your last, first and last name. Please be concise. It is my request that you-- how many people are here testifying on this bill? How many are here to testify on this bill, on LB74? OK, I'm going to-- can we go four minutes? I'm going to go four minutes because there's, we have like four bills this afternoon. If there are a lot of people wishing to testify, we just said we're going to do four minutes. If your remarks are reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form on the table outside of the room by the entrance and it will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is committee counsel Mary Jane Egr Edson. To my immediate left is research analyst Kay Bergquist. To my left at the end of the table is committee clerk Grant Latimer. And now I would like the senators to introduce themselves, starting with Senator Pahls.

PAHLS: Thank you, Chairman. Rich Pahls, southwest Omaha.

BOSTAR: Eliot Bostar, District 29: south-central Lincoln.

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

LINDSTROM: Brett Lindstrom, District 18: northwest Omaha.

FLOOD: Mike Flood, District 19: Madison and part of Stanton County.

BRIESE: Tom Briese, District 41.

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ALBRECHT: Joni Albrecht, District 17: Wayne, Thurston and Dakota Counties in northeast Nebraska.

LINEHAN: And if the pages could stand up. This afternoon, we have Jason, who is at UNL, political science and history; and Reed, who's also at UNL with studying ag economics. Please remember that senators may come and go during our hearing as they have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I would like to remind our committee members to speak clearly into the microphones for our audience. The microphones in the room are not for amplification, but for recording purposes only. Lastly, we are electronics-equipped committee. Information is provided electronically, as well as in paper form. Therefore, you may seek committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. So with that, we will start with LB38, Senator Geist. Oh, LB74. I'm on the wrong page, sorry, LB74. Get back to where we are.

GEIST: All right. Thank you, Chairman Linehan, and good, good afternoon members of the Revenue Committee. For the record, my name is Suzanne Geist, S-u-z-a-n-n-e G-e-i-s-t, I represent the 25th District, which is the east side of Lincoln and Lancaster County. I have introduced LB74 that will allow the Nebraska Advantage Microenterprise Tax Credit to sunset in December of 2021. The \$2 million saved in the elimination of the Nebraska Advantage Enterprise Tax Credit Act will be used to increase the appropriation to the Department of Economic Development for the Business Innovation Act by \$2 million starting in fiscal year '22-23. The Nebraska Advantage Microenterprise Act tax, tax credits will be reduced by \$100,000 for calendar year 2021. The \$100,000 saved will increase the appropriation for the Department of Revenue to implement this bill. I brought this bill last year because one of my constituents, Andy Crimmins, invited me to an Invest Nebraska networking event. Annie is not able to be here today, but she and her husband are co-founders of a startup called CanaryBox. CanaryBox integrates music with data to help reduce the risk of distraction in the operating room and provides alerts when a critical event happens. I'll explain a little bit what this does. It's-- a lot of times when surgeons are doing surgery, they wear ear buds and listen to music. That sort of disturbed me when I first heard about that, but I guess it's a common practice. What their invention actually does is, if an alert goes off on any of the machinery that is

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monitoring the patient, it automatically mutes or greatly turns the volume down on the earbuds so that the surgeon will be alerted that there's an alert. So CanaryBox, well, and that's what this says. Annie's enthusiasm inspired me to, to learn more about the journey she's taken through the startup process. She said that CanaryBox would not be where it is today, which is they've really grown and are getting ready to really launch on the market in a, in a big way. And they will be manufactured, I hope, and stationed still here in Lincoln. Invest Nebraska has opened many doors to investors and provided the extra credibility that a startup needs to break into an industry. Over the past three interims, I've had the opportunity to learn about Invest Nebraska initiative and tour some of the startup businesses that have received funding. According to a University of Nebraska-Lincoln study, the overall economic impact from startups, from these startups was \$517.1 million per year. The previous economic impact from 2018 reported that the economic impact was \$283 million-- \$283.4 million. The state has only invested three-- \$30.4 million in the program since 2012. So you can see the return on the investment as a state and that this program will help with a brain drain in our state by keeping entrepreneurs and encouraging job growth for high, higher wage jobs. A couple of the companies that have received funding will be testifying after me to share their stories and how Invest Nebraska has assisted them. Joseph Young, who is the secretary of the board of directors of Invest Nebraska will also be testifying to answer any questions you may have specific to the Invest Nebraska initiative. Thank you for your time, and I would be happy to take any questions.

LINEHAN: Thank you, Senator Geist. Are there any questions from the committee? Seeing none, will you be here to close?

GEIST: I will.

LINEHAN: OK, thank you very much. So first we will have proponents. Good afternoon.

JOSEPH YOUNG: Good afternoon. Chairwoman Linnehan and the members of the Revenue Committee, it's good to see all of you again. For the record, my name is Joseph Young, spelled J-o-s-e-p-h Y-o-u-n-g, and I'm currently the chairman of the Invest Nebraska Corporation. And I'm here today to testify in favor of LB74 on behalf of the organization. First, I want to thank Senator Geist for introducing the legislation

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and basically for everything she does for the business community as well. She's a friend of business and we appreciate that very much. For context, also, many moons ago, I worked at the Department of Economic Development and helped administer the Microenterprise Act and tax credits. I've handed out the economic impact report for the business-- Business Innovation Act. And as you will see, this program is one of the best state programs we have for our ROI in the state, I believe. In 2020, the program had an economic impact of 400-- \$517 million in the state, and that impact resulted in about \$11.7 million in state and local taxes. And that's substantial. In 2007, Nebraska, in partnership with private investors, started the BioTech Connector, a 7,000 square foot wet lab space for the state's biotech entrepreneurs and startups. In 2019, we launched the agtech incubator located on Innovation Campus here in Lincoln. That virtual incubator is a statewide initiative supported, supporting high-growth entrepreneurs in food and agriculture, and it is truly a statewide small business venture. That program consists of commercialization, support through mentorship, capital readiness program and networking events. In 2020, just last year, the combine was one of 52 programs around the country to receive a \$600,000 Build to Scale award from the U.S. Department of Commerce over the next three years. There are more than 50,000 small businesses-- or 50,000 businesses in this state. The majority of those are small businesses, 90 percent around, and we care about all of them. But as we come out of the fog of this pandemic, we need to make sure that Nebraska is a leader in the high-growth businesses that attract capital and that attract people. So as you can see, the Business Innovation Act is a proven commodity that returns money for taxpayers in this state. And we would appreciate your support on LB74.

LINEHAN: Thank you, Mr. Young. Are there questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir. I mean, it seems to me that the Business Innovation Act is extremely successful and contributing in great ways. I guess my question is, is it necessary to defund the Nebraska Advantage Microenterprise Tax Credit Act? I mean, is-- in your opinion, do you feel as if that program is not successful? And could an alternative be, let's say that that program is additionally successful to this one? Could we try to find the money somewhere else?

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JOSEPH YOUNG: Perhaps. I guess not to punt on the question, but would I say the program has been successful? No, bluntly. I think it-- the intent is good. And the reason for the, the program is well-intentioned. But I, I don't-- I've never seen in my 15-year career here in Nebraska working in the Department of Economic Development that it's a good return on investment for Nebraska taxpayers like the BIA is.

BOSTAR: Thank you.

LINEHAN: Other questions from the committee? Senator Albrecht.

ALBRECHT: Thank you, Chairman Linehan. Thanks for being here. Why do you think the Nebraska Advantage Microenterprise Tax Credit Act failed? Why-- do you think it's just a failure? And if so, why?

JOSEPH YOUNG: So that's a great question. Would I say it's a failure? I wouldn't call it that. Let me give you an example. When I was in, when I was at DED, we championed a bill called the Annual Investment Tax Credit Act. And I think that in, in purpose and intent was a great idea. It, it failed because it was written incorrectly and businesses that maybe shouldn't have applied for it were able to apply for it and get tax credits.

ALBRECHT: OK.

JOSEPH YOUNG: I think that's kind of the same thing that happened here with the Microenter-- tax present-- tax credit. So intent is great, but in practice, probably not the best use of money.

ALBRECHT: OK, so that particular act went to the revenue department to administer, correct?

JOSEPH YOUNG: Which?

ALBRECHT: This, the Microenterprise--

JOSEPH YOUNG: Yeah, that's correct.

ALBRECHT: --where you're asking to take that money and put it into your new proposal.

JOSEPH YOUNG: That's correct.

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ALBRECHT: So who would, who would manage this one, these funds? Where
would, where would it be?

JOSEPH YOUNG: The Department of Economic Development administers--

ALBRECHT: So--

JOSEPH YOUNG: Yep, the BIA.

ALBRECHT: So would these take care of these small businesses?

JOSEPH YOUNG: It's a, it's a different set of businesses.

ALBRECHT: So no longer would we worry about the small rural
businesses. Would it just be more-- what type of businesses would
qualify for your [INAUDIBLE]?

JOSEPH YOUNG: So that's a great question. The Business Innovation Act
really focuses on high-growth businesses.

ALBRECHT: High growth.

JOSEPH YOUNG: The smallest of the small.

ALBRECHT: How small?

JOSEPH YOUNG: The smallest of the small.

ALBRECHT: You're saying the smallest of the small, so it would take
care of who we are currently taking care of or should be taking care
of in the Microenterprise Act. Yes or no?

JOSEPH YOUNG: No, not necessarily. So the Business Innovation Act
really caters to businesses who are in the red, basically, right?
There is not much value there, right?

ALBRECHT: We're trying to keep them afloat, right?

JOSEPH YOUNG: Not-- so like the small business, I think maybe you're
talking about is a mom-and-pop shop on Main Street who runs a
restaurant or a, you know, a gas station. That's a different kind of
small business than what I'm, than I'm talking about. We cater to the
businesses that can potentially, you know, they start out with one

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person or two people or three people and have the prospects of maybe
growing to hundreds of people.

ALBRECHT: OK, but so what do we do about those we're leaving behind?
In the other one that we have, we just talked about it this morning.
We had lots of testifiers and lots of great reasons why it was working
for, for the, the small folks. They just didn't know that it was out
there. And I don't mean small folks, I'm just talking about one to
five employees growing their business.

JOSEPH YOUNG: Well, from a policy perspective at the state level, I
think that if, you know, there's a, there's, like I said earlier,
thousands of small businesses, tens of thousands of small businesses
in this, in the state, and the program that we're talking about
eliminating isn't utilized to its full extent. In fact, it's not even
utilized generally half up to it, to its fullest end.

ALBRECHT: But that's my question, why hasn't it been? You know, some
people can bring all kinds of different programs. And if you're
looking to swoop the money off and go put it in a different direction,
OK, I get that part. But, but it does to me have meaning. You know,
what, what that money was put aside for in the first place. I just
felt like maybe it was in the wrong place. You know, Department of
Economic Development should be able to have that and, and be promoting
it through the chamber or local businesses that need the help. So I'm
gonna--

JOSEPH YOUNG: And they have it.

ALBRECHT: I'm anxious to hear everyone today because, you know, you're
asking to take the money from one place to put it somewhere else. But
we can't forget why it was originated and whether we can still
continue. But you are saying that your program would cover that zero
to five or zero to 10 employees if they want to build and grow that
company?

JOSEPH YOUNG: Yes. If they're in the right type of business, yes.

ALBRECHT: So what would some of their qualifications be to get that
money, same as what would be in this, the other act, that
Microenterprise Act?

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JOSEPH YOUNG: I'm gonna have to get back to you on that. I mean, it's not, it's not exactly like that.

ALBRECHT: Sorry, a lot of questions.

JOSEPH YOUNG: But yes, yeah.

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. Then Senator Flood, I saw first, then Senator Briese.

FLOOD: Mr. Young, one of the conversations we had this morning was businesses that use technology to solve a problem and create a product. Are those the kind of businesses that you're talking about for the BIA funds?

JOSEPH YOUNG: Yes.

FLOOD: And you would like to use the money currently allocated to-- you'd like to add the money from the microenterprise fund to the BIA fund to fund more of those tech-based startups?

JOSEPH YOUNG: That's correct.

FLOOD: OK. Thank you.

LINEHAN: Thank you, Senator Flood. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here today, Mr. Young, and I appreciate your testimony. I did hear you say, you were talking about all the small businesses we have, that we should care about all of them, right?

JOSEPH YOUNG: Right.

BRIESE: But then you say we should strip away the Microenterprise Tax Credit program. Fair enough. But you give a couple of reasons for why you think it should be stripped away, you know, number one, I think you said maybe not being monitored correctly. Or we don't-- you said something to the effect that it's--

JOSEPH YOUNG: Underutilized.

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BRIESE: Well, that was the second concern. I think the first one was the businesses are getting benefits under it that maybe shouldn't have.

JOSEPH YOUNG: I don't remember saying that. But if I did say that, that's not what I meant.

BRIESE: OK, OK, very good. But there's ways to fix that, right? We can, we could improve the reporting requirements under the program. For example, provide more information on the identity of these businesses, their location, the amount of their investment and the total credits used on an annual basis. That would help in that regard, wouldn't it?

JOSEPH YOUNG: No, I think it's, it's pretty well accounted for. I don't think that the, the issue with the program is an administrative issue. I just think that, you know, and the program kind of speaks for itself. If it's underutilized, it's underutilized for a reason.

BRIESE: OK.

JOSEPH YOUNG: That's what I would say.

BRIESE: As far as being underutilized, and there's ways to address that also, I think. Senator Albrecht mentioned something about more information regarding it, but the, the \$10,000 lifetime cap, that could lead to some of the underutilization, couldn't it?

JOSEPH YOUNG: Perhaps.

BRIESE: Increasing that cap would help solve some of the underutilization issue, correct?

JOSEPH YOUNG: Sure.

BRIESE: OK, and then the rules regarding related parties' use of the program, could that be leading to some of the underutilization also?

JOSEPH YOUNG: That I don't know about.

BRIESE: OK, but if it would, if we relax some of those conditions, that could improve utilization of it also, couldn't it?

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JOSEPH YOUNG: Maybe.

BRIESE: OK. OK, thanks for your testimony.

LINEHAN: Thank you, Senator Briese. Are there-- yes, Senator Bostar.

BOSTAR: Thank you, Chairman. I'm sorry, one more question, sir.

JOSEPH YOUNG: No worries.

BOSTAR: Could you tell me about the geographic distribution of where
the funds coming out of the BIA go?

JOSEPH YOUNG: I cannot. I'm sorry, I'm not-- I don't know.

BOSTAR: All right. Thank you.

JOSEPH YOUNG: I mean, I can get that information for you. I'll follow
up on that.

BOSTAR: I'd appreciate it.

JOSEPH YOUNG: Yeah.

LINEHAN: Thank you, Senator Bostar. Any other questions from the
committee? What is the budget of this program now? Is it an annual cap
or--

JOSEPH YOUNG: Yeah, the BIA--

LINEHAN: Yeah.

JOSEPH YOUNG: --currently is, I think, \$4 million. I might have to
follow up with you on that as well. Actually, seven, I think.

LINEHAN: Because I think we already did away with one tax credit,
annual.

JOSEPH YOUNG: The annual investment tax credit we did away with, yes.

LINEHAN: And that money went to this program, right? I'm pretty sure.
It didn't originally, it was supposed to, that's the way the bill was
written. Then it went, because we had the flooding, it went to the
emergency fund.

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JOSEPH YOUNG: Right.

LINEHAN: But now it goes to this fund.

JOSEPH YOUNG: Yes, yes, that's correct.

LINEHAN: So now it's probably more like \$6 million. But you can get back to us on that.

JOSEPH YOUNG: Sounds good.

LINEHAN: OK. All right, any other questions? Thank you very much--

JOSEPH YOUNG: Thank you.

LINEHAN: --Mr. Young. Next Proponent.

ROB OWEN: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Rob Owen, R-o-b O-w-e-n, and I'm the executive director of Bio Nebraska, and I'm here to testify in full support of LB74 as introduced by Senator Geist. As background, Bio Nebraska is a nonprofit trade association tasked with supporting, promoting and growing Nebraska's bio ecosystem. Currently, we have 90 members. And a little bit about our members, they're a very diverse group, not only in the size, but in their sectors that they represent. We have our one to two person startups that are usually spinouts from the University of Nebraska going all the way up to your multinational corporations like Becton Dickinson that employs thousands of Nebraskans across the state in the facilities in Columbus, Broken Bow and Holdrege. But not only is our membership diverse there, but it's also in the sectors. Our members represent animal health, human health, industrial, biotech, renewable fuels, agriculture, and we also have educational institutions like the University of Nebraska, Southeast Community College and Metropolitan Community College. And even though our membership is very diverse, I think they all have kind of the same goals. One is to be successful. Two, grow Nebraska's economy. Three, fill all those current job openings. And four, and probably most importantly, is create new high-wage, high-quality jobs for the state. And just as a data point, the Biotechnology Innovation Organization recently had some data they released on the states on the number of jobs they have in the bioscience sector and what those average salaries are. And for Nebraska, there are 18,000 jobs in the state in the bioscience sector, and the average salary is \$70,000. And

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I think if you compare that to the \$46 or \$47,000 for the rest of the private sector in the state, I would think that the bioscience area is someplace that the state of Nebraska want to invest in. And so that's how we got here today. And it's hard to believe it's a little over a year ago that I was sitting here in front of the committee talking about this bill. And for some of us, it feels like ten years. But here we are again. So Nebraska has limited resources and decisions need to be made how those resources are invested with the ultimate goals of growing our state economy, creating high-wage jobs and retaining our talent here. And so the real question is, is the Nebraska Microenterprise Tax Credit part of that solution? And I look at it as a philosophical difference, really. The Microenterprise Tax Credit rewards companies for doing well. You have to show over two years that you've grown your business in any sector, any sector. And again, I made this comparison last year. It's-- you can go to law firms and go to lobbyists. Doesn't matter. And I'm a graduate of the University of Nebraska Law School and a former lobbyist, so I'm not disparaging that area whatsoever. But it's a reward. So if I'm a small business and I can show to the Department of Revenue that I've increased my payroll, I've invested, I'm eligible for that \$10,000 dollar tax credit. Where the Business Innovation Act is investment. It is the state of Nebraska putting money and investing in high-quality, high-growth areas like agriculture, bioscience, manufacturing. And again, if we are creating jobs of \$70,000 dollars a year, according to, I mean, Bio Nebraska's point of view, that's where we should be putting this money. So it's not really apples-to-apples comparison. One I see as a reward that was probably well-intended when they put the program together. But again, if a lobbyist can say, I want \$10,000 and I can prove it, I'm getting it. Is that how the state of Nebraska wants to spend its money? And as I mentioned to the committee last year, doing my research, I found a website for a CPA firm that is advertising the Microenterprise Tax Credit as free money, free money. And I'm not sure that's how we want to have Nebraska's money spent. Where on the BIA, on the other aspect, again, it's investment. It's-- there's, there's a process in place. Department of Economic Development and Invest Nebraska to do due diligence on those companies putting in applications to decide whether or not to allocate that money. It's not free. Those companies have to go out and raise money. So there are processes in place to present that money. But again, if the state of Nebraska wants to grow this economy, keep people here, and on top of that, it's a recruitment tool. Chambers of commerce-- I know my light is red-- university and

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such, they use the BIA as a recruitment tool to bring companies here. So not only is it good to keep people here, it's good to bring people here. And that's why we support LB74. Thank you.

