

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 10, 2022

LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent Legislative District 39. I serve as Chair of this committee. Committee will take up bills in the order posted outside of the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. 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. We do ask that you limit your handouts. It is important to note, if you are unable to attend the public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12:00 p.m. the day prior to the meeting. Excuse me-- hearing. The letters emailed to a senator or a staff member will not be part of the permanent record. You must use the online database in order to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices. 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 the committee clerk 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 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system. You've got four minutes on green and one minute on yellow. If there are a lot of people wishing to testify, we will use-- we're not going to do that today. 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 back of the room and it will be for the official record. Please speak directly into microphones so transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kate Bergquist. To the left at the end of the table is committee clerk, Grant Latimer. Now we'd like the committee members to introduce themselves, starting with Senator Pahls.

PAHLS: Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

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

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FLOOD: Mike Flood, District 19, Madison and southern Pierce County, including the city of Norfolk.

BRIESE: Tom Briese, District 41.

ALBRECHT: Joni Albrecht, District 17, Wayne, Thurston, Dakota and a portion of Dixon County.

LINEHAN: And if our pages would please stand so people can see you. Today, our pages are Kennedy, who is at UNL studying political science, and Ritsa, who is at UNL studying political science and economics. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. 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 critical to our state government. And with that, we will open with LB1116, Senator Wayne.

WAYNE: Thank you, Chairwoman Linehan, and I appreciate allowing me to go first. My daughter has a game that I have to get to-- to this afternoon. And thank you members of the Revenue Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha and northeast Douglas County. First, I want to say, typically this bill doesn't come to this committee. It's in Business and Labor and this year it offers two identical bills, not identical to mine, but deal with this issue in Appropriations. And I initially thought I should probably move it. But I think it's important that we get an opportunity for the Revenue Committee to also hear how I think we can grow our state. So I left it in this committee to have this conversation. What I passed out to you was an overview of basically four types of businesses. Nonemployee business, which is usually a sole proprietor, what we call Main Street or lifestyle businesses. You can think of coffee shops, restaurants. Then you have suppliers who are typically your bigger manufacturers, construction companies who do a lot of government work or supply business to business. And then you have what's called high-growth. It's no secret from everybody here that I've been working on this north Omaha plan, and we have done a lot of research into these four types of businesses and how to support them. That's part of Senator McKinney's iHub, with the technical assistance. But what we found out when doing research in this area of high-growth, our goal was to make

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north Omaha the mecca of entrepreneurship and compete directly with Atlanta or this type of entrepreneurship level is that we found across the state there's a need for entrepreneurship and there will be some individuals behind me who will testify to that and testify to some of the needs outside of what my bill also does. So instead of introducing that bill or making the concept of a north Omaha Recovery Act, we introduced this bill to say the entire state needs to work on high-growth, high impact businesses. And one of the ways that-- one of the most successful ways we found is our prototype grant. The problem with the prototype grant for north and south Omaha is the entry fee. And what I've said to Senator Briese and Senator Friesen all the time in the last five years, if it's good for ag and rural, it's typically good for north Omaha. So what happens in the prototype grant is if you want an ag or agribusiness, you only have to do a four-to-one match, whereas everybody else, i.e. Omaha has to do a 50 percent match. So what this bill does is changes it to a four-to-one match, but not for the entire state, for ERAs inside of-- of the city of metropolitan class, which is north and south Omaha. So it's a way for us to participate in the prototype grant the same way and the same reasons that were behind making it a four-to one-match or a 25 percent match for rural Nebraska. And additionally, what this does is increases it from \$5 million, but I think what you'll hear is that probably \$10 million or \$15 million is a probably appropriate number because this prototype grant runs out very quickly every year. So there is a huge need to do this. Lastly, I'll just say, why is high-growth and high impact important? This is a foreign concept to me. Met with the individuals who will testify many times. They came to north Omaha many times. We've talked about this and the best example that I heard was Dell computers. Dell computers was a computer that we might have all had. At least started out with Dell laptops and personal computers. But when they turned public, they instantaneously created over 298 millionaires. In fact, they could attribute up to 2,000 what they call Dellionaires. And just imagine if there was a company in Omaha or Lincoln, and actually there is a company in Lincoln that-- in that same kind of high-growth tech field that if they turn public or when they turn public, can create more millionaires for the state of Nebraska. That'll fundamentally change how we grow our state. It'll change our tax revenues. And these type of prototype grants are the key in that high-growth area. We have plenty of other supports for sole proprietors and main street life businesses and suppliers, particularly in our North Omaha Recovery Plan, but what we found again, high-growth, high impact across the state is lacking, and I'm not the expert in that. I'll let them testify to that. But that's why we brought this bill separately to make sure that the entire state