LINEHAN: Thank you, Mr. Owen. Very good. Yes, Mr-- Senator Flood.

FLOOD: Thank you for your testimony. Just a couple of quick questions. In your situation with Bio Nebraska, is it safe to say, and this is not a critique, I think it's the reality that most of the startup jobs that are funded or the businesses that are funded are predominantly located in Omaha or Lincoln?

ROB OWEN: I would say that, yes. But I have a, I have a--

FLOOD: Yes, I know there's--

ROB OWEN: Yeah.

FLOOD: --exceptions to it, obviously.

ROB OWEN: Yeah, a lot of those are spinouts out of the med center or out of Lincoln or such. Yes, absolutely.

FLOOD: And that's just the nature of the way it works now.

ROB OWEN: Correct.

FLOOD: And do you think that rural Nebraska has, have you, have you heard from a lot of communities that are grasping the concept of taking technology to solve problems and create value with businesses, or it's just more located in our larger centers? Which I would think would be consistent with every other state in the nation.

ROB OWEN: I mean, I think the pandemic has shown that we can work from wherever. So I know that some of my smaller members and smaller communities are looking for broadband access because they can work from Davey, Nebraska, and want it to be high speed. So, yes, I think that tech-- I mean, yes.

FLOOD: And so then the other question is, we had two, or three actually, really good testifiers this morning from Neligh and Antelope County that are 100 percent wholly committed to their community. And

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you don't doubt that a bit, do you? And, and I guess you got to say
something for the record.

LINEHAN: Yeah, you have to say.

ROB OWEN: Oh, yes. Yes, sorry.

FLOOD: But I guess my point here is I think you're all right. I think
you're right that you see value here, that it, that it-- you see
what's happening with this BIA fund and it's working.

ROB OWEN: Yeah.

FLOOD: And the people in Antelope County are right too because it's
the, it's the closest thing they've got to a tool to make it work. How
do those two ships, how do they connect, how do we get this Omaha and
Lincoln thing that's working that you're excited about, that I believe
in, I think is creating jobs, and have that same tool be available to
the rural areas? Because my opinion is, if they could experience the
kind of growth that you've seen, they would they would pass up what
they're asking for now and they'd go straight for the the BIA--

ROB OWEN: Right.

FLOOD: --if it had the same success. How do we get them there?

ROB OWEN: Well, again, I think going back to this, I look at this,
we're giving-- the state of Nebraska is giving a tax credit to
companies that have shown they're successful, right?

FLOOD: Right.

ROB OWEN: So it's a reward, you've done well. I mean, isn't, isn't,
it's, I mean, it's-- I want to get to that point. Where, again, the
BIA is we're providing capital to startups. So I think it's on two
different, it's apples and oranges on this.

FLOOD: It may be, but it may also be that we need people like you and
Invest Nebraska and others to take what you've created and your
success and sprinkle it across the state in a way that gets the people
in Neligh--

ROB OWEN: Yeah.

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FLOOD: --and Antelope County as excited about what you've seen happen. As, as you are. And I think Senator Bostar asked a good question about geographic location. So I, I think you're right.

ROB OWEN: Yeah, I mean, I agree. And I, part of Bio Nebraska is what we've been doing over this last year, not having in-person meetings. We're trying to promote what we have in this state. I mean, again, BD has thousands of employees in Columbus, Broken Bow and Holdrege. I don't know how many people know that. I mean, that's a huge employer. Again, we have members in Kearney and Scottsbluff and we're trying to show the rest of Nebraska and the rest of the country that we have a biotechnology sector here. And if you are in seventh, eighth, ninth grade or whatever, you don't need to leave the state. You can stay right here and go to job-- or go get a job here in Nebraska. So that's, we're trying to promote the sector as a whole for the state.

FLOOD: But you can see why if you're sitting on Main Street in Neligh--

ROB OWEN: Yep.

FLOOD: --you, it's frustrating when you see the people that are being successful in Lincoln trying, I mean, to their credit, trying to take away the one thing that you've got that's helping you do something.

ROB OWEN: I agree.

FLOOD: That's the perspective, I think.

ROB OWEN: I mean, again, it's reward versus investment. So I would--

FLOOD: I get it.

ROB OWEN: Yeah, that's how I see that so.

LINEHAN: Thank you, Senator Flood. Are there other questions? Senator Pahls.

PAHLS: I'm just curious. Give me some more names and more communities that you're involved with other than Omaha and Lincoln.

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ROB OWEN: We have members in Kearney, Grand Island, Davey, Oakland, and that's, that's kind of the where we all-- most of ours are Omaha and Lincoln.

PAHLS: But you do have some out in the smaller communities.

ROB OWEN: Yeah, we have Ward Laboratories in Kearney; we have Nova-Tech in Grand Island; MVS, which is a veterinary sur-- multi-- or something veterinary service up in Oakland. So yes. Albrecht GFX, which is a-- they do images and drawings of the biotech sector, they're in Davey. So yes.

PAHLS: OK. Could you ever think of helping Neligh, since they were here this morning, that small town. Is there anything that, that--

ROB OWEN: Well, I mean I guess the question is helping them do what?

PAHLS: I don't know.

ROB OWEN: I mean, again, if I'm a small business in Neligh and I've been successful for two years, I'm eligible for that tax credit. So I'm, I'm successful. This is-- that, that tax credit is not going to help start a business, it is, it is rewarding a business for being successful. And there's nothing wrong-- I'm not, I mean, I'm not saying that's wrong. I just think that if there's limited resources that the state has, I think that's better suited towards investing in industries and such that can grow, especially in the manufacturing, the biosciences and ag, where we're going to make \$70,000 a year.

PAHLS: Well, the one part I can agree with you, because I keep hearing it: we ought to grow Nebraska instead of worrying about the taxes. Because they will come along because you're growing the state. That, that part is always keep people-- I hear people saying, we got to grow the state, and you're saying you're doing that.

ROB OWEN: My members are trying to do that, yes.

PAHLS: Well, not you. Yeah.

ROB OWEN: Yes. So, I mean, I can see where the Microenterprise Tax Credit is an incentive. But again, it is after two years, you've proven you're successful. So we're going to be eligible for up to \$10,000 tax credit.

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PAHLS: Right.

LINEHAN: Thank you, Senator Pahls. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for your testimony. You mentioned regarding the Nebraska Advantage Microenterprise Tax Credit, that it can go to lobbyists, it can go to lawyers and even that it's being advertised as free money. Which I agree, that sounds concerning. At the same time, a previous testifier talked about how the program is underutilized. So I'm just trying to understand if it, if there are people out there advertising this as free money, yet it's also simultaneously underutilized, how would you, how would you try to evaluate both of those things together?

ROB OWEN: I don't know. I don't, I don't have an answer for you on that one, why it's underutilized. And I think it's been underutilized for years, and which is surprising if there are people out there advertising it's free money. So, again, I keep on-- I come at it as a philosophical type difference on this bill, or on this legislation, the difference between the tax credit and such. So I don't know. I mean, it's maybe the, maybe it needs more CPAs out there advertising it's free money.

BOSTAR: OK. Thank you.

ROB OWEN: Yeah.

LINEHAN: Thank you, Senator Bostar. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here today. I keep hearing about rewarding businesses. Are you familiar with Imagine Act that we passed last year--

ROB OWEN: Yes.

BRIESE: --and LB1107? Do you consider that rewarding businesses also? Those are dollars paid after the fact, after the investment occurs.

ROB OWEN: I mean, I'm not sure of all the details on that. I mean, that's the tax-- business tax incentive program, right?

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BRIESE: Yes, yes. It seems to me that would be the same situation
there. You know, if we're going to oppose the Microenterprise Tax
Credit Act--

ROB OWEN: Well, not--

BRIESE: --because it's a reward, .

ROB OWEN: The reward is if, if--

BRIESE: You receive--

ROB OWEN: I mean, it's kind of bringing companies, right, to the
state, ImagiNE Act and growing companies, right?

BRIESE: But it's paid after the fact. It would be--

ROB OWEN: But they have to meet certain milestones, right. I mean, on
all that?

BRIESE: Sure. Just like they do under the Microenterprise.

ROB OWEN: Well, after the fact. I mean, I can prove then I get--

BRIESE: OK.

ROB OWEN: --my \$10,000 and I don't have to do anything after that.
Where I think under-- there's other criteria you have to make,
correct?

BRIESE: Well but it would be paid after the fact. You know, they have
to meet criteria just like they do here, I believe. So anyway, I just
wanted to get your opinion on that. Thank you.

LINEHAN: Thank you, Senator Briese. Any other questions? Thank you,
Mr. Owen.

ROB OWEN: Thank you very much.

LINEHAN: Next proponent.

SCOTT NIEWOHNER: Well, my name is Scott Niewohner, I apologize for no
mask. Grabbed the wrong coat, and I think my son robbed the mask out
of it. I appreciate it, Senator Linehan and the committee--

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MARY JANE EGR EDSON: Spell your name.

LINEHAN: Oh, yeah.

SCOTT NIEWOHNER: That too. Scott Niewohner, S-c-o-t-t
N-i-e-w-o-h-n-e-r. Good to go? OK. I am the CEO and founder of Birds
Eye Robotics, and what we do is fuse cutting edge technology with
farmer common sense to reduce the labor demands of poultry growers in
the U.S. And what we've created is an autonomous robot that is a
mortality recovery robot. So this actually seeks out and removes dead
birds from commercial poultry barns like Costco is putting in, in
eastern Nebraska. We use some crazy infusion of sensors of lidar,
computer navigation, 3-D mapping, as well as artificial intelligence.
And we can react to the birds. Our robot sees what's going on in the
barns, reacts to the live birds, zeroes in on the dead, removes them
and continues on its path. The primary objective, obviously, is to
reduce labor. It is a massive shortage in any industry, but I would
argue there is few that have a greater demand for labor. There's not
very many people that wake up in the morning and want to go walk
through chicken poop to pick up dead birds. It is a massive market.
There is 100,000 barns in the U.S., 300,000 worldwide poultry barns
that our robot would work in. We are in the proof of concept. It has
been built, we have a working unit that will do this. We are actively
seeking venture capital for a \$1.75 million raise to initiate the
pre-production unit to put all of what we learned so far into a robot
design that we are going to test out for about six months. And that's
what we're going to actually take to manufacture. It's interesting, I
had a bunch of things mapped out to say, but everything that's been
spoken so far, high growth and the money where it goes, I'm not big
into all the everything that's going on here. But just from my
perspective, what I have been blessed with the \$50,000 prototype grant
back in 2019 and what we're we're poised with right now, we're seeking
funding from robotics companies on the West Coast, Silicon Valley.
We've got potential to bring in-- we're just initiating this process--
but half a million to a million dollars from West Coast money and
their skill set. We built all of this in Herman, Nebraska, population
300. You don't get much more rural. It's just a matter of having that,
that potential of that. For us, well, the way we built it, had
conversations with, with a cousin that wanted to put up these barns
and he didn't want to deal with those dead birds. And so my son and I
sat down and we packed an old electric wheelchair to make it work. And
we got that infusion from the state of Nebraska, from the Department

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of Economic Development. And what that allowed us to do is take that next step, I would argue, how many ideas die, which ours very well could have, if we didn't get that \$50,000, just that extra little push to push us through. I think the money being spent on these, the other bill where it would go is fine enough. But what is maximum return? You know, it's, it's, it's rate of gain in the livestock industry. How fast does those animals grow for what you put into it? I think the money through the Nebraska DED has such great potential. I'm sure the other ones work well. But if people can dream up that idea, if they know they get that, that little extra push, and for me it was dramatically mental, as much as financial, because the state of Nebraska believed in me and my idea enough to take that next step. To allow them to dream and to build is pretty profound. Thank you.

LINEHAN: Thank you. Are there questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So I apologize for missing some of the testimony, but I'm a little bit intrigued. And I, I think, you know, your industry and what you're trying to do is needed. And I really like the entrepreneurship and funding that versus some of the other things we do. That being said, what, what's the future of your industry, what you're doing? You know, because that robot is probably going to be manufactured somewhere else.

SCOTT NIEWOHNER: Not necessarily.

FRIESEN: Not necessarily.

SCOTT NIEWOHNER: [INAUDIBLE].

FRIESEN: But there's no assurance that it will be built here.

SCOTT NIEWOHNER: Yeah. What I can speak to is where we're at right now with this, with our raise, our seed round raise, we're looking to spend up to \$750,000 with a contract company out of Omaha. We want to-- we're going to, budgeted \$125,000 for a full-time, high-level development individual software developer. We've got another \$150,000 for two field techs of, that are have coding experience, but also that the livestock, the ag experience, farm boys that want to build some cool things, basically. And we have every intention of keeping the manufacturing here, if at all possible. And to your point, and we just

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talked about this earlier, Iowa has a lot going on, and I've had a lot of conversations there. They're very motivated for me to office there. They offer a lot. And this is, this is part of it. And I have no intention of going, make no mistake, but we need to compete.

FRIESEN: You know, and I'm not saying that. I'm just saying that, you know, the what you've done is the expensive part, so to speak, the research and development and getting that all going. And you haven't, you know, the best part is yet to come, so to speak.

SCOTT NIEWOHNER: Amen.

FRIESEN: And I-- some of the complaints I've heard in the past is that you can do all the business development and the innovation comes here, but in the end, they move somewhere else to have it built and that's where it ends up being. And so to keep the whole process here, I like the idea that you, you said you want to stay, and we want you to stay, but how do we make sure that that happens and we're not just funding the innovation portion of it?

SCOTT NIEWOHNER: More of this.

FRIESEN: We'd like it all to stay.

SCOTT NIEWOHNER: I mean, I could argue just the counter of that, that if we don't have that initiation, you know, if, if my brainchild never came to fruition, there would be no potential for it. I've-- and what you guys are doing and this grant and the other, you know, being a part of the combine, which is part of this investment goes through, through Invest Nebraska, those things have have led me to be highly motivated to keep it here. Now, there is a risk that things could go into another state, but if this didn't exist at all, there'd be zero potential. There's a risk with any startup. I mean, anything, and it's, it's that ratio, you know, the high growth rate. We truly have a potential to transform the poultry industry, how they do business on a global scale based in Herman, Nebraska. That's pretty impressive. And I have every motivation to keep it here. You know, I can't speak to every other entity. But without even the initiation, this, this would, you know, I wouldn't be here, I'd be out shoveling snow or something.

FRIESEN: I am all for funding the startups. I'm just always worried that we're funding the expensive part and then the potential is for

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them to leave. But I appreciate the work they put into doing things,
and I think it is a leading edge technology and we're going to see
more of it.

SCOTT NIEWOHNER: Amen.

FRIESEN: Thank you.

SCOTT NIEWOHNER: Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Flood.

FLOOD: Thank you for coming today. Enjoyed your, your talk. So let's
say, and I'm not-- this is not at all what's happening here, but let's
say you fail tomorrow. What have we unlocked in your son? First of
all, how old is your son?

SCOTT NIEWOHNER: Eighteen.

FLOOD: What's he-- what's, what would, if your, if your business
failed tomorrow, what would happen with him? I mean, what would
happen? He's been exposed to something, hasn't he?

SCOTT NIEWOHNER: Right, right. No, it's profound. That's, that's been
a crazy road. If nothing else, what he has been opened up to, he's a
senior in high school and his exposure, and if he could have been here
today, but just everything that he's been a part of is massive. He
just had an interview with Harvard the other day. He's-- every other
Ivy League school is chasing him. I mean, it's, it's amazing. And I
can't fathom-- I put myself in his shoes when I was a senior in high
school and what I knew and what I did relative to him is astronomical.
And that, not to go off into the weeds, but that's a big part of what
we want to do. When we are successful, we want to have creative
philanthropy. We want to bring in kids to put the infrastructure to
it. If we go, it's going to be huge. It's going to be highly
lucrative. We'll have that revenue available to bring it in, to do
creative things like you guys are doing. And what else can we fund?

FLOOD: Is it possible that out of a hundred people, there's only one
or two builders?

SCOTT NIEWOHNER: I'd say there's more than that, I think there's more
than that they just don't know it.

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FLOOD: Right. So how do we find you? How do we find the people like
you in Antelope County?

SCOTT NIEWOHNER: You know, it's advertise-- it's spearheading. It's
letting people know. And quite honestly, I would-- I've heard some of
my, my stories, you know, back 5, 10, 15 years ago. People like me.
That's inspiring.

FLOOD: Did people think you were crazy when you started this?

SCOTT NIEWOHNER: Pardon?

FLOOD: Did people think you're crazy when you were going to make a
robot?

SCOTT NIEWOHNER: They still do. Still do.

FLOOD: That goes with the territory, doesn't it?

SCOTT NIEWOHNER: Amen.

FLOOD: And how many people said you were crazy for trying this or
wasting your time on it?

SCOTT NIEWOHNER: Piles. It's all over the place. I mean, that's--

FLOOD: Are Nebraskans really good at being pretty skeptical about
anything that is--

SCOTT NIEWOHNER: In a box, perhaps. Yeah, yeah. No, I think more-- I
love talking about it. I love seeing that spark in people's eyes. When
I, when I start talking, they say, well, you know, I had this idea
about-- I don't know how you fuel that or what that, that, that
vehicle would be, but it's having the conversations and just others
here testifying. It's, it fuels itself, the community fuels itself.

FLOOD: But there's value in failure too.

SCOTT NIEWOHNER: Amen. There's you, you--

FLOOD: Talk about that.

SCOTT NIEWOHNER: You can't have true success without failure. That's
an excellent point. The-- I built and failed at probably half a dozen

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businesses. Some hurt really bad and some I profited from. But there is no way I could be in this position without it. And, I mean, you guys, everybody's got to know it, you get beat up. You know, your bone become stronger because of stress. I mean, we can get biblical if we really want to go crazy. Everywhere, stress brings advancement. You get stronger from getting beat up and the younger we can beat the kids up, even my kid, I mean, I pushed him through this COVID. When school was out, he built the entire foundation for a robot, the neural network, because he had the time off. I'm like, all right, let's go, son. We've got some money left in the grant. But he had the opportunity. He did the studying and we pushed him. What I-- the position I put him in was as a developer, an actual developer. You want to be this, let's test it. Let's do this. And he did. I mean, I'd love to show you the robot. Sorry, I get excited.

LINEHAN: Thank you, Senator Flood. Any other questions from the committee? Seeing none--

FLOOD: And I've been biblically broke before too. So yeah.

SCOTT NIEWOHNER: Amen, brother. It's not fun.

FLOOD: No.

LINEHAN: Thank you very much for being here. Appreciate it.

SCOTT NIEWOHNER: All right. Thank you very much--

LINEHAN: Next proponent.

SCOTT NIEWOHNER: --all of you.

JONATHAN LOUTZENHISER: OK. Senator Linehan and members of the Revenue Committee, for the record, my name is Jonathan Loutzenhiser, spelled J-o-n-a-t-h-a-n L-o-u-t-z-e-n-h-i-s-e-r. I still got some time, right? All right. And I'm from O'Neill, Nebraska, small-town guy. And I'm the inventor of HoseAir, it's a water hoseout-- hose blowout system, and I'm testing to support the LB74. I was born and raised in O'Neill, Nebraska, on a small farm. It wasn't until I moved back to Nebraska with some other family members from Phoenix, Arizona, also with my wife and my three boys. From that, the innovative started to grow in my life-- innovation started to grow my life. My goal with HoseAir was to simply make life easier on the farm for my retired parents that

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live in O'Neill. Our current hose blowout system is a patent pending for the first climate-controlled outdoor air compressor. Our design takes away the need for manually draining hose and freezing-- hoses in freezing weather. With this prototype grant from the economic development, our base model has now expanded to offering more features, making it the first all-in-one winterization tool. At first, there was no intention for taking this product to the next level until the demand, demand and interest started to rise. With a background in farming, construction, marketing and design, my confidence began to build with the present opportunity and the support from my family and friends. I failed a lot in the past. I came from Phoenix, I worked with people all around the country. And yes, I have failed. But this one seemed to be different. And thankfully, from the whole COVID thing, it was put me on ice to where I was able to focus and develop and I was able to produce something there. Our demand, our demand-- our demand was attractive to investors, but we knew we did not want to lose the ability to make necessary changes during the innovative period of our prototype. We firmly believe the prototype grant from Nebraska Economic Development has put us in a position that has provided, provided us incredible future for not just us, but others inventors that look out to us around my area. With an extensive interview process and the percentage of matching fund, funds, this grant has truly felt like a reward for our hard and consistent work. I believe the actual-- application process has been structured in a very successful way to weed out those who are looking for free handouts and to reward those that seek to change the world. My heart is truly in innovation and we know that people are hard to change. But the people-- but people love to follow, just like most big tech companies that we find ourselves following. I firmly believe innovation is the key to big success for Nebraska. Our season is prime and the common sense of Nebraskan individuals gives us the upper hand on other states around us. There has been a shift in the culture that is bringing back the younger generations, like myself, to small town America. With more Internet-based jobs and trending farm-style living, even in my current town of O'Neill we have seen an increase of the younger generations coming back, mostly thanks to HGTV. My heart has always been in Nebraska and I see so much value in raising my family and starting a career here. So I leave you with my wise mother's point of view: Search for the good and you will discover true success. This statement has been true, seeing that my heart is happy and fulfilled and it's only 25 degrees outside.

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LINEHAN: Your light is on.

JONATHAN LOUTZENHISER: Oh, go ahead. Sorry.

LINEHAN: It's OK.

JONATHAN LOUTZENHISER: That's it. Right on time.

LINEHAN: Thank you. Are there questions from the committee? Looks
good. Thank you very much for being here today.

JONATHAN LOUTZENHISER: OK.

LINEHAN: Thank you.

JONATHAN LOUTZENHISER: Thank you.

LINEHAN: Be careful driving back to O'Neill. Next proponent.

ERIC ZEECE: Senator Linehan, members of the Revenue Committee, for the
record, my name is Eric Zeece, that's spelled E-r-i-c Z-e-e-c-e. I'm
the chief executive officer of Thyreos, Incorporated, that's spelled
T-h-y-r-e-o-s, and I'm testifying in support of LB74. As a matter of
context, I am also a former acting director of the Department of
Economic Development and deputy director, as well as I was the
original employee who was responsible on the state side for the
Business Innovation Act administration. Thyreos is a startup vaccine
company that spun out of technology that was developed at
Northwestern's Feinberg School of Medicine, Tufts Medical School and
the University of Nebraska-Lincoln. Our company develops herpes virus
vaccines and vaccine vectors for both the animal health and the human
health marketplace. Our vaccines are based on a next-generation R2
recombinant herpes virus platform. It elicits a very strong immune
response and it provides protection from lifelong herpes virus
infections. In 2020, Thyreos received a prototype grant from the
Department of Economic Development to assist in the development and
testing of the vaccine for infectious bovine rhinotracheitis, commonly
known as IBR. That's actually a disease of cattle that's caused by a
herpes virus. IBR has negative impacts well beyond just respiratory
issues for cattle. It decreases milk production and fertility, serious
fertility issues. It causes the animals not to gain weight and it
causes-- often leads to secondary bacterial infections, which
multiplies the use of antibiotics. Our vaccine technology represents a

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new approach to herpes virus vaccines that will significantly improve the beef industry's ability to protect against this disease that costs the industry over a billion dollars a year. Thyreos recently closed a \$750,000 round of investment that was led by Invest Nebraska, the venture development organization that you heard about earlier. With participation from Nebraska-based angels-- the Angel Investors, two of them, one in the animal health industry and one of the veterinary space, respectively. That investment would not have been possible and the project would likely not be located in the state of Nebraska without the help of the Department of Economic Development in Nebraska, as well as the Business Innovation Act programs which I'll refer to hitherto as BIA programs. The seed round of investment allowed us to quickly advance the development of our first animal health vaccine, which was the IBR vaccine using the R2 technology. It also allowed us to establish a location at the Combine, which is an agrifood incubator that you heard about earlier located at Nebraska Innovation Campus. The Combine program is run by Invest Nebraska in collaboration with the Nebraska Department of Economic Development, and it's partially funded, as Mr. Young said earlier, by a grant from the U.S. Economic Development Administration. So Thyreos is a nascent biotech vaccine company that is utilizing a revolutionary platform. We have founders in Chicago at Northwestern. We have founders in Boston as well as in Lincoln, Nebraska. We could have located anywhere. The impact of the programs on our company allowed us to choose Nebraska as a clear choice. The Nebraska Department of Economic Programs are just now beginning to connect with, connect the dots with critical public and private services for high-growth companies in Nebraska. The result is a web of support services that work together to support high-growth companies and get them through the most difficult and critical time in development. Companies like Thyreos have the potential to add significant value to the economy of the state of Nebraska, and funding for BIA programs often exceeds resources allotted. I had a Bureau of Business Research data that was presented to you earlier that I, I won't repeat. I support LB74 as an option to increase funding for a program that clearly generates tangible results in growing the state of Nebraska. Thank you.

LINEHAN: Thank you very much for being here. Do we have questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Next proponent. OK, are there any opponents? Oh, are you proponent?

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TULLEN MABBUTT: Yes.

LINEHAN: OK.

TULLEN MABBUTT: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. Thank you for having me here today. For the record, my name is Tullen Mabbutt, spelled T-u-l-l-e-n M-a-b-b-u-t-t. I'm originally from North Platte and have been in Lincoln for eight years. I'm currently the CFO and director of finance for a company called CompanyCam here in Lincoln. And I'm also a recovering banker. And I come here today in support of LB74. I want to start off by telling you a little bit about CompanyCam and a little bit about our story. CompanyCam was founded in 2015 and we are a photo documentation app for contractors. We're a very easy, simple way for contractors to take pictures on the job site and communicate it across the entire organization. Fast forward to today, and we closed a \$6 million round of funding, bringing in external capital from San Diego actually in June. We currently have 75 employees, 50 of which are right here in Nebraska. And our average salary is, I just did the math, exactly \$78,000 across our organization for employees that, that are right here in Nebraska. Being in the state of Nebraska, we were able to get the prototype grant in 2015. We got a-- or 2017, excuse me-- we got a \$50,000 grant that helped us accelerate our growth and develop our product. What that looked like was funding an engineer for half of the year to continue to develop our product and help us scale and grow our company. We are a success story, but we have a long way to go. As, as we look through the end of the year, we expect to be around 120 employees, with 80 of those in Nebraska. We would like even more of them to be in Nebraska, but there's not enough tech talent here. However, I see that changing. I want to talk a little bit about my time as a community lender at Union Bank and Trust. I was in the Catalyst program and in over five years I lent to about 300 small businesses all across our state and also played a support role in the high-growth ecosystem, usually pointing new entrepreneurs to the resources that the DED is providing. I can't necessarily say that CompanyCam wouldn't exist wholly without these resources, but what I can say is that I would probably not be in Nebraska. Actually, I know I would not be in Nebraska if it wasn't for everything that DED did, and thereby allowing the private sector and Union Bank and Trust to make additional investments to point people into those resources. Innovation is a passion of mine. And when I came to the University of Lincoln, I saw this ecosystem on the ground floor in 2012. Hudl was

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there growing, and I saw this opportunity. It led to my role currently, and I only continue to see success through the DED and programs provided. At my time as a community bank-- or in my time as a community banker, I saw that on the traditional Main Street business side, there are a lot of resources. We invested a ton in local communities. I did about \$6 million in lending. Most of that was in, in the local communities in Nebraska between David City, Auburn, Fairbury, Seward, Crete, GI, York. I made loans across that entire platform. However, when a high-growth entrepreneur would come to me, as a community banker, I could do nothing. There was too much risk, not enough reward. It just didn't work. However, I could help the small businesses. So yeah, here to answer any questions. Kind of went on a tangent there.

LINEHAN: Thank you very much for being here. Can you pronounce your last name for me again?

TULLEN MABBUTT: Mabbutt, M-a-b-b-u-t-t.

LINEHAN: So any questions from the committee? Seeing none, thank you very much.

TULLEN MABBUTT: Thank you.

***JENNIFER CREAGER:** Chairwoman Linehan and members of the Committee, I am Jennifer Creager, Senior Director of Public Policy for the Greater Omaha Chamber. On behalf of the Chamber I am expressing support for LB74, legislation to direct additional funding to the Nebraska Business Innovation Act. The Greater Omaha Chamber's mission is economic and community development. We are a regional organization; our economic development partnership includes six counties in Nebraska--from Washington and Dodge south to Otoe. Our members represent diverse economies and populations. Certainly, when we look at programs that will further development efforts, whether through local or state partnerships, or whether it is in one community in our region or those across the state, we look at effectiveness; we look at return on investment. The Business Innovation Act (BIA), since its enactment in 2011, has provided a consistent and remarkable return on investment. This committee has heard testimony on the BIA's value from program participants. You have seen studies such as that from the University Bureau of Business Research (BBR) backing these testimonials. The success stories of the BBR study show a diverse

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economic effect. Software, biosciences, agriculture, and manufacturing are just some of the sectors that have benefitted from this program. The study cites participating businesses, particularly those involved in product development, attracting support from diverse investment sources, and able to "generate considerable amounts of revenue in relation to the dollars received from the State of Nebraska," as well as creating "a large number of jobs in the state, with a considerable amount of total compensation and benefits." Entrepreneurship and start-up businesses are major drivers of employment and investment in Nebraska. Often, all it takes is a dose of technical advice to grow a business from one person with an idea to 30 employees with 30 ideas. Often, all it takes for an established business to make that next big leap is an extra dose of investment to get that new product on the line. The BIA has been a vital part of Nebraska's economic development partnerships. We urge the Committee to advance LB74 so that we can build on the program's successes. Thank you for your time and consideration.

***BRUCE BOHRER:** Good Afternoon Chairwoman Linehan and Members of the Revenue Committee, my name is Bruce Bohrer, I am the registered lobbyist for the Lincoln Chamber of Commerce. Thank you for the opportunity to submit testimony on behalf of the Lincoln Chamber in support of LB74, which seeks to sunset the Nebraska Advantage Microenterprise Tax Credit Act in 2020. Utilizing the \$2 million saved from the elimination of the Nebraska Advantage Microenterprise Tax Credit Act to increase the appropriation to the Department of Economic Development for the Business Innovation Act by \$2 million. The Lincoln Chamber supports LB74 on the basis that it is seeking to eliminate an underutilized economic development program (microenterprise tax credit) and adding funding to a highly utilized program with a very favorable return on investment {business innovation}. In closing, the Lincoln Chamber understands and appreciates that there is a legislative proposal introduced this year which seeks to re-write the Nebraska Advantage Microenterprise Tax Credit Act. We recognize this should be considered in the ultimate evaluation of LB74. We fully support additional funding directed to the Business Innovation Act because of the high return on investment. We appreciate Senator Geist for introducing LB74 and being a strong advocate for the highly successful Business Innovation Act. Thank you for your consideration.

***CAMDYN KAVAN:** Chairperson Linehan and members of the Revenue Committee, my name is Camdyn Kavan and I am the policy and outreach

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coordinator at OpenSky Policy Institute. I'm here to testify in support of LB74. LB74 would eliminate an existing tax credit program -- the Microenterprise Tax Credit Act -- and shift the funding towards the Business Innovation Act. The Business Innovation Act supports the state's entrepreneurs and high-tech firms, both vital to encouraging innovation and the target of state economic development goals for over a decade. Four separate economic reports -- the 2010 Batelle report, the 2015 SRI report, the 2018 Center for Regional Economic Competitiveness report and the 2019 Blueprint Nebraska report -- have recommended the state encourage innovation to help grow Nebraska from within. All four of these reports also have focused on the state's failure to support entrepreneurship, the state's overall inability to lure venture capital and on the need to create high impact, high wage jobs and economic opportunities in the state. Despite these difficulties, the Business Innovation Act has been found to have a "significantly positive impact on the state's entrepreneurial ecosystem." The Business Innovation Act has raised \$55.1 million in matching funds, \$100.3 million in capital after receiving program support -- equating to \$4.46 for every \$1 in state support -- and businesses reported having earned \$100.6 million in revenue as a result of the state investment, equal to \$4.47 in revenue for every \$1 in state support. Added together, the BIA supported nearly \$285 million in economic activity, 1,436 jobs and helped generate an additional \$6.5 million in state and local taxes annually. Because of the Business Innovation Act's demonstrated positive impact on the state's entrepreneurial culture, OpenSky supports LB74. We believe additional support of the Business Innovation Act will help Nebraska in its quest to attract and retain young talent. In fact, the Blueprint Nebraska report highlighted the state's struggle to both attract and retain young talent, highlighting Nebraska's low ranking -- 39th in the nation -- in growth rates of 25-29 year-old individuals from 2013-18. The state's growth rate in this demographic was just 0.5 percent. Additional funding to the Business Innovation Act, as LB74 provides, would bolster an already-successful program and help the state attract the vital 18-34 year-old demographic. For these reasons, OpenSky supports the bill. Thank you.

LINEHAN: Next proponent. OK, are there any opponents? Good afternoon.

TRENTON BUHR: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Trenton Buhr, T-r-e-n-t-o-n B-u-h-r, and I'm here testifying on behalf of the Center for Rural Affairs. We know

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that Nebraska's economy relies on businesses of many sizes and industries, including the many essential businesses supported by the Microenterprise Tax Credit. As a small business lender, we know that microbusinesses provide a substantial portion of employment and income in Nebraska and should be treated as a worthy and important part of our economy as they are. In fact, the vast majority of Nebraska businesses, more than 80 percent, fit into the microbusiness category. The microenterprise tax credit provides support unavailable for these businesses elsewhere, and elimination is inappropriate. I want to first point out that the Microenterprise Tax Credit also provides a reasonably strong return on investment, especially when you consider the business types it serves. For example, in 2014, 164 recipients created around 415 new jobs at an average cost of around \$6,400 per job. And you can compare this to the Nebraska Advantage, which can be anywhere from 25,000 to 320,000 jobs, depending on the estimate. It may not have many flashy tech businesses, but when you consider where the recipients are, this makes a tremendous difference in their communities for a relatively small investment. Furthermore, the credit is not just free money. You are required to make a substantial investment in your business in order to receive it. In fact, 45 percent of recipients are brand new businesses to Nebraska, and you can't reward a business that doesn't yet exist. Although we oppose the bill, we do believe the Business Innovation Act provides positive support. However, eliminating the microenterprise to support it is fiscally inappropriate and ignores recent funding developments. In 2019, the Legislature passed LB334, which ended the Angel Investment Tax Credit after 2020 and reallocated that \$4 million into the Business Innovation Act beginning this year. Thanks to this, the Business Innovation Act will now be receiving \$10 million in annual funding, as opposed to \$6 million, a 66 percent increase. We supported this legislation in 2019 because we believe the BIA can be effective. And you heard some of those anecdotes today. Also, new legislation this session, LB526 seeks to increase funding for the BIA further from \$10 million to \$40 million annually without eliminating the program in the process. With or without the passage of that bill, the Business Innovation Act is in its first year of a major funding increase, and we don't yet know if the demand will exceed that additional funding. We believe it's imprudent to prematurely end the Microenterprise Tax Credit while we wait to find out if there is additional demand. More importantly, the tax credit, Microenterprise Tax Credit serves a separate and useful purpose. We've kind of discussed today what it is,

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but it's a tax credit for up to \$10,000 for businesses with five or fewer employees. And we know that interest in the program still exists because we've been engaging with the business community for several months to discover why it has been underutilized and how it could be improved. And you heard from folks this morning who want to see that continuation. And it turns out that much of that underusage has stemmed from lack of knowledge. The high usage in the first several years of the program prompted many to believe the program was effectively unavailable to them, and this attitude prevailed despite decreased usage over time. Importantly, our conversation sparked a renewed interest in the program and we began to promote it across the state in virtual events, speaking events and direct contact with businesses. As a result of this work, many interested applicants have contacted us and others we've worked with. Clearly, the lack of promotion and misconceptions about the program over several years played a major role in its decline, not necessarily disinterest with the program. And with our focus on spreading awareness of it and improvements offered in LB330-- LB366 discussed this morning, we believe the program will continue to be effective for small business development. All of this considered, this bill would detract from the state's support of many of our businesses. And there may be ways we can make this program better, but eliminating the Microenterprise Tax Credit is not appropriate. Thank you for listening, and I'm happy to take any questions.