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benefits from this type of prototype grant. And I will answer any questions.

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

FRIESEN: Thank you. Chairwoman Linehan. Do you have-- you know, the success rate of start-up businesses is tough. I mean, do you know in the current program what the success rate is?

WAYNE: There is somebody behind me who will be able to answer that. I do know that Invest Nebraska-- well, I'll let them talk about it. They have better numbers.

FRIESEN: I mean, I've always been very interested in helping startups rather than attracting a big company. I mean, I think for a lot less money, we can have that next Cabela's or HDR or whoever just by funding and getting the startup going. And to me, it makes sense. So that's why, I know, we have a success rate and that could be great, maybe, but I'm kind of interested in seeing what that is in the program, if they had that information, so.

WAYNE: Well, we have one individual who will talk about the accelerator program here in Lincoln, and we're kind of based on that model off of for the iHub in Omaha, and they would be a partner or either run that area up there and they'll tell you some of their success rates and what they do with the accelerator program. It's been very successful in Lincoln.

FRIESEN: OK, thank you.

LINEHAN: Thank you. Senator Friesen. Are there other-- Senator Flood.

FLOOD: Thank you, Chair Linehan. Senator Wayne, I'm looking at the bill here and how does a-- what's it called, an opportunity zone compare with this? I know opportunity zones are federally designated. If I understand correctly, how would this differ from that?

WAYNE: There's only one census track in north and south Omaha that is an opportunity zone that is a part of the ERA. The reason we picked ERA--

You just keep getting me in trouble with the mayor, don't you?
(LAUGHTER)

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WAYNE: The reason we picked the ERA is because part of the opportunity zone goes into downtown, and so we were trying to limit it from downtown. But I am open. Honestly, I'm open to anything. I think the key is there is a barrier that ag figured out when they started this program. That is the exact same barrier as far as that initial capital for north and south Omaha. So I'm OK with any of them.

FLOOD: And then I see on page 3 of your bill you have the 25 percent match if you're located in a city of the metropolitan class, is that right?

WAYNE: Yes.

FLOOD: And then 50 percent for any other applicant. So that would include, say it's a first-class, primary class, villages, second-class cities is-- tell me the reason for differentiating. I think I know, a metropolitan class from all the other cities.

WAYNE: So we were targeting north and south Omaha. And again, we base this off of-- if you have an agribusiness, you only have to do 25. I'm amenable to opening it up to really anyone, but because of the cap being \$5 million, if you will run out of those dollars even faster. So we were trying to figure out the areas that were impacted by poverty, which is the ERAs, 20 percent poverty and 200 percent unemployment, average unemployment. So we were trying to make those areas grow with these kind of high-growth businesses. And it mirrors our overall plan. And even there's a bill that Senator McKinney has for coding, teaching coding in school. Because what you'll hear from people behind me is that this tech industry needs more coders, and that's the fastest growing industry. So we're trying to mirror all this together.

FLOOD: Who has that bill on coding?

WAYNE: Senator McKinney. I'll get you the--

FLOOD: That's not in our committee.

WAYNE: No, it was in Education Committee.

FLOOD: Well, I totally agree with coding. I think that's wonderful. And who would administer this? Would this be something DED administers through like, Invest Nebraska or--

WAYNE: So right now, DED administers the contract with Invest Nebraska. We would just be increasing that threshold from \$5 million. I would encourage to do more, but I was worried about the Fiscal Note.

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But I did talk to DED and they could probably do an additional \$6 million without adding anybody else because they go so fast.