LINEHAN: Thank you, Mr. Buhr. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony here. So would it be your position that from the standpoint of the taxpayer in the state of Nebraska, that the return on investment for the taxpayer is as good, if not better, under the microadvantage [SIC] program we're talking about here versus the overall advantage act?

TRENTON BUHR: I think it depends how you look at it, because there's different metrics.

BRIESE: Sure.

TRENTON BUHR: There's job growth, there's income growth. But I think it's reasonable. And I think the intent of the Microenterprise Tax Credit is not to support multimillion dollar businesses. And so you're

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clearly not going to see that kind of return. But when you think of the business it does support, you know, a small business in a town of 500 people, five or six new jobs is pretty tremendous. And you multiply that, that could be pretty impactful. And so I think, you know, consider the intent, not necessarily the direct numbers of it. But it's still a, still a substantial return, I would say.

BRIESE: I heard you refer to the cost per job created and the huge discrepancy there. And that led me to ask the question, it sounds like it could be a better return on investment for taxpayers, this micro program versus the overall act.

TRENTON BUHR: Yeah, it could be.

BRIESE: OK. Thanks.

TRENTON BUHR: Yeah. Thank you.

LINEHAN: Thank you, Senator Brieser-- Brieser? Briese, sorry. Are there questions from the committee? Thank you very much for being here.

TRENTON BUHR: Thank you.

LINEHAN: Thank you. Other opponents.

MICHAEL SOTHAN: Good afternoon.

LINEHAN: Good afternoon.

MICHAEL SOTHAN: My name is Michael Sothan, M-i-c-h-a-e-l S-o-t-h-a-n. I'm with Main Street Beatrice down in Beatrice, Nebraska, and glad to be with you all this morning. So thank you, Chairwoman Linehan and senators. Just kind of as Trenton just said, I guess I'm not really up here to necessarily speak in opposition to the BIA program, but just that this is definitely a program that needs to be improved. There's a bill out there to improve it, and I appreciate Senator Briese for, for doing that. Wasn't able to be here this morning, had some other things going on and needed to be here this afternoon. What I do want to talk about is representing Main Street community. We have 175 businesses in downtown Beatrice. When we have people that are taking on these, these types of jobs, hopefully these high-paying, high-tech jobs, we want them to stay in Nebraska. We want them to return. And they need to

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have rural communities that actually have amenities and businesses that make a community worthwhile returning to. And when we're talking about Main Street Beatrice, you know, we're a little bit larger community, but especially after a year like this, this is a tool. The Microenterprise Tax Credit is a tool that does help those mom-and-pop businesses. It's those breweries, it's that restaurant, it's that boutique clothing store. It's those types of businesses. And we need those to be able to fight back against apathy, to give people a reason to come back to communities, to give a vibrancy to our communities. And yes, there's no doubt the Microenterprise Tax Credit is underutilized. I'm embarrassed to admit I've been in my job for seven years working with small businesses and only in the last year did I actually learn that this tool is available. And why is that? Frankly, it's from some of the reasons that Trenton said, but it's not well known. It's just, it's hidden on a state website. A lot of CPAs that there's been a lot of changeover in the CPAs. A lot of them do not know about it. It's something that's just, just not out there. I think that, I guess, as just, just kind of keep this simple and to the point, there is opportunities for the Microenterprise Tax Credit to be improved. I think it can be better utilized. Some of the things that are in LB366 certainly show that. It definitely is misplaced, I think, to try to take those funds away, as LB74 does, at this time especially. And so I definitely would encourage you guys to look at, you know, not supporting LB74. If there is an appropriations bill out there for the BIA program, wonderful. It's definitely sounds like a wonderful tool. I hope it can continue to grow and succeed for the state of Nebraska, but not at the expense of our small mom-and-pop businesses, those that are in communities all across the state of Nebraska that are providing the backbone and the reasons for people to return to our communities to have good, good-paying jobs. I mean, I definitely can tell you after COVID, I certainly am looking forward to being able to return to walking up and down the sidewalks every evening and enjoying the small mom-and-pop businesses. And this type of tool can be modified, can be fixed to certainly achieve that goal. With that, I'll take any of your questions.

LINEHAN: Thank you very much. Are there questions from the committee? Seeing none, thank you--

MICHAEL SOTHAN: Thank you, Senators.

LINEHAN: --very much for being here today. Next opponent.

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SEAN KREBS: Good afternoon, Chairperson Linehan and the rest of the Revenue Committee. As you guys heard this morning, my name is Sean Krebs, spelled S-e-a-n K-r-e-b-s. Just kind of want to go back through kind of who I was. I'm a resident of Antelope County and currently a student at the University of Nebraska-Lincoln. I'm also a member on my Antelope County Farm Bureau Board and help on the family farm with what little bit of time I do have to spare. I want to start with the story of a local business that I really enjoyed. It was the Clearwater Cafe. It was started by one of the old lunch ladies who worked at the school. Everything that was cooked there was always made from scratch, gave you a really nice nostalgia feeling and it was one of the main social hubs of our community. Proponents of LB74 say that that, that a business like that is not worthy of state support. That cafe is also a perfect example of what happens when an underutilized program isn't available to them. Because the lunch lady had used the Microenterprise Tax Credit to start the business, her son was not able to use it to transition that business and keep it afloat within the community. Now, I'm not saying that the BIA is a bad program either. In fact, that's something I look forward to utilizing in my future. But I don't believe that the Microenterprise Tax Credit funds are a worthy use to go into a program like that. That example that I would have is recent developments in my life have shown that-- or brought upon that a hemp processing facility that goes from field to international distributor within our county is possible and that investment opportunities are there. With that being said, I would like to keep the Microenterprise Tax Credit as a tool in my belt later on in that career, after the business had been successful for two years and we are needing to expand. So with that, I'd like to close and take any questions.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much for being here.

SEAN KREBS: Thank you.

LINEHAN: You're welcome.

LISA SCHOENBERGER: Hello again.

LINEHAN: Good morning, or good afternoon.

LISA SCHOENBERGER: My name is Lisa Schoenberger, L-i-s-a S-c-h-o-e-n-b-e-r-g-e-r, and I am here to testify in opposition to

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LB74, which would sunset the Microenterprise Tax Credit Act. Here with a little more color commentary for you. Again, I feel like the facts and figures have been well covered. So this is a bit of a love letter to a microbusiness that really, really has impacted my life. So my Aunt Jane was born and raised near Venice, Nebraska. I'm going to assume there's maybe one of you that knows where that is. It is on the very, very edge of Senator Linehan's district in rural Douglas County. There is such a thing as rural Douglas County. She opened a hair salon there in 1985 and would go on to run that business for 34 years. So 34 years' businesses around here came and went, but when someone needed someone to sponsor the local little league team, they came to Jane. When someone needed to sell an ad in the local church bulletin, they came to Jane. And she always really showed up for her community in that way. I personally learned the value of a dollar sweeping up hair and dusting shelves in the salon. She was a model business owner, and a little story long before COVID, Jane was undergoing chemotherapy and had a severely compromised immune system. She put a box of disposable face coverings at the front desk. And not only were there no picketers and riots and huge uproar, people were happy to comply because Jane had built a community of people who genuinely wanted to look out for each other and protect her. When she passed in 2019, her funeral is absolutely packed, if you can remember what that was like. And if I'm honest, it was really evident that people were having a hard time letting go of her personally and professionally because everyone's hair looked horrifying. She was far more than a hair stylist to people, which is really why I want to make sure that we're circling back around to that aspect of microenterprise. People create a safe space in a really hub of their community that's incredibly important to towns like Venice, as well as towns like Hoskins, Rockville, Meadow Grove, Silver Creek, all across the whole entire state. And Senator Flood, you had to ask a couple questions about tech startups and those kinds of things. I can share with you that I worked for a tech startup, actually one of Nebraska's probably largest tech startup success stories. And I still needed someone to cut my hair, I still needed someone to hem my pants. I still needed someone to watch my kids that I could pay a fortune to, as you heard about before. So in our zeal for innovation, I just want to make sure that we're still creating towns where people can actually live and have really basic needs met. And I think for, for \$2 million, you know, I think it's, it's worth investing in these types of businesses to continue to make these towns viable and continue to give these tech startups and the

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employees that they're going to draw a viable option to, to live in
and conduct their day-to-day activities. So I'm happy to answer any
questions. I know that was less substantive than some of the other
testimony that you've had today.

LINEHAN: Thank you very much for being here today, again--

LISA SCHOENBERGER: Of course.

LINEHAN: --Ms. Schoenberger. Is there-- are there questions from the
committee? Seeing none, thank you very much.

LISA SCHOENBERGER: Great, thank you. Have a good afternoon.

LINEHAN: Thank you. Be safe. Are there any other opponents? Good
afternoon.

LAUREN SHERIDAN-SIMONSEN: Good afternoon. I didn't get too scared off,
I came back. Again, my name is Lauren Sheridan-Simonsen, L-a-u-r-e-n
S-h-e-r-i-d-a-n-S-i-m-o-n-s-e-n, from Neligh and Antelope County and
the, also the village of Clearwater. And I thank all of the members of
the committee, and I appreciate your time for listening to me yet
again today. As I stated this morning, the population in 63 rural
Nebraska communities continue to decline, and taking away the only
state incentive will only cause a further decline in the rural
populations. The Nebraska Advantage Microenterprise Tax Credit is a
tool that we need in our communities. Most businesses in our
communities are microenterprises. They're not going to qualify for
some of the new programs within the BIA. And if I were to look back at
the last seven out of the seven that I've worked with in the last
year, none of them would be eligible for the program. And if I looked
even further to the 48 businesses started since 2015, none of them
would qualify for the new act as well. I think it's important to
realize the benefits the program has in rural small communities. And
we ask that you look at the, the advantage it can continue to make in
rural Nebraska and to keep the program open. So if you have any other
questions.

LINEHAN: Thank you very much. Are there questions from the committee?
Seeing none, thank you very much.

LAUREN SHERIDAN-SIMONSEN: Thank you.

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LINEHAN: Other opponents.

REGINA KREBS: Thank you, Senator Linehan and the members of the Revenue Committee. My name is Regina Krebs, R-e-g-i-n-a K-r-e-b-s. I've got some notes here, but my testimony is going to go in a completely different direction than what I had originally planned after listening to some of the previous testimony. For starters, I am a CPA in Neligh. I want to set the record straight that I am not that CPA that is advertising the Microenterprise Tax Credit as free money, just wanted to put that out there. Second of all, as I listened to the testimony here, I was a little shocked when I listened to the representative from the Nebraska Department of Economic Development. From the same department that has reduced the microenterprise to a paragraph blip on their website. They are not promoting the microenterprise tax program and they have a representative coming in here to tell you today that now, instead of promoting a program that definitely has options available for rural Nebraska, they want to sweep all of those funds away to a program that, according to testimony, predominantly benefits the-- our Omaha and Lincoln urban areas. I guess I'm shocked and I can't help but actually question what dedication they have to our smallest rural areas. There was, as I also listened to testimony here this afternoon, the results of the BIA fund is commendable. It sounds like the BIA fund is a matching program grant for definitely high-opportunity startups. However, there's always-- already that matching grant program in place. And it sounds like some of the testimony here today is looking for capital to expand those startups. The programs that we already have in place, depending on the type of startup the, the BIA creates, the Microenterprise Tax Credit can absolutely help with those initial BIA startups if they're looking at less than five employees. If the BIA is the extremely successful programs and creates the successful businesses that we heard about today, then they should absolutely qualify for an Imagine tax act credit. And there's a hundred million dollars that is eventually going to be available in those tax credits. I think that they, they need to look outside the box just a little bit because some of the testimony wasn't able to put those BIA startups into the Imagine Act and be able to utilize those tax credits. It didn't sound like there was a connection there on how to move from one program to the next. Finally, the banker that testified here said that he would give small business loans, but we're-- but also testified that we should give as a state risky startups should get the grants. The

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microenterprise has an essential place in the toolbox of rural economic development, and we need to have the opportunity for that to succeed, given the changes proposed in LB366. The last thing I'd like to mention is that the unutilized microenterprise tax funds already rolls into the Angel Tax Credit Program. So I'm assuming that those transitioned into the BIA program when that ended. So instead of being satisfied with not only the \$7 to \$10 million in direct funding the BIA gets, they want to eliminate a program that they already get the remaining funds for.

LINEHAN: Thank you.

REGINA KREBS: Thank you.

LINEHAN: Are there questions from the committee? Senator Flood.

FLOOD: Thank you. Thanks for being here all day today and for caring. Just one clarification, then a question. I think the gentleman that talked, Joseph Young, he's not with the Department of Economic Development. He used to be.

REGINA KREBS: Used to be. OK, I'm sorry.

FLOOD: So I don't know that that's the position of the department today. But if you had the choice between using this money in Antelope County for at-risk capital or for the corner store in any community and that you, that you work with, whether it's in Antelope County or not, would the flexibility be good? Meaning, could we, could we add into the language of the microenterprise that there that you could use some of this for prototyping at-risk stuff in rural Nebraska? Because my sense is you run into all kinds of entrepreneurs, and as long as you're dealing with an entrepreneur, you want to see them, you want to take them somewhere.

REGINA KREBS: Uh-huh.

FLOOD: Would you be OK if we expanded the use of a microenterprise to allow folks in rural counties to use it for more at-risk capital? Because I think that's what you said in your testimony.

REGINA KREBS: Yes. So the list of my-- of expenses for the Microenterprise Tax Credit that qualifies for tax, tax credits, I'm

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sorry, is pretty extensive. To come in and add an R&D component in
there, I don't think would be an issue at all.

FLOOD: Right. Right. How do we, and I'm saying we because we're in the
same area and we're working toward the same goals, how do we get-- how
we find these people that's, that are in Herman, Nebraska? We have
them in our area. How do we find them? And once we find them, if we
told them that we had access to at-risk capital, what would that do?

REGINA KREBS: I think that could be huge. You know, my son testified
earlier today and--

FLOOD: Sounded like he had a plan for the program.

REGINA KREBS: Yeah. You know, when you end up with, you know, these
kids coming out of the engineering program at UNL and whatnot, they
have ideas coming out. So I think it's, you know, tapping into some of
those ideas and letting them know, again, it's no different than the
lack of knowledge that the microenterprise tax credit existed. It's no
different than, you know, getting the average Joe who has an idea out
there that we have at-risk capital available in the BIA programs to
help them get that off the ground. It's an educational component.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Are there other questions from the
committee? Seeing none, thank you very much--

REGINA KREBS: Thank you.

LINEHAN: --for being here. Drive safe. Are there other opponents?
Opponents.

JOHN HANSEN: Good afternoon. For the record, my name is John Hansen,
J-o-h-n, Hansen, H-a-n-s-e-n, I am the president of Nebraska Farmers
Union. We have historically supported the Nebraska Advantage
Microenterprise Tax Credit Program. We've supported a lot of different
kinds of tools that we think are helpful to rural communities. And
I've worked for many, many years trying to do different kinds of
things to try to help rural economic development. And it's the tools
that we use in rural communities are very different than the kinds of
tools that we have in larger communities. And there-- while there's a
common need, there's also just very different kinds of businesses,

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different, more smaller kinds of businesses, more different kinds of, of, of needs because we don't have as much infrastructure. And so what we try to do is try to, you know, make the best use of the tools that we have. And I certainly don't wish any ill to the, the, the Business Innovation Act, except that I don't really think we ought to rob the \$2 million and sunset the other program to fund it. So the funding of that program would be our primary concern. That's the reason that we're in opposition to 74-- LB74 not, not by virtue of any of the things that are a part of and going forward with that particular program. We just don't think that at this point in time that we should sunset this tool. But I do think that we ought to look for ways to make that tool work better. Thank you.

LINEHAN: Thank you very much, Mr. Hansen. Are there questions from the committee? Seeing none, thank you for being here.

JOHN HANSEN: Thank you very much.

***JIM REIFF:** Dear Chairwoman Linehan and members of the Revenue Committee, please make this proponent testimony part of the official record for the February 4, 2021 public hearing for LB74. The Nebraska Enterprise Fund (NEF) is a Community Development Financial Institution which supports businesses with technical training, one-on-one support, and loan funding. Our clients are located across the state in urban and rural communities. Although they vary in size, most are small enterprises with few employees, typically fewer than 10. Small businesses regularly face difficulty amassing capital to start and grow. Some are able to find loans through private banks or other lending institutions like NEF. However, the financial programs available to the state's largest businesses through the Imagine Act and others are generally unavailable to microentrepreneurs due to their employment size and revenue. The Nebraska Advantage Microenterprise Tax Credit provides this sought after support. LB74 seeks to eliminate the Microenterprise Tax Credit to provide additional funding for the Business Innovation Act (BIA). While some of that funding may return to microenterprises through the BIA's Microenterprise Assistance Program, much of it would be spread to programs supporting tech start-ups and prototype businesses, decreasing overall support for small businesses in the state. Since a substantial portion of jobs in Nebraska come from small businesses we should not ignore their value. Not to mention the vital role they play in communities, providing the goods and services we need. The

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Microenterprise Tax Credit recognizes their importance. We encourage you to oppose LB74 and continue to show support for small businesses in Nebraska.

***ZANE FRANCESCATO:** My name is Zane Francescato, and I serve as the Development & Government Affairs Director for the Seward County Chamber & Development Palinerhsip (SCCDP). As the sole combined chamber and economic development corporation in Seward County with a standing membership of 257 public and private sector business partners, our organization would like to go on record and enter this written testimony in strong opposition of Legislative Bill, LB74; a bill which would eliminate funding for the Nebraska Advantage Microenterprise Tax Credit Act (MTC). Seward County is a collection of ten municipalities who have all prospered and experienced growth in their own unique ways. Over the past five years, SCCDP has been a proud partner in these communities helping to bridge the gap between private and public sector entities, making growth and expansion goals cohesive and attainable. Economically, Seward County has drawn in several employers of various sizes and industries, broadening the economic base, and stabilizing the local economy. Even amid a global pandemic, six small businesses, and one large business opened their doors. And while two small businesses ultimately had to close their doors, our community has worked diligently to ensure our county's business community remains robust, vibrant, and above all else, competitive. Given our proximity to the Lincoln metro area, our communities understand the important role our small businesses play in the success of our region. New and existing residents of Seward County expect that their communities will provide them with everything they need for an excellent quality of life. When visitors come to Seward County, they expect to be greeted with friendly service, unique experiences, and plenty of activities and places to visit. Small businesses are crucial players in delivering these expectations. Collectively, Seward County communities create the small, locally owned atmosphere that provide visitors and residents several stores, venues, and event spaces making the county a desirable place to live, visit, and thrive. Our businesses, like others around the state, consistently seek out assistance for starting and growing their business. Microenterprises, with five or fewer employees, typically rely on local support for growth and sustainability. The MTC is one program designed specifically for these microenterprises. As proposed, LB74 would divert funds from the MTC to the Business Innovation Act,

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another program designed to help small businesses be more innovative. Our organization believes MTC should be improved and remain is a valuable tool in the state's chest of economic development resources rather than be outright eliminated. When the Legislature passed the MTC back in 2005, the state acknowledged that small businesses make up a substantial chunk of revenue in the state. As it currently stands, the MTC supports small businesses from their initial startup stage and supports their future growth. This is especially important in smaller communities which are unlikely to attract larger employers. According to a 2018 performance audit of the MTC, 24 Seward County businesses received \$142,126 in MTC between 2007-2017. On a much broader scale, 85 businesses located within Legislative District 24 (comprised of Seward, York, and Polk counties) received \$493,337 in MTC between 2007-2017. As you can see, the overall MTC impact in both Seward County and Legislative District 24 was significant. We believe that the improvements proposed to the MTC program in another bill, Senator Briese's LB366, would better help expand and renew interest in the program and stand to benefit many more small businesses in the future. We hope that the Revenue Committee will also see the value of the MTC and in our state's small business community. We encourage you to oppose LB74 and retain this program with LB366.

***BUD SYNHORST:** My name is Bud Synhorst, President & CEO of the Lincoln Independent Business Association. I represent over 1,000 businesses whose mission is to communicate the concerns of the business community to elected and appointed officials at all levels of local government. I appreciate the work of Senator Geist and her staff to find ways to help small businesses while ensuring that taxpayer dollars are spent efficiently. Recently added restrictions to the Nebraska Advantage Microenterprise Tax Credit Act have made it more difficult for businesses to use the funds allocated to it. Moreover, businesses and accountants find that the tax credit is burdensome and complicated to apply for. Thus, this tax credit has not been utilized over the past few years. LB74 would move the annually unutilized 2 million dollars into the Nebraska Innovation Act. LIBA stands in a neutral position because although this money will be redistributed to still help businesses, we hope that the money will be earmarked to assist specifically small businesses. Thank you for your time.

LINEHAN: Uh-huh. Other opponents. Anyone wanting to speak in the neutral position? Senator Briese, would you like to close? No, Senator

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Geist. I'm getting confused between this morning-- Senator Geist, I'm
sorry.

GEIST: Oh, thank you.

LINEHAN: I think Senator Briese would like to close.

GEIST: I know, I'm sure he would like to close.

LINEHAN: But we're not going to let him.

GEIST: And actually, that brings up a very good point in my close, is
I feel like there's a little bit of tension going on here. And, and
I'd like for not only the committee, but those who are listening, to
understand where this came from. When I was doing tours at, with some
of the individuals that at the Innovation Campus and going from
company to company with applications across the state, and they all
sounded like Scott, which could you just listen to that all day long?
It was the most inspiring thing I've been a part of. At the time,
their budget was \$2 million, it was in the fall and they had already
run out of money. And my intention was to help their budget because of
how exciting it was to hear individuals like him talk about the
potential that we're growing right here. Yes, we're growing it in
Lincoln and Omaha, but the applications, you're not going to pick up a
bunch of dead birds in Lincoln in a, in a birdhouse or what-- I'm
sorry, I'm massacred your-- but that's not an urban application. So
the applications are, are mind-blowing. So I just encourage you to
take the tour. At the time, there was also a question of whether there
was some money that was, that was given to them or they thought-- it
didn't actually end up there in their budget like they thought it
would. So this was a way to assure that they would have money coming
in. And I'll also add, I at the time was the Chair of the Performance
Audit Committee. We had done an audit on the Microenterprise Tax
Credit, and it was-- there were some red flags. Not that anything was
criminal or anything was going wrong to that degree, it, it indicated
it's underutilization. It also indicated the, the low, lower level of,
of income required. And it's understandable because, and when you
compare the differences between the jobs that this type of company
brings in versus a rural job, I understand the disparity. But my
thinking was we're going to-- if we only have \$2 million, let's put it
into something that the return on investment annually is a hundredfold
or more. So that's the heart of where this came from. This is not an

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intention to be urban versus rural thing at all. That's not where this came from. I thought this was a let's benefit the whole state and bring entire families into the state, which is happening through some of these companies as well. So just so you understand, this is-- I'm not trying to fuel that always under the surface urban/rural divide problem that, that I think is what I'm sensing here. I also want to be clear about what their budget is. It's currently \$6 million. It's not 10, it is 6. They, they were at two when I was touring, the additional \$4 million started this year, so January of 2021. So I just want to make that clear. I, I think that's all I have to say. I appreciate your, your time and, and it's kind of ironic I come after Senator Briese's bill. So you're very well-informed now about both sides of the equation. So thank you for your attention and I'm happy to answer any questions.

LINEHAN: Thank you very much, Senator Geist. Do we have any questions from the committee? Yes, Senator Albrecht?

ALBRECHT: Thank you, Chairman Linehan. And thank you for bringing the bill.

GEIST: You bet.

ALBRECHT: Little did I know that they were both together, either, so it looks-- where did they-- where to the \$4 million come from?

GEIST: All right, well--

ALBRECHT: And who funds that, and who--

GEIST: It's from the General Fund.

ALBRECHT: It is out of our General Fund?

GEIST: Yes.

ALBRECHT: And so they not only would like the \$4 million, but they would like the \$2 million that's in this other one as well.

GEIST: Yes. And actually, I'll tell you, they didn't come to me with this idea, I went to them with this idea.

ALBRECHT: OK.

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GEIST: So they weren't asking me to give them more money. I loved what they were doing and I said, hey, maybe I can get you more money. It's not a very conservative thing to do, but I did that. Which was why I was trying to make it revenue-neutral, which I thought was pretty creative as well so.

ALBRECHT: Thank you.

GEIST: Yeah, you bet.

LINEHAN: Thank you, Senator Albrecht. Any other questions from the committee? Thank you very much.

GEIST: Thank you.

LINEHAN: Do we have testimony delivered this morning? So this morning, we had proponents: Bruce-- what I mean, this morning, I mean they brought the testimony in as written testimony this morning. We had Bruce Bohrer, Lincoln Chamber of Commerce; Camdyn Kavan, OpenSky Policy Institute; Jennifer Creager, Greater Omaha Chamber. Opponents: we had Jane [SIC], I'm sorry, saying I cannot-- its Francescato, Seward County Chamber Development Partnership; and Sam [SIC] Reiff, Nebraska Enterprise Fund. And Neutral from Bud Synhorst, LIBA. And as far as letters that were sent in for the record, we had five proponents, one opponent and no one in the neutral position.

GEIST: Thank you.

LINEHAN: So with that, we'll close an LB74. Does anybody need a five-minute break? Let's take five minutes.

[BREAK]

LINEHAN: Thank you for taking this short break there. See if I can get my senators straight, henceforth. Senator Lindstrom, would you like to open on LB176?

LINDSTROM: Good afternoon, Chair, Chairwoman Linehan and members of the Revenue Committee. I am Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. I'm here today to introduce LB176, a bill to provide an income tax credit for certain agricultural producers. The bill would incentivize agriculture producers to move towards data driven, measurable and

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sustainable practices for a nonrefundable income tax credit of \$2,500. A producer is eligible for the credit if they qualify for either the USDA's conservative-- Conservation Stewardship Program or CSP or Environmental Quality Incentive Program, EQIP. By incentivizing producers to start moving towards measurable, environmentally sustainable practices that includes efficient irrigation, use energy efficiencies, preserving water quality, manure management and puff-- excuse me, pumping efficiencies, new development, developments and technological advancements through precision agriculture allows producers to collect this data to make smarter, more informed decisions on how to maximize yields in an environmentally sustainable way. Empowering producers with the data will allow them to leverage it in carbon markets, with packers and large corporations requiring these practices to satisfy customers and their own sustainable goals. Nebraska is a leader in U.S. agriculture and now has the unique opportunity to be the model for the world in farming for the next century. Nebraska is uniquely positioned to produce this evidence by leveraging the only statewide, long-range wide-area network. Nebraska is the world leader in managing groundwater through our 23 natural resource districts, highlighted by the Twin Platte Natural Resource District's water data program. Nebraska is home to some of the most innovation-- excuse me innovative and efficient producers in the world. And we've heard some of that today with other bills that have been brought out, some of which have been adopted, have adopted precision agriculture practices by incentivizing increased adoption of precision agriculture practices. Through this bill, Nebraska would drive revenue back to producers, conserve natural resources, arm the agriculture industry with data being demanded by consumers and corporations, and thereby increasing the economic well-being of all Nebraskans. LB76-- LB176 was originally intended to be a property tax credit. However, doing this would likely violate the uniformity and proportionality requirements of the Nebraska Constitution. I am open, open to the discussion with the committee as to how this may be remedied in order for the bill to function as it was originally intended and to service those in the state that would greatly benefit from those additional-- need additional assistance with their property tax burden. This bill is in, is by no means a finished product. I believe there's always room for improvement. And through this process, through the hearing process and the testifiers behind me, I feel that we'll be able to come to a consensus and hopefully move forward with this bill. Again, there will be testimony that will follow me on my

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opening. And with that, I'll be happy to answer any questions from the
committee. Thank you.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the
committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan? Was this meant to be just a
one-time credit to a producer or a multi-year? Like a lot--

LINDSTROM: Yeah.

FRIESEN: -- of CSP programs or either a five-year.

LINDSTROM: I believe it was intended to be a one-time-- one-year--

FRIESEN: OK.

LINDSTROM: --deal? I guess it depends on how the program shapes up and
how big it could possibly get and who utilizes it. You know, the
fiscal note continues to grow. So hopefully that is encouraging, and I
think we get up to maybe \$5 million in the year five or six.

FRIESEN: OK, thank you.

LINDSTROM: Yeah.

LINEHAN: Thank you, Senator Friesen. Are there other questions from
the committee? I'm thinking maybe when you close, there might be some
more.

LINDSTROM: What's that?

LINEHAN: I think maybe when you close, there might be some more
questions, because--

LINDSTROM: Oh, yeah.

LINEHAN: So, all right, we'll go with proponents first. Are there any
proponents? Thank you. Good afternoon.

JULIE BUSHHELL: Good afternoon, Chair Linehan and members of the
Revenue Committee. My name is Julie Bushell, J-u-l-i-e B-u-s-h-e-l-l,
and I am the president of Paige Wireless. I'm pleased to be here today
to support LB176 and thank Senator Lindstrom for introducing this

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important legislation. Paige Wireless as a subsidiary of Paige Electric, a company that has deep roots in Nebraska. Our Columbus, Nebraska manufacturing facility has been in operation since 1979, supplying wire and cable to Nebraska's center pivot irrigation market, specifically to Lindsay Corporation and Valmont. Our history in the agricultural industry show that producers need technology and wireless solutions to make more informed decisions in this ever-evolving economy. Hence, we started Paige Wireless. As we all know, Nebraska leads the world in production agriculture, specifically corn and cattle. With the most irrigated acres in North America, we felt the greatest impact to deploying a statewide LoRaWAN network would be here in Nebraska. The network provides low cost options for producers to take advantage of the Internet of Things. This bill will allow producers to invest in technology that will drive sustainable practices, including efficient irrigation, water quality management and improved soil health, just to name a few. The LoRaWAN network is a carrier-grade public network which allows producers to own their data and leverage data for a premium. Imagine a world where cattle producers can leverage data proving that they're not producing as much greenhouse gas as the New Green Deal [SIC] would have you believe, and McDonald's actually pays that producer for this proof. That is what the use of IoT and data can do for our producers. The market is demanding this data. This is a fact. We need to empower our producers to leverage this data or they will be left behind. Our global competitors are already on the fast track, creating labels for sustainable water use, humanely raised meat and carbon index scores, Australia, European Union and China, just to name a few. Nebraska will have the edge both regionally and globally because we will have the verifiable data to back up our labels. This bill provides the incentives for producers to implement precision ag, drive premiums, adopt sustainable practices and ultimately help the Nebraska economy. This bill shows the world we intend to remain the global leaders in agriculture. Thank you.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much for being here.

JULIE BUSHELL: Thank you.

LINEHAN: Other proponents? Good afternoon.

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LUKAS FRICKE: Good afternoon, Chairwoman Linehan and the rest of the Revenue Committee. My name is Lukas Fricke and I'm a producer from Butler County, which is in the 23rd District. And on my family's farm, we grow crops, livestock and that next generation. It's actually the seventh. I want to speak to the heart of this issue, and I really want to have the permission for my generation in agriculture to be able to go. We're starving for opportunities to help make a difference and LB176 is just the real working piece of legislation that's really simple, allows our state to give my generation the permission in saying to us, let's get going. Nebraska is the leader in agriculture and economic productivity. This bill helps incentivize producers to use data-driven approaches to sustainably increase overall food production and positive producer interactions with the environment. Producers are wanting to get more involved in the conversation about conservation and being the leader in that conversation when it comes in a foreign marketplace. Data that is producer-created and producer-owned is imperative to a strong and robust data-driven agricultural sector. And we can make game-time decisions with having this kind of connectivity and the access to funds to start using these technologies. The amount of money would help producers like my family with new technologies to monitor such things as environmental conditions, especially like soil moisture level, levels and even water quality. A simple, proven technology that at times is not used because of thin margins and the ability to access to capital for it. This amount of money would help the adoption of animal transparency and traceability technologies, allowing Nebraska grown products both domestically and abroad to be on the cutting edge and to be sought after. The applications and the opportunities are endless to what agriculture producers can do with the access to these funds. Here's a great example of a state investing in its producers in the future of food: Wyoming. That state put money forth to build out a blockchain system for its cattle producers. That technology helped connect the dots along the entire supply chain for that certain product. It also allows for key pieces of that story to be sewn in with the product itself. In a foreign marketplace, heck, even domestically, a premium for a transparent product. Wyoming put themselves out there and looked towards the future. Their findings found an extra 200 to 250 dollars per head for cattle in a blockchain, in a blockchain marketplace. I think you know the opportunities that that would present for Nebraska especially. We all have opportunities to support unbiased and forward-thinking concept, and I think LB176 is that kind of thinking.

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This is a bill that helps reward producers for being environmentally conscious and brings other producers into adopting those kind of technologies. By the adoption of these data-driven and forward-thinking technologies, producers will be better suited to take on the next big obstacle, whether that be in the marketplace or environmentally. I'm proud of my story and the passion that lives here in Nebraska, and I'm proud to have an assembly that supports my lifestyle. Please allow my generation to take advantage of these opportunities and allow us to help change the conversation and make the world a better place from right here in Nebraska. Thank you.

LINEHAN: Thank you, Mr. Fricke. Are there questions from the committee? Oh, I'm sorry you didn't spell your name.

LUKAS FRICKE: Oh.

LINEHAN: I forgot to tell you.

LUKAS FRICKE: Oh, sorry about that.

LINEHAN: That's OK.

LUKAS FRICKE: Lukas, L-u-k-a-s, Fricke, F-r-i-c-k-e.

LINEHAN: Senator Friesen.

FRIESEN: So what kind of technology either do you have ready or would you develop on your farm to help you out?

LUKAS FRICKE: That's a great question. So one right off the bat is better management of our lagoon levels. There's technologies outside actually developed in New Zealand that can allow us to better use the nutrients that are sitting in our lagoons on our crops. Another one would be water quality, controlling runoff situations around feedlots or other situations like that. A personal one that I can speak to is the traceability of our data. I work in a confinement hog barn. That's my family has done for generations, and I love it. And we do a really good job. But sometimes that job gets lost in the hustle and bustle of, you know, the processing plants. They don't get the story of caring for our animals, what we do every single day. So this kind of data and this incentive would allow us to adopt programs that increase that traceability throughout the entire supply chain. So it's kind of

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a really a symbolic piece to get us started to adopting these
technologies.

FRIESEN: Is this where the blockchain technology comes in too and--

LUKAS FRICKE: Yeah.

FRIESEN: [INAUDIBLE]

LUKAS FRICKE: And I guess maybe I kind of focused on a couple, but
it's just the fact that we can get started right now in making
Nebraska, or really maintaining Nebraska's leadership as a dominant
agricultural force, by using, you know, EQIP and CSP is kind of
qualifying for those programs. We're thinking environmentally
consciously, which is a big, really big part to what a lot of
countries are looking at us for. You know, we only have so many
resources, so let's keep up on those, and by this tax credit, it
really helps producers adopt those technologies to do that
environmentally conscious job. So the opportunities are endless with
this.

FRIESEN: OK, thank you.

LUKAS FRICKE: Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions in the
committee? Seeing none, thank you very much for being here today.

LUKAS FRICKE: Thank you.

LINEHAN: Other proponents. Good afternoon.

RORIC PAULMAN: Good afternoon. Thank you for the opportunity, Senator
Linehan and members of the Revenue. Since I only have five minutes, or
three minutes or whatever the number is, I have a lifetime's worth of
work to talk about and what the challenges are with this issue. But
more importantly, why the continuous investment in this process that,
that makes a difference. I was going to talk a little bit about the
whys and whatfors, but I got an example that Senator Flood really--

LINEHAN: Sorry. I'm sorry, you forgot to say your--

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RORIC PAULMAN: Oh, sorry. Roric Paulman, sorry, R-o-r-i-c P-a-u-l-m-a-n. Thank you, Senator. Does it start now? Senator Flood, you really piqued my interest when, when you asked about what the impacts are of connectivity and, and the benefit of creating that, that avenue or that venue of connection, which is what we're talking about today, is, is supporting and putting in place the, the kind of rural opportunities. And the best example, I'm third generation, I-- Lukas is the age when I started. This is my 36th crop, and most farmers get a chance, 36 to 40 crops is about it. But our son joined, our youngest of four, so he's in his sixth crop already. And it's a tough situation to be a young producer, to try and get started. But his ability to be connected and be a part of that responsiveness to marketing, to, to the ability to look at the data and really turn his, turn his world around where he can hold it in his hand is important, that connectivity. But also the dollars that it takes to do that right today is expensive. There's a lot of innovation, but innovation is the most expensive part of that process, that investment into that R&D. So the producers in the same place, how do you make that connection? How do you put that R&D into the hands of every individual or young producer? That, that's a load. But I'm going to go to the next step, and that's my grandson. He's five years old, and he spends as much time with me as he can because he's in prekindergarten. He says, Grandpa, that's, you know, I'm ready to go to school. But it's in pre, but he has the farming simulator on my phone. And he comes out there and I, you just struck a chord with me. He goes, Grandpa, he says, I can't finish combining. What? He goes, I have five combines. I have a wheat crop and I have a canola crop. I go, canola in Nebraska? He goes, yeah. He says, I've got to get this done, but my-- the phone won't work. It stopped right out here in-- this is in the field on our farm. But it happens to be on the western edge of our farm, so we got back to the farm and we have Wi-Fi that we have hosted. And, I mean, we're trying to vet a lot of these processes to this connectivity. What, what does a LB176 do? I believe it really is seed money, but we also have to be able to tell that story. We also have to be able to account for that telling of that story, because I've heard all day today we've got these, these tools that really make sense. But how do, how do we deliver that? Where is it delivered through? Is that through extension? Is that through, you know, I don't have an idea because that is a frustration of mine is understanding what tools are available and to, and to what extent that they can make a difference in our lives. But that connectivity is, is absolutely paramount to

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move rural Nebraska, to move Nebraskans in general. It isn't simply urban, urban and rural. I get over that, I'm over that part. It is simply how do you, how do you tell your story well enough that everybody can listen to you and believe in what your efforts are. This, I believe, is a, is a wonderful way to get young men and women to be able to invest in that and actually vetted out in their own operation. They may not have the capital to do it, but this may be a great opportunity to provide that basically incentive to take a look at some options. Thank you. I'd take any questions.

LINEHAN: Thank you, Mr. Paulman. Are there questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman. And thanks for being here. Mr. Paulman. As I look at the statement of intent and look at what the bill requires to obtain these credits, I look for a connection there and I look at the confer-- the CSP. What are the requirements for qualifying for that? I looked into it briefly once upon a time, and then I moved on.

RORIC PAULMAN: Senator, you know, there was some, there's some real-- there's some real conversations around CSP and that is constantly evolving. And it really centers around what, what is the next opportunity. Then we actually, because of our use, we drive some of those conversations and what their expectations or their ability to implement it into their criteria so that you would qualify for CSP. Same way with EQIP. Is there, there is a, there's a process that you have to go through and score points that put you in a position to be able to do that. So it, soil moisture probes, let me let me give this as an example. Soil moisture probes, not so long ago, because you had to purchase them to qualify for the credits within EQIP, and at the time CSP wasn't a part of that, but under EQIP, you couldn't get a soil moisture probe. And especially if you leased them, you couldn't get-- you couldn't qualify. Well, working with the state representatives within that, NRCS, Mr. Craig Derickson, there was more and more questions about that. But also the support of the state helped drive that change or helped drive that, that conversation. So it's not a slam dunk that this would actually put it into play, but it absolutely shows an overall support from, from our state that says, hey, this is a need and we're willing to invest in it. And I, that's where I think it's really going to move the needle.

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BRIESE: OK.

RORIC PAULMAN: Adoption is-- innovation is occurring. And it's, when I first started probably five to ten years, now it's three. And when I talk across the nation, I simply say it's 18 months. And so we have to get on our horse to figure out how to do that, but not invest frivolously in, in processes that, that may not bear us any fruit. But these kind of opportunities for young men and women or young farming opportunities that they can say, OK, a tax credit, this would help me out to invest in that. So that's kind of the, there's-- this is an evolving piece. This was, it was really interesting and intriguing to me is, is how do we-- the innovation, but adoption. Adoption is the hardest part for us to get over, and how do we expand that? I think we talked about it all morning on, on the funds that are available. How do you get people to utilize it and drive that adoption? Because that's what it boils down to.

BRIESE: OK. Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? Seeing none, thank you very much for being here.

RORIC PAULMAN: You bet. Thank you.

LINEHAN: Are they proponents? Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Do we have letters for the record dropped off? As far as letters to the committee, we had two proponents, one opponent and one neutral. Senator Lindstrom, would you like to close?

LINDSTROM: Sure, thank you. Just to clarify on the question, you don't have to use all the 2,500 in a given year. You can roll them forward as long as you qualify. And so to answer the qualification, you just have to qualify for the CSP or the EQIP, and you only need a farm ID and fill out some paperwork that qualifies you for the credit under our bill. Participating in the fed programs is a little bit more onerous, so there is a little distinction there for, for that. I think more importantly, with the credits that we're talking about, and this is kind of an innovation day, I'll call it, and these are some of my favorite days in the Legislature because of you to hear some pretty, pretty cool stories about what's going on across Nebraska in innovation. And they really all play a part with each other. You know,

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the microenterprise for the mom and pop, the BIA for those companies have gone through some of the R&D and need to take that next step and working their way towards 500 employees. But when we look at just Nebraska, bills like this, I think as Nebraska moves forward and how, how we've moved in the last couple of decades, it's very much a global market that we're dealing with now. And it's always a competitive issue when dealing with any of the products that we're shipping out of Nebraska. And so if they're-- with this bill and having the data to say with the carbon footprint that a lot of these companies are saying we're going to be carbon-neutral in the next couple of years, and those large companies are looking for the producers to be able to offset some of those carbon. And the only way to prove that is through some of these data-driven initiatives. And when you're talking about, again, a global market where we need to get our products all across the world with the, with emerging markets and developing markets, with growing middle classes, these are the things that we can do in Nebraska to put Nebraska on the map. We have the NRDs, which is a unique situation. My first two years in the committee, three-day committee was in Natural Resources, so I know a little bit about it. But those are those, those are the things that Nebraska can be innovative on that really put us on the map and move us into the next century. And obviously, agriculture being a large part of what drives Nebraska. And so I would appreciate the consideration. And if there's anything we can do to tweak it, obviously the income tax portion wasn't ideal, but maybe there's a fund or something or some other mechanism that we can look, look to, to offset a property tax situation so. With that, I'll be happy to answer any final questions you may have.

LINEHAN: Thank you, Senator Lindstrom. Are there any questions for Senator Lindstrom? Seeing none, thank you very much.

LINDSTROM: Thank you.

LINEHAN: With that, we bring the hearing on LB176 to a close and we will begin the hearing on LB194, Senator Vargas. Oh, there he is. Good. Good afternoon.

VARGAS: Good afternoon. How are you, everyone?

LINEHAN: We're fine.

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VARGAS: Chairwoman Linehan and members of the Revenue Committee, I do have handouts I will handout in a second. And for our pages, it actually has the name of each senator. It's specific to each senator, if you can hand that out, that would be great. For the record, my name is Tony Vargas, T-o-n-y V-a-r-g-a-s, and I have the honor of representing District 7, the communities of downtown and south Omaha, here in the Nebraska Legislature. For those of you who have previously served on this committee, you will likely remember the hearing from a couple of years ago on LB310, which sought to fix a process issue with the Nebraska Historic Tax Credit. And I thank the committee for the support on that bill, that actual day of the hearing was the day before, several hours before my wife went into labor. It was right around two years ago. This bill that we passed, LB310, is already helping developers and others involved in NHTC projects receive the tax credit due to them in a timely manner, which has been great, especially when we can do efficiencies. This bill, LB194, is another one that addresses the Nebraska's Historic Tax Credit program, which is currently set to sunset at the end of 2022, should no legislation pass to extend it, of course. This committee and our Legislature in general have plenty of lengthy conversations about tax credits, so I don't have to tell you that, and incentive programs just like this one. NHTC is actually one of our most successful and has a huge impact on the health of our economy and historic significance and beauty in our communities, rural and urban, small town and big city. NHTC projects which have included low-income housing, courthouses, downtown areas seeking revitalization have had a tremendous impact on our local economy and workforce. Now, since the project's inception in 2015, we have experienced a total economic impact of \$206.9 million, representing a more than 700 percent return on our state's investment. This includes a direct economic impact of \$138.5 million and an indirect economic impact of \$68.4 million and \$8.6 million in local and state sales taxes. Now NHTC is also responsible for a total workforce impact of 2,755 local jobs and \$93 million in new wages. This includes direct employment of 1,735 full-time workers and indirect employment of 1,021 full-time workers. As you can see, it is critical that we ensure the Historic Tax Credit program continues. LB194 will ensure the continuation of and seeks to make improvements to this incredibly successful and impactful program. There are three major changes to NHTC in LB194. So the first is that currently all qualifying NHTC projects are eligible for a tax credit of 20 percent of eligible expenses. LB194 seeks to create incentives for both rural

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and urban counties by increasing the credit to 25 percent for projects located in Douglas and Lancaster Counties, and more importantly, 30 percent for projects located in all other counties. This way we are actually incentivizing some more outside of the big counties, rural development. The second change to the program in LB194 is that the maximum credit for each project, regardless of the project's location, will increase from \$1 million to \$2 million. And the third is the new requirement that the Nebraska State Historical Society and the Department of Revenue jointly issue an annual report to the Legislature about this program. Now, the last thing that I'll note is that NHTC projects take place in small towns and in big cities all across the state. I know that an important priority of our Legislature is ensuring that these types of programs that are in need of revitalization, including the neighborhoods in my district, as well as Chadron, Columbus, Fairbury, Friend, Grand Island, Hastings, Lincoln, Norfolk, Pender, Red Cloud and many others. You should all have in front of you some examples. And what I'll also do here and is hand out a list of projects, try to get a photocopy of this, of other projects that have been done and have been completed, which shows the geographic diversity and wide distribution of NHTC funds. If we could get a copy of that. Great. This is a good program, it works. It provides economic development and it does it in both urban and rural Nebraska, small town and large city. And I believe it's important for us to make it work even better. And that's why extending it is a sound, pragmatic decision. That's why I brought this bill. With that, I'll be happy to answer any questions. And if you do have some other questions specific to the program itself, we will have some individuals that have testifying on behalf of those that have used this program and those agencies that oversee or have that process data, specifically the Nebraska historical agency program. Thank you very much.

LINEHAN: Thank you, Senator Vargas. Are there questions from the committee? This is probably kind of a technical, but I've noticed on this list there's nonprofits, so obviously they're-- like Douglas County courthouse, they don't pay taxes. So as part of this, they sell the credits? And if you don't know, that's fine.

VARGAS: I don't know, but I'll check. And somebody actually might be able to reference that. It seems like David might be able to.

LINEHAN: OK, any other questions? Thank you.

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VARGAS: OK.

LINEHAN: And you will stay to close?

VARGAS: Oh, I will absolutely stay, Chairwoman.

LINEHAN: OK. First proponent.

TREVOR JONES: All right. Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Trevor Jones, T-r-e-v-o-r J-o-n-e-s, and I am director and CEO of History Nebraska, the state's historical society. I'm speaking in favor of LB194, which will extend and improve the Nebraska Job Creation and Mainstreet Revitalization Act. This act is more commonly known as the Nebraska Historic Tax Credit, and it's been, as Senator Vargas said, a success for Nebraska since it was implemented in 2015. For every year that the program has been in existence, my agency has commissioned a formal evaluation of its economic impact from the Bureau of Business Research at the University of Nebraska-Lincoln. They use a methodology that's used by the other 34 states which offer historic tax credits. And these reports have consistently shown positive returns. As Senator Vargas mentioned, by the end of 2019, the program had generated a total economic impact of over \$206 million dollars, and it's a return of about 750 percent on the state's investment. But I'd also like to say that the value of historic preservation goes beyond economic gain. Historic preservation increases the quality of life for residents in our cities and towns, and the Nebraska Historic Tax Credit has done so across the state. For example, one project I like to point out has been in Pender. It was the Palace Hotel. This project created 16 residential units on the upper floor of an old hotel and business retail space at street level. The apartments remain at full occupancy. In fact, the owners, the Darling family told me last time I was there, they've stopped posting vacancies because they're tired of trying to field all the calls. And in a village of 1,200 people, this kind of project would not have been possible without historic tax credits. It just would not have happened. And last time I visited, the members of the village council told me the project had helped them alleviate a severe workforce housing shortage, which is a problem for communities of this size. And that in turn had helped them entice more businesses to Pender, and that kept people shop in downtown. And they also said they could use another half a dozen projects like this one tomorrow, just like the Palace Hotel, in order to build on that success. And so

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renovating historic buildings is cost effective. It's environmentally sustainable. It helps create and maintain a sense of place, a connection. Historic buildings are usually also near city centers, and investment in them helps maintain downtowns. So historic tax credit projects can create a virtuous cycle of business development that builds anchors in communities. And we've seen this over the lifespan of this credit. So, for example, in Webster County, the On the Brix wine bar in the historic Moon Block, one of our first project, serves not only the people of Red Cloud, but also brings in dozens of visitors from surrounding communities on the weekends. The Brewery Lofts project in Hastings, it created low and middle-income housing in what was a crumbling storage building that had sat empty for four decades. And now it serves as an anchor for the, for businesses on 2nd Avenue [SIC], which is the main street in Hastings. And I think that the changes that, that Senator Vargas has proposed for LB194 will only improve its usefulness to the people of Nebraska. He mentioned some of the big ones, but some other things to talk about is that one of the things that the bill does is it lowers the minimum cost of certified expenditures from \$25,000 down to \$5,000, which will make it more accessible to users. Our office has a lot of conversations with people outside of Lincoln and Omaha who have smaller projects for tuck-pointing or roofing, who aren't doing \$25,000 projects that have, that have wanted to be involved. And we think that we can handle this, this influx of the smaller projects because of our, our system is all online. It's very easy for us to process an increase. And also, in addition, as Senator Vargas did mention, moving from 20 to 30 percent for rural communities especially will really support those projects in places where investors would not otherwise invest. It makes it more attractive to them. And then the last thing I'd like to point out is it really important for me to note that using the credit requires both time and commitment. It requires adherence to preservation standards, and it provides tax relief for property owners. But it also requires them to make a significant economic investment and contribution to economic development. So removing the sunset date, making these changes will only improve the project and strengthen the state's finances, improve the quality of life. So thank you. I'll take any questions that I can answer.

LINEHAN: Thank you very much. Are there quest-- yes, Senator Flood.

FLOOD: Thank you. Thank you for testifying and for sharing this information. I was told by someone, somebody in-- wasn't even in my

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district that the, to do this is kind of questionable because the historical preservation part of it is somewhat cumbersome. Is that-- talk about that. What is-- I don't have any reason to know that it is, but what are the processes and do some people find it too cumbersome to use the program because of the red tape?

TREVOR JONES: It is, I mean, there are standards that they have to hit. And so, and there are two different parts of this. So I would say more than, than half of the people that are applying for this are stacking the state credit with a federal historic tax credit as well. And if you do that, then you also have to apply by the federal rules, which are more stringent. And so to meet that standard, that's like the gold standard, that historic preservation standard for those federal rules. And so if you're meeting that, that's onerous. That's not easy. This isn't, you know, this isn't free money. And so you have to get federal approval as well. One of the things that I think is great about this bill is it allows municipalities to create a local standard for historic preservation. So if you're only using the state credit, you can meet a lower bar. But if you're going to stack it with the federal one, you have to meet that higher bar. And that is, you know, it's rigorous. It's not, it's not for the faint of heart.

FLOOD: What is that federal credit?

TREVOR JONES: It's a 20 percent as well. And it's traditionally been a 20 percent credit.

FLOOD: So if you hit the federal, you're going to hit the state?

TREVOR JONES: Almost always, yeah. And I mean, certainly that's been, been the case. That's one of the, the things that people do is stack, stack the two credits.

FLOOD: Would we hurt ourselves if we decoupled and said, hey, if you're getting the federal, stick with the federal? If you're going to go with the state, then you can use the state only.

TREVOR JONES: That is a really interesting question. I think what it would happen is you would see people not, because they want both of those, those, those projects. And it allows us to decouple if you're using the only-- if you only want to use the state. So say you don't want to mess with the federal government, you could say, I want to use

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that one and then stack the-- and then you can go for the higher one. If it worked the other way, I don't know if there would be enough incentive for people. Maybe somebody from the business community can answer that question about whether that would be attractive to them in any way.

FLOOD: Thank you.

LINEHAN: Thank you, Senator Flood. Are there other questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir, for coming. What percentage of those utilizing the state credit are also utilizing the federal? I mean, is it the vast majority?

TREVOR JONES: It's the majority. I, I-- my best guess right now is two-thirds.

BOSTAR: And what's the, what's the benefit for us to have lower standards for what's essentially the same credit than the federal government?

TREVOR JONES: The rationale when the bill was passed in 2015, because that was written into it from, from the get go, is this, this idea of of local standards being able to be there, is that to make it more accessible? So if you've got something that's significant for a community and they want to make that designation or that own standard, they could use that state credit without going to that same level. So, for example, one of the things that the federal credit is really picky about is having enough historical material. Deciding, like if you've got a facade of a building that a certain portion can't have been removed and replaced by something else. But if you're a local community and you say that building is still really historically significant to us, even if that, most of that facade is gone, the feds would say that doesn't qualify because you don't have the original material. But the community could say we still want to create a designation that allows that to happen and that, that benefits our community. And so that's a lower, you know, the feds would say that's a lower standard. We would say, I would say that's a more flexible standard for local control.

BOSTAR: Thank you.

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LINEHAN: Thank you, Senator Bostar. Are there other questions from committee? So can you answer this one or get me an answer? So many of these, I'll just go here, the Douglas County courthouse, so they use it. They have those credits produced and then they sell those to people who actually pay income taxes.

TREVOR JONES: Right. That's part of the original, original bill, was that there would be transferability of credits.

LINEHAN: So it's 20 percent off your federal and then 20 percent off your state is what you can get, I'll--

TREVOR JONES: Possibly. Yeah, that's correct.

LINEHAN: OK, thank you. Other questions? Thank you very much for being here.

TREVOR JONES: All right. Thank you.

LINEHAN: Other proponents.

DAVID LEVY: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is David Levy, D-a-v-i-d L-e-v-y. I'm a partner at the Baird Holm law firm, where one of the things I do is represent developers who use the Nebraska state Historic Tax Credit. I've also been involved in this legislation since its inception in 2012, and I appreciate the opportunity to further this journey here with you today. As you've heard, this has been a very successful program since its enactment in 2015. I'm testifying today specifically on behalf of the Nebraska Association of Commercial Property Owners in support of LB194. NACPO has over 500 members who own and manage thousands of apartment units and millions of square feet of commercial properties across Nebraska. A little bit on tax credits and why they're important. And Chairwoman Linehan, this gets a little bit to your question about the Douglas County courthouse. Tax credits become part of the capital stack that goes into a development project. So the developer monetizes those tax credits and that becomes equity in the project. Projects like this, historic renovations, tend to be more difficult, more complex, more risky, and therefore they're harder to finance through traditional means, bank financing, things like that. Banks often will lend a lesser amount as to the value on a project like this than they might on kind of a typical shopping center at the

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edge of town, something like that. So the tax credits and the ability to monetize those tax credits give the developer access to another type of capital to fill that gap in the financing to be able to make a project economically feasible that might not otherwise be economically feasible without this sort of unique, what I'd call an alternative financing stream. These projects, as I mentioned, are inherently more expensive and difficult. But they also, as you heard from Trevor, have inherent community, historic, cultural and economic benefits. They also tend to make better use of existing infrastructure and existing municipal services, which makes them less burdensome on cities' general funds and things like that. You're reusing an existing building in an existing neighborhood. You're not expanding the community out, you're making use of existing fire, police, snowplowing, all those kinds of things, sewer, streets, water, all of those kind of things. So in addition to the direct economic benefits and the spinout economic benefits of these projects and putting these buildings back into use, employing people, giving people places to live, you are having a benefit in reducing the burden on municipal services. The most important change before you today in LB194, no question, is removing the sunset. These projects take years to put together. And even though this sunset isn't for almost two years, it will already begin to stifle projects. People will see this. It will inhibit the flow of capital, it will inhibit people from purchasing properties where they think they're going to do a historic rehabilitation project and use these credits. One of the projects we're working on right now is the Benson Theater project. It's been in the works for probably ten years and actively in the historic tax credit sort of process for two or three years, we've been working on it. So removing the sunset date this session is very important. The other changes in the bill, I think have been covered. And I see my light is orange. Some of them are cleanup. A couple of them are things that we learned over the course of using the program that just didn't work. There's a provision in there that says if you haven't used your credit allocation yet and it's December and you're going to use it next year, you have to tell the state, hey, I'm going to use it, or you lose it. That turned out to be kind of a trap for the unwary. And so taking that out to take that away is one of the changes that's an example of really kind of a cleanup change. Again, overall, this is about making a bill that has an outstanding track record even better. And with that, I thank you for your time and I'm happy to answer any questions that you might have.

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LINEHAN: Thank you, Mr. Levy. Are there questions? Senator Flood.

FLOOD: Thank you, Chair. If I had the state tax credit of 30 percent in Norfolk, I could get the federal credit for 20 percent. Could I stack on top of that PACE, which our city has in order to do that, which is 25 percent, I think?

DAVID LEVY: You can.

FLOOD: And then on top of that, I can stack on TIF.

DAVID LEVY: You can.

FLOOD: So if I were to stack all these things together, I'm at 30, 50, 75, and I don't know why, I can almost build a building for nothing or remodel a-- buy and rebuild, remodel a building for nothing.

DAVID LEVY: You could. And a few things to that. It's a great question, and when you say it, you know, it sounds like, what are we doing here, right? We're giving people free remodeling. But, but you're not because here's a couple of things. Historic tax credits require you to do the project first, the historic tax credit is 20 percent of the cost of rehabilitation. So to get a million dollars in historic tax credits, I have to spend \$5 million on the building, right? And you don't get that until after you've done that investment. TIF is at the discretion of the city council, PACE is at the discretion of the city as well. But there's a project that we worked on in Omaha called the Logan Building, it's at 18th and Dodge, and it used state historic tax credits, federal historic tax credits, PACE and TIF. That building had sat vacant on a corner in downtown Omaha for 25 years. It was, it was an eyesore, it was dangerous. It was a place where people came and went and there had been fires there and things like that. And we actually helped the client buy that building, sell that building. And then the buyer of that building, we helped them redevelop that building. It wasn't going to get redeveloped without these tools, these tools that allow the redevelopment of these, these most challenging buildings.

FLOOD: But if I, with that \$5 million that I've got to spend to get to 20 percent, if, if a million of that \$5 million was taken out with my PACE loan, I'd still be spending to qualify for the 20 percent on the state side.

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DAVID LEVY: If that's a qualified historic rehabilitation cost, yes. But the PACE is a loan, you've got to pay that back, it's financing. Same with TIF, you still pay your property taxes.

FLOOD: Sure.

DAVID LEVY: They just pay off your, your loan to pay for the public infrastructure elements of the project.

FLOOD: OK, thank you.

LINEHAN: Thank you, Senator Flood. Other questions? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, Mr. Levy. What is, you know, so Senator Vargas in his opening touched on the distribution of these projects throughout the state. Could you speak to that a little bit more? You know, we've had a lot of conversations today about investments and things and where they're located, if they support rural, urban, both. Could you talk about that with regard to this?

DAVID LEVY: Sure. And I appreciate that question for a couple of reasons. It also lets me talk just very briefly about the difference between the state credit and the federal credit. When we were working on this originally, there was objection from people who said, hey, this is only going to be for big projects and big developers in Omaha and Lincoln. And so that's how the local standards prong came about, where projects can't qualify, they can't meet the federal standards. They might not have the wherewithal, the owner/developer, and so they're able to work with their local community and still get the state credit. And that's common in smaller communities. It's happening with the Benson Theater, so in a neighborhood in a bigger city as well. But I can tell you to answer your question directly, Senator, we have worked on projects using this credit in Red Cloud, in Hastings, in Grand Island, in Wayne, Chadron, Omaha and Lincoln certainly. They are, they are all over the state. And when we first did this, I had a map of Kansas. They've had historic tax credit as a state credit for a long time and it had a dot for everywhere there had been one of those projects in Kansas. And over time, you can see they spread all across the state of Kansas. And that's starting to happen in Nebraska. That's one of the reasons to extend the sunset or take away the sunset here. The big projects in Omaha and Lincoln were kind of ready for this. There was a kind of a little bit of a rush when it first passed. And

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now it's, it's getting out more and more to the, to the smaller
communities across the state.

BOSTAR: Thank you, sir.

DAVID LEVY: Yeah.

LINEHAN: Other questions from the committee? Thank you, Senator
Bostar. OK, I'm still-- explain to me why many of these are nonprofits
or county municipalities. So how does that-- so the developer uses
this money so he could afford to do it and then he, the county sells
the credits to other taxpayers. How does it work?

DAVID LEVY: Yeah, that's right, Senator. So Nebraska's credit is
unique. I think there's one other in the country that allows
government entities to use these and governments under our current
statute, and it would be the same going forward under LB194, a
nonprofit or a government entity can use the program. As you noted,
they do not have tax liability. So they have the ability to freely
sell 100 percent of their credits, just like I could sell you this,
this book. And so they're able to take those credits. They have to do
the project, they have to spend the money, do the project. They get
the credit certificates from the Department of Revenue and then they
sell those to somebody who has the income tax liability. And the
revenue from selling those credits becomes part of the capital stack
of doing that project. So Douglas County, when they did the courthouse
project, they got a million dollars in private investment that they
didn't have to go to the taxpayers of Douglas County to get to do that
project by getting those tax credits and selling those. And that's,
that's the same with a nonprofit. It's a, it's a way to bring in
investment and create really a public/private partnership.

LINEHAN: But they had to pay the million dollars. They just, I mean,
it's--

DAVID LEVY: Who?

LINEHAN: The county.

DAVID LEVY: The county did the project. They had to spend the million
dollars--

LINEHAN: Right.

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DAVID LEVY: --or the \$5 million to do the project. But for the county,
the other way to go get that million dollars would have been to sell
bonds or--

LINEHAN: Right.

DAVID LEVY: --get it from the taxpayers. Instead of that, they sold
those tax credits to private investors who provided that million
dollars. They had the benefit then on their income tax, of course, but
that was another way for the county to get those funds.

LINEHAN: I think I understand, but I just don't want confusion here.
The taxpayers end up paying the bill.

DAVID LEVY: On the courthouse project?

LINEHAN: Yes, on any project. I mean, the builder builds it, they sell
the tax credits.

DAVID LEVY: The tax credits result in the state forgoing that revenue.

LINEHAN: OK.

DAVID LEVY: Yes.

LINEHAN: OK, I'm going to need a draf-- graph. But any other
questions? Thank you very much for being here.

DAVID LEVY: OK, thank you all.

LINEHAN: Other proponents. Hi.

MICHAEL SOTHAN: My name is Michael Sothan, M-i-c-h-a-e-l S-o-t-h-a-n,
with MainStreet Beatrice in Beatrice, Nebraska. And also passing out a
letter from the Gage County Historical Society as well. Chairwoman
Linehan and Senators, thank you for letting me be up here for, for
this bill also. I know in the past some of you have seen me talking
about this, whether it was fighting for it or trying to get it. When
you probably look at that list that Senator Vargas handed out, you
probably won't see Beatrice listed on that list. And part of that's
just because of the process of trying to get ourselves geared up for
this. We got downtown Beatrice listed on the National Register in
2016. We've currently got two projects that are utilizing Historic Tax

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Credit in the works. But since 2016, we've actually seen a net gain of 25 shops in our community in our downtown alone, bringing over 100 jobs and about, we're approaching right now about \$6 million worth of rehabilitation work on buildings. Some of that is included in some pending historic tax credit projects. The reason why I'm wanting to be up here today is to support this bill is because I'm the one that gets to work with a lot of these property owners, with these business owners that have 170 or 140-year-old building, 100-year-old building or are looking at trying, a young person that's looking at trying to invest. Maybe they're looking at starting the first business or buying their first property, and they're looking at the properties that are available in a place like downtown Beatrice, one, because they're cheap. Oftentimes their valuation is really low. I mean, you can get a 14,000 square foot building in downtown Beatrice that's in bad shape for about \$10, \$20, \$30, \$40,000, sometimes really low. Problem is, you're going to put \$100,000 into it to really make it workable for what they've got going on. This bill and the changes that are being proposed will really make it worthwhile in communities like us. Mr. Levy talked about how financing is a challenge with these projects. They certainly are. I mean, when you got a building that's assessed at \$40,000 and you're putting \$100,000 into it, it's hard to get a loan from the bank to say, hey, I'm going to, you know, be behind you on this. Oh, and you're also opening up a restaurant? Yeah, that's definitely a challenge. So when we are working with people, being able to see this go from 20 to 30 percent will make a huge impact on being able to see some of these projects actually happen. In downtown Beatrice we have plenty of buildings that are sitting vacant, sitting underutilized. Frankly, we had one back in, you guys heard me tell you guys about this in previous years, that actually collapsed. The city of Beatrice had to pay \$200,000 to clean up another property owner's mess. Right now, we've got two other condemned buildings in our downtown that we're trying to avoid that from happening. But the burden does not fall on the taxpayers, but is instead picked up by a private individual to reinvest in those, transfer them from a negligent property owner to a more productive property owner. And its tools like this that really would give those people the, I guess confidence with which to potentially take on some of these projects. And so I definitely want to support these, this ability to change some of these things that are in this bill that will make a huge difference from the people I've worked with. And also there's a one other addition to this, that for the Gage County Historical Society was very

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important and it's the addition of historic residential houses. We've got a shortage of housing. Being able to add historic residential houses will be great. In Beatrice, they're removing five, ten houses every year. We need to stop that. Those lots are sitting vacant afterwards usually, nothing is happening there. We need to be able to keep these on the tax rolls, keep them as productive houses that people can invest in, oftentimes their starter homes. This is a tool that would actually be able to help leverage that as well. And so from being able to keep our downtowns and our neighborhoods cohesive, having places to attract youth and talent and businesses, this is a wonderful addition to this bill. And we really hope that it will grow legs and move forward. With that, I'll take your questions.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much for being here.

MICHAEL SOTHAN: Thank you.

***BOB HALLSTROM:** Chairman Linehan, members of the Revenue Committee, my name is Robert J. Hallstrom and I submit my testimony to you as registered lobbyist for the Nebraska Bankers Association (NBA) in support of LB194. LB194 would provide for increases in the historic tax credits available to projects under the Nebraska Job Creation and Mainstreet Revitalization Act and would remove the current December 31, 2022 sunset date for the Act. The NBA has supported the Nebraska Job Creation and Mainstreet Revitalization Act since its inception in 2015. The Act, which was intended to encourage investment in historic resources in both urban and rural communities has been successful in carrying out the objectives for which it was enacted. The historic tax credit program has traditionally provided a high rate of return on investment. The tax credits function essentially as part of the financing package for a historic property development project, as they are paired with bank loans and investor funds and other sources to complete the project. Preservation and restoration of historic buildings makes good business sense and the Nebraska Job Creation and Mainstreet Revitalization Act has helped many communities across the state bring historical properties back to life and returned to productive use. For these reasons, the NBA would respectfully request that LB194 be advanced for consideration by the full Legislature.

LINEHAN: You're welcome. Are there other proponents? Any other proponents. Are there any opponents? Anyone want to testify in the

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neutral position? OK, we had-- did we have anybody bring in, sorry?
Oh, yes, I saw this. Testimony that was submitted this morning instead
of being here was one proponent-- one proponent, Bob Hallstrom,
Nebraska Bankers Association. And letters for the record, we had two
proponents, two opponents and just one in neutral position.

VARGAS: Thank you.

LINEHAN: Thank you, Senator Vargas.

VARGAS: Thank you, Chair Linehan and members of the committee. I just
want to reiterate, this is a program that's been working. It's been
around for the last eight years. It is, for those of you that I've
seen some of these obviously historical projects that have been done
in your communities, there might be an instance where these projects
could have been done and not maintain the historical significance of a
town or that building or that neighborhood. And this is-- the federal
program is one opportunity to do that. The state program has been a
successful other one. There are 32 states that currently have state
historical tax credit programs like this. Ours has been successful. My
intention is to make it more competitive and useful for both rural and
urban Nebraska to lower what kind of projects from 25 to 5,000 so that
we can have it more accessible, to make sure there's some more
oversight of the reporting requirements, so that we're more in line of
sight, and also to ensure that we are continuing something that's been
working. The economic development is very, very clear, and I believe
that this is an important program for us to continue. The last thing
I'll say is, and for some of you that were here before, I think it was
Senator Schumacher. Senator Schumacher, one of his biggest caveats was
this wasn't as accessible as it possibly could be. That's one of the
reasons why we made it a little bit more accessible, and trying to
make it competitive so that there's more access for rural Nebraska. So
that's another reason why some of those changes have been made. So
with that, I ask for your support of this bill. I think it's a good,
it's a great program for us to continue to do. And it's one of those
things that when we don't have, we'll notice it's gone. And you heard
a great example for those that have been downtown in Beatrice, you'll
understand if we lose the significance of certain communities, certain
buildings and sites, we are losing the history of our communities in
Nebraska. And that's something I don't want us to lose. Thank you.

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LINEHAN: Thank you, Senator Vargas. Are there questions from the committee? I'm not going to ask you now to explain it, but some-- I would like somebody to walk me through how this works. You get it based, whether it's a public, whether it's the courthouse or a church, and they get the tax credits and then they-- somebody has got to walk me through how that works.

VARGAS: OK.

LINEHAN: Or they don't have to, but it would be helpful.

VARGAS: No, yeah.

LINEHAN: Other questions? Thank you very much for being here.

VARGAS: Thank you very much.

LINEHAN: OK, that closes the hearing on LB194. And now we'll go to LB254, Senator Williams. Oh, there he is. Welcome, Senator Williams.

WILLIAMS: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, and I represent Legislative District 36. I'm here today to introduce LB254. This bill simply extends the sunset date for the Beginning Farmer Tax Credit Act from December 31, 2022, for three years to December 31, 2025. The Beginning Farmer Tax Credit was first enacted in 1999 to provide assistance to individuals seeking to enter farming. The program is designed to encourage owners of agricultural land, equipment, livestock to enter into a three-year lease agreement with beginning farmers to provide the owner a refundable 10 percent income tax credit for cash rent and a 15 percent income tax credit for sharecropping arrangements. There are others behind me who will provide an additional details of how the program works and the dollars involved. But this has been a successful program over these last 20 years. On average, there have been \$1.3 million in tax credits each year, \$5,200 to each owner. There have been 546 beginning farmers that have used the program, and over 175 thousand acres have been used in the program. One of the questions I had a year or two years ago from Senator Friesen on this was how many of these were interfamily things. Approximately 18 percent are cases with related parties that happen. As you may recall, the Legislature adopted sunset dates for all the major business tax credit programs in 2015 and provided that the

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Legislature's performance audit committee conduct a performance audit for each program every five years over the course of the period. Initially, the sunset date for the Beginning Farmer Tax Credit was December 31 of 2019. In 2016, the sunset dates were extended for all of the various programs at the request of the Performance Audit Committee and the sunset date for the Beginning Farmer Tax Credit Program was extended to December 31, 2022. The program was subsequently audited in 2018 and a report was released at the end of the year. I am proposing to extend the sunset date to December 31, 2025 in keeping with the intent of the audit program over the course of the five years. So the audit matches the sunset date. I believe there is ample evidence related to the effectiveness of the Beginning Farmer Tax Credit program. As a matter of fact, you will remember I introduced legislation in 2019 in response to the 2018 performance audit of the program and worked with the Performance Audit Committee Chair to resolve issues that were raised in the audit so that the program could continue with the successes that had been reported before the, the audit. So that is a simple bill that we are presenting to extend the sunset date to three years. And thank you.

LINEHAN: Thank you, Senator Williams. Are there questions from the committee? Senator Friesen.

FRIESEN: Senator Williams, you know, I remember asking the question, and I do think I've seen the performance audit. I think I was there then. Could you-- do you have any idea of the dollars that the 18 percent used versus the rest of them?

WILLIAMS: I do not.

FRIESEN: Because I know before, when the program first started and they did not allow related parties to do it, and there were very few people using it. And when they changed that, it seems like that's when the usage of it really jumped up.

WILLIAMS: I don't know specifically, Senator Friesen, and answer to that. What I do know is that only 18 percent of the contracts are with related parties. But what that relates to in the dollars of the tax credit, I don't know. There may be somebody behind me that, that would have an answer to that.

FRIESEN: I'll ask further. Thank you.

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LINEHAN: Other-- thank you, Senator Friesen. Other questions from the committee? Seeing none, will you stay to close? Proponents.

JOHN HANSEN: Madam Chairwoman Linehan, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I am the president of Nebraska Farmers Union. We support this extension. We support this program. We know that it gets used. We helped sponsor workshops with the Department of Ag and also Nebraska Legal Aid Society, the Farm Crisis Council, on beginning-- on intergenerational transfers and helping folks do estate planning and all of those things. This is a helpful tool. We had a good discussion the last couple of years about how to respond to the issues that were raised by the Performance Review and Audit Committee. This committee, thank you for doing what you did. I think we had a good discussion. I think the issues were resolved appropriately in favor of helping make the program work better. And so this is a simple bill. It extends the program. It is for, if you asked me if this is exactly what I would want, I would say no. But having worked on this issue, going back to when Bob Kerrey was first elected governor, I served on his task force then. And so we've been through a whole lot of different kind of iterations. And I would tell you that this bill, this program is where we have landed. And so that's, that is, that is my story, I'm sticking to it. It's, it's what we have to work with. It is certainly better than nothing. It is an investment in the future. And that, and in these times where we have enormous amount of volatility in agriculture, every little piece of incentive or help that you can do to try to give a young producer a running start at being able to take over and come to this industry that that we love and need is helpful. And so we thank you for your past support and encourage you to support this extension. I'd be glad to answer any questions if I could.

LINEHAN: Thank you, Mr. Hansen. Are there any questions in the committee? Seeing none, thank you very much for being here.

JOHN HANSEN: Thank you all very much.

LINEHAN: You're welcome. Next proponent.

NATHAN BEACOM: Good afternoon, Chairwoman Linehan, members of the committee. My name is Nathan Beacom, N-a-t-h-a-n B-e-a-c-o-m, and I'm here representing the Center for Rural Affairs. I'm just going to talk a little bit more about what the problem is that's being addressed

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here. I'm on the phone and talking in-person with farmers all the time. And there's this consistent concern that the age of our farmers is rising. I think everybody is probably familiar. It's a little bit lower here in Nebraska than it is in our neighboring states, but it's still the case that the average farmer age is 56 here. And it's becoming prohibitively expensive and risky for a young farmer to take over that operation from the older farmer. And I thought it was interesting what Senator Pahls said earlier today about Bill Gates is now the largest agricultural landowner in the United States and officially has 20,000 acres here in the state of Nebraska. And what we'd like to do is to get this farmland that's going out of production to be going back into production with young entrepreneurs who live here, who are putting money back into the community. Just in the past eight or so years, the number of farms in the state is decreased by 7 percent. And in 2019 alone, we lost 200 farms. So it's important that we address this problem, obviously. And this is one element. I think what Mr. Hansen said is true. It's not perfect. It doesn't do everything, but it does something in helping that to be the case. The program has grown in usage each year and has grown by a larger percentage in the last several years compared to the previous several. Ninety-nine percent of people who use it are still farming, and 100 percent would recommend the program. And so all that being said, this is an important tool for us to make this transition less risky and to give the young farmer more solid footing and to incentivize the landowner, older farmer to sell to a younger farmer and not to a corporate interest or a more established farm, or to just let the land go out of production. So the, the program, I think, has a proven track record of helping to address a longstanding problem. We've seen the tool is consistently helpful to transfer hundreds of Nebraska farms, which is, you know, a meaningful number. Our farmland should remain in responsible production, it should remain in responsible Nebraska hands. This credit helps retiring farmers and eager entrepreneurs in the process. It supports the rural economy. And so we would urge you to vote LB254 out of committee. Thank you.

LINEHAN: Thank you very much. Are there questions from the committee? Yes, Senator Friesen.

FRIESEN: Do you know what the maximum asset level is for a beginning farmer in order to participate in this program?

NATHAN BEACOM: I don't know that information off the top of my head.

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FRIESEN: I think it's-- I won't say a number, but it's really low.
Like if he owns a really nice pickup, he probably doesn't qualify.

NATHAN BEACOM: Right.

FRIESEN: So how are we going to transfer land to that next generation
if we have asset levels that low? I mean, you can't even own a
30-year-old tractor for what that minimum is almost, or that maximum.
So do we need to make some other changes to the beginning farmer
program, if it's going to be effective?

NATHAN BEACOM: Yeah, are you speaking about the number, the personal
property tax exemption or, or the qualification--

FRIESEN: No, the amount of assets that you're allowed to own--

NATHAN BEACOM: Sure.

FRIESEN: --in order to qualify. There's a maximum level, and I'm not--
it seemed like a low amount to me.

NATHAN BEACOM: Yeah.

FRIESEN: These days, especially. So if a beginning farmer is going to
start out. I mean, obviously, you're, you're starting with a parent or
someone is helping you.

NATHAN BEACOM: Right.

FRIESEN: So the asset level, like I said, if you own hardly anything,
you're already past that maximum where you qualify.

NATHAN BEACOM: Sure.

FRIESEN: In order, in order for you to use it, you have to
intentionally hold your assets down and kind of play a game. And yet,
I think the biggest thing facing this next generation is that transfer
of land.

NATHAN BEACOM: Right.

FRIESEN: Because as we get more autonomous vehicles or whatever else
there is, the need for the actual person out there is going to be less
and less.

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NATHAN BEACOM: Sure.

FRIESEN: And so I look at it as though owning that land and that next generation being able to control that is going to be key to keeping a young farmer on the ground.

NATHAN BEACOM: Yeah. No, that makes sense to me, and I think there's certainly room for improvement as well, especially in the age of robots that pick up dead chickens. So, yeah, I think, I think that's correct.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions for the committee? You said we lost 200 farms in 2019, is that what you said?

NATHAN BEACOM: That's correct.

LINEHAN: OK, what does that mean? A farmer quit, somebody sold out? What does--

NATHAN BEACOM: It could mean a number of different things.

LINEHAN: Does it mean there's less F forms filed? I mean, how do you-- I don't, I just don't know how you count.

NATHAN BEACOM: Sure. It's just in the agricultural census, the number of farm businesses in the state decreases by 200.

LINEHAN: OK. I think Senator Friesen is going to help me.

NATHAN BEACOM: OK.

LINEHAN: Senator Friesen.

FRIESEN: What is the definition of a farmer?

LINEHAN: Maybe not.

FRIESEN: I mean--

NATHAN BEACOM: How, how philosophical do we want?

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FRIESEN: Well, no. I mean, there is a, there is a definition. If you
sell like at--

NATHAN BEACOM: Right.

FRIESEN: --least like a thousand dollars worth of produce, you are now
a farmer.

NATHAN BEACOM: Right.

FRIESEN: So a few years ago, I mean, I think that's what drove the
number of farmers. You got more little small plots and stuff like that
out there, little home gardening and that kind of stuff--

NATHAN BEACOM: Exactly.

FRIESEN: --community gardens. But the actual, when they use a
definition of a farmer, those definitions I think probably need to
change, too, because that's why the number fluctuates. The number of
actual what I would consider a farmer has probably been in steady
decline for 100 years.

NATHAN BEACOM: Decades. Yeah, perhaps a century.

FRIESEN: I don't think we've turned that around yet.

NATHAN BEACOM: Right. Right, that's true.

FRIESEN: OK.

LINEHAN: Thank you, Senator Friesen. Other question from the
committee? Seeing none, thank you very much.

NATHAN BEACOM: Thank you very much.

LINEHAN: Are there other proponents? Good afternoon.

JASON PERDUE: Good afternoon, Chairwoman Linehan and members of the
Revenue Committee. I am Jason Perdue, J-a-s-o-n P-e-r-d-u-e, and I,
along with my wife, farm and own a poultry operation near York. I am a
member of the Nebraska Farm Bureau and serve on the state board of
directors. Today I'm here testifying on behalf of the Ag Leaders
Working Group, and that group includes the Nebraska State Dairy
Association, Nebraska Farm Bureau, Nebraska Corn Growers Association,

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Nebraska Pork Producers Association, Nebraska Cattlemen, Nebraska Soybean Association and the Nebraska Wheat Growers Association. Today I am here to testify in support of LB254 and offer perhaps areas for improvement, if so needed in the future. As past chair of the Nebraska Farm Bureau Young Farmers and Ranchers Committee, I have had the experience to meet young producers from across the state that have had the goal of returning home and taking over the family operation. For many, the investment required to buy in is a limitation for them to meet this goal. Programs like the Beginning Farmer Tax Credit Act greatly improve their chances of success so that they can return home and be an active member of the community. When individuals are looking to return to the farm, livestock and diversification to an operation offered great opportunities. However, the financial investment can be staggering. Upon reviewing the eligibility requirements of the next gen program, we would highly encourage the committee to assess the program's practicality when it becomes-- when it comes to becoming a livestock producer in today's marketplace. In terms of the poultry and pork industry, contract growers want a long-term relationship with a potential grower. My, our recommendation to the committee is to increase the length of time that the asset owner refundable income tax credit could be applied for, to more accurately reflect the business relationships that are occurring in the livestock industry today. Another eligibility requirement to consider would be the net worth threshold of \$200,000. It is not out of the question that a relatively young couple who each have a 401k could not have a could have a net worth that easily exceeds \$200,000. Unfortunately, those assets are not liquid and cannot be used in setting up the operation, but they are included in the net worth calculation for this program. We would recommend the committee to eliminate retirement accounts from the net worth calculation or perhaps increase the net worth threshold to match neighboring states. And for an example, Iowa has a net worth threshold of up to \$686,000. Extending the life of the Beginning Farmer Tax Credit program and modernizing issues such as the net worth threshold is a step in the right direction. Making these changes would be instrumental in attracting a broader range of young producers who depend on the program. Thank you for listening to our concerns and recommendations, and ask the committee to advance LB254. Thank you.

LINEHAN: Perfect timing. Thank you very much. Are there questions from the committee? Senator Friesen.

FRIESEN: Mr. Perdue, it's good to see you.

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JASON PERDUE: Good to see you.

FRIESEN: We've had a long relationship, or that I've known you. Could you describe a little bit how they treat a young farmer who wants to put up some livestock barns? What kind of economic incentives do you get or how do you get treated in property taxes? And you've invested a lot of money in hog barns or chicken barns?

JASON PERDUE: Chicken.

FRIESEN: Chicken barns. Well, how do-- can you explain that a little bit and how this program would even help after the kind of tax treatment you've got for your investment?

JASON PERDUE: Well, so I pay more than most already at my age in property taxes just because of the investment we made to make our way back towards the farm and be part of the community and stay where we're at. But it's a high property tax bill. And as far as other incentives, when I reached out to the local economic development programs like that, we were either too small, because we weren't having full-time W-2 employees or we didn't meet those requirements. So there wasn't a lot of programs available out there to us. If we could utilize a program like this, it would help on the personal property tax side and at least help lower that bill.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? So I'm going to ask this for the record, because I don't think all Nebraskans understand. So on your chicken confinement operation, you pay regular commercial property taxes on those buildings, right? Everything that's a building on a farm is a commercial rate?

JASON PERDUE: Thankfully, no.

LINEHAN: Oh.

JASON PERDUE: After much negotiation with the county assessor, because she was the one that did assess it as commercial, we did get it reclassified as, as farmland with improvements. And then anything that wasn't included in improvement went on a personal property schedule on top of that.

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LINEHAN: Could you get me the example of what happened to you there?
That would be very helpful for another bill that we've got.

JASON PERDUE: Yes, I would.

LINEHAN: Thank you. Other questions for the committee? All right,
thank you very much for being here-- today.

JASON PERDUE: Thank you.

LINEHAN: --today. Other proponents.

REGINA KREBS: Thank you, Chair, Chairperson Linehan and the Revenue
Committee. Wasn't planning on testifying anymore today, but if you'll
indulge me in just a few minutes, I'll keep this brief. But I would
be, you know--

LINEHAN: Did you say your name? You have to do it every time.

REGINA KREBS: I'm sorry. Regina Krebs, R-e-g-i-n-a K-r-e-b-s. We've
talked a lot about economic development, and it just so happens that
rural economic development is my wheelhouse. I have utilized the
Beginning Farmer Tax Credits in a number of transitions between either
family members or nonrelated parties. And again, in addition, we need
tools to keep rural economic development viable. This is one,
Microenterprise Tax Credit is another, the LB840. We utilize these in
different ways. And I think I can come back and answer a couple of
your questions. The threshold in order to qualify for the Beginning
Farmer Tax Credit is \$200,000. I think from a committee standpoint,
even to keep things consistent across the state, the threshold for a
beginning farmer in order to qualify for the Microenterprise Tax
Credit is \$500,000. So I think there's some consistency that can
definitely be found among some of these bills so. Otherwise--

LINEHAN: That's very helpful. Thank you very much. Questions from the
committee? Thank you.

REGINA KREBS: Thank you.

LINEHAN: Other proponents? Are there any opponents? Is there anyone
wanting to testify in the neutral position?

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BRADLEY LUBBEN: Remove this for the moment. Good afternoon-- I think it's still good afternoon. So good afternoon, Chairman Linehan, members of the Revenue Committee. I'm Bradley Lubben, B-r-a-d-l-e-y, Lubben, L-u-b-b-e-n, and I am the chair of Nebraska Beginning Farmer Board. I'm here to testify in a neutral capacity on LB254 as I represent the board. And I have the additional documentation being distributed, it's already been distributed now, and ask that it be placed on the record for this bill. The board is responsible for administering the Beginning Farmer Tax Credit Act. The act was created to encourage the pursuit of farming as a career and to aid the beginner in acquiring access to agricultural assets by providing a tax incentive to owners willing to rent their assets to beginning farmers. Agricultural assets include farmland or farming or livestock production facilities, livestock, machinery and equipment used in production agriculture. We as a board approve or deny applications based upon applicants meeting the criteria set forth in the act. And we seek to carry out the intent of the act, obviously to the best of our abilities. Initial legislation on this was passed back in 1999. The first tax credits were issued in 2001, and this program was the first of its kind in the United States. It was created out of concern of our aging population of farmers, as has been mentioned, farmers and ranchers, and an acknowledgment of the difficulties beginning farmers and ranchers face in a capital-intensive and competitive industry. The program experienced limited participation until significant changes to the act occurred in 2006 and 2008, allowing for increased participation. These changes included increasing the net worth limit. As mentioned, it is now currently \$200,000, but it was increased from a substantially lower number originally, but increasing the net worth limit for beginning farmers; increasing the tax credit; allowing related parties to participate; removing some requirements for asset owners and adding a personal property tax exemption for the beginning farmer. Nebraska's Beginning Farmer Tax Credit Act has been a model for other state programs and has been included in many studies on land tenure and incentive programs. There has been a national effort to help beginning farmers, as evidenced by the beginning farmer provisions that were approved as part of the 2018 Farm Bill. That Farm Bill, implemented by USDA, included the creation of a national beginning farmer rancher development coordinator position and resulting state level coordinators to provide outreach and technical assistance to beginners. Nebraska has been ahead of the curve of the national movement to support beginning farmers, as evidenced by

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enacting the Beginning Farmer Tax Credit Act. Extension of the sunset date to December 31, 2025, as proposed in the legislation, would allow for continuation of the program to help beginning farmers gain access to agricultural assets while helping to secure Nebraska's next generation of farmers and ranchers. And with that, I thank you for the time and I'm happy to sit and answer any questions.

LINEHAN: Thank you, Mr. Lubben. Are there questions from the committee? Senator Bostar.

BOSTAR: Thank you, Chair Linehan. Thank you, sir. Do you think this is a successful program?

BRADLEY LUBBEN: I can speak to you as chairman of the board, I can reflect as my role as an agriculture economist at the University of Nebraska. This program has helped producers get that first step, that first entry into agriculture with landowners.

BOSTAR: And I'm probably missing something or I don't understand something, but why are you testifying in a neutral capacity?

BRADLEY LUBBEN: As a member of the board. The board implements the program as dictated by the act and by the rules established, and so the board is here to implement the program as, as written, as approved and not here specifically to advocate for or to recommend one direction or another. So we represent a neutral position on how we would enact the program as you so choose.

BOSTAR: OK, well, thank you very much.

BRADLEY LUBBEN: You bet.

LINEHAN: Thank you, Senator Bostar. Are there other questions? OK, thank you very much for being here.

BRADLEY LUBBEN: Thank you, Senator. Thank you, members of the committee.

LINEHAN: Thank you. Are there other-- is there anyone else wanting to testify in the neutral position? OK, did we have any letters submitted this morning? We have letters for the record. We had one proponent, one opponent and one neutral. Senator Williams, would you like to close?

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WILLIAMS: Thank you, Senator Linehan and members of the committee. I know it's been a long afternoon for you. If you didn't notice, HHS is continuing to go this afternoon and I get to go back there in a little bit. I appreciate Mr. Lubben as the chair of the Beginning Farmer Board coming and testifying. And they do have a policy of testifying in a neutral position, even though they brought this bill to me and asked me to introduce it. The other thing, a couple of things that I wanted, I wanted to mention. The-- Senator Friesen, I think you are absolutely right that the \$200,000 threshold is a limiting factor. And when we talked about things that we could do to enhance this program going forward, one of the things would be to raise a limit like that. One of the things would be to lengthen the three-year period. I hope you recognize as members of the Revenue Committee, each one of those changes would increase the amount of tax credits that would be applied for. And under the current budget conditions that I was looking at when this bill came to me with the COVID situation, I was simply not willing to introduce legislation that I knew would, would cost more money this year. So it was my choice. Now, if, if, if this committee looked at that and was interested in, in doing something like that through amendment, I would certainly welcome that, because I think it is the right thing to do. When I take my, my senator hat on and, and run back home and put my banker hat on and I look at agriculture, our state's number one business, it is incredibly hard as a banker to start a young person in this business. The capital requirements that are necessary to get going are, are so restrictive and so monumental that it's very hard unless somebody has some tools in their toolbox. This is one of those small tools. Is it a big tool? No, but it's a tool that does help. It's proven to be successful over the past 20 years that the program's been there. Importantly right now, the schedule of performance audits, this, the five-year audit will come up again in 2023, and this is currently set to sunset in 2022. OK? It makes no sense to have that happen. So we have added three years to that so that it would sunset two years after the next performance audit, which would give us time to have the performance audit, which again weighs the benefit of the program, sees if there are any corrections that need to be made. And you will remember a couple of years ago in 2019, there were a couple of things that I brought that we, we updated and got current farming practices into the beginning farmer program. So with those things, I would, I would encourage your advancement so that we can get this done. Thank you, Madam Chairman.

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LINEHAN: Thank you, Senator Williams. So with that, I think we'll
close out LB254. Sorry you have to keep working. We're going to close.
Thank you all, see you tomorrow.