FLOOD: And would this come out of their existing \$60 million annual appropriations?

WAYNE: Currently, yes, they would just have to-- each program is capped similarly around \$4 million or \$5 million, so they would have to reallocate. What I would prefer is we add an amendment increasing the overall allocation to DED for all these programs, but, but designate that increase to the prototype grant. We need-- we need more high-growth businesses.

FLOOD: Thank you very much.

LINEHAN: Thank you, Senator Flood. Were there any other questions from the committee? You still stay around to close?

WAYNE: Yes.

LINEHAN: First proponent. Good afternoon.

DAVID SIEVERS: Good afternoon. My name is David Sievers. I'm the founder and CEO of a local business called The Cure of Coffee. I also have started four businesses. One of them, I was very fortunate--

LINEHAN: Could you spell your name.

DAVID SIEVERS: Sievers. Sorry, S-i-e-v-e-r-s.

LINEHAN: And David, right?.

DAVID SIEVERS: David.

LINEHAN: Thank you.

DAVID SIEVERS: Yep. One of the companies I was involved in, in a very early level was in California. We ended up in the course of four years, raising \$70 million in venture funding and sold to Disney for \$675 million. So we-- I got to experience firsthand what it's like to go through one of these high-growth startups. As part of that, I had corporate development and business development responsibilities. And along with the investors who backed us, got to look at hundreds of startup pitches and DACs, and you know, these were people looking to get money. When I moved back to Nebraska, joined the Nebraska Angels. I'm on the board and also on our screening committee. So I'm looking

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at essentially a large number of Nebraska startups who are looking to get funded. I am very in support of the changes in this bill. The prototype grant is a wildly popular program with founders in the state. It is a program, I think we should all be very proud of it. It works very well. It is-- it is kind of known as the path you go down if you're starting something early as a founder in Nebraska. It's-- if you're kind of looking and trying to figure out, how do I get this thing going? You're going to get appointed to this program very early and it has a-- a good track record. You're asking about success rates earlier. In the- in the venture capital world, we-- we-- we set our mindset to one out of 10 is going to work and take off and maybe another two out of 10 are going to kind of break even. And the rest are going to fail. But I don't think you should look at the-- the-- the money being deployed through the prototype grant program is a failure because that money gets spent by the founder in-- in-- usually in their community immediately. So even a business that's not going to take off is still going to take that money and go spend it on job creation and, you know, taking their shot at succeeding. But in success, a company who takes a prototype grant is then able to kind of prove their idea and their theory, and they're able to go in-- in success, raise millions of dollars. At some point, that comes from outside investors from outside of the state. Jobs are created and at the end of it, a huge exit is achieved. Hopefully, you know, for the-- for the people who created the business. And that means the thing I think about is what are they going to go do with that money once they've made it? Where are they going to spend it? What are they going to do? And I think what we have found is that in-- in rural communities, in underserved communities, the impact of that exit is-- is disproportionately larger in the neighborhood or in the farm town where that exit occurs. Because for me, if I go have an exit on my current business, I make a few more million dollars, what is that going to do for east Lincoln? You know, it's not a major outcome. Of course, we're going to pay tax and, you know, do some cool stuff. We'll fix up the house, maybe. But when you're talking about an underserved community, this could be, you know, a humongous permanent lifeline, you know, generations-long outcome. So I think it makes sense to target communities where it's harder to get in. It's harder to know who to call, which program to go and get involved in, how to get advisors, how to get people who are connected in your industry make it a little easier to get that initial money in, and I think you'll end up seeing outsized results at the end of-- at the end of the play, so to speak. That's all. That's my thoughts.

LINEHAN: Thank you.

DAVID SIEVERS: Yeah.

LINEHAN: Thank you. Are there questions for Mr. Sievers? So what does the prototype grant provide?

DAVID SIEVERS: The prototype grant in terms of dollars or what does it mean to the founders?

LINEHAN: What does it mean to the founders?

DAVID SIEVERS: Yeah, usually what we-- what we're seeing happening is if someone wants to raise money from investors in Nebraska, there's a strong appetite from the investors to see revenue or some kind of proof that your idea is good. So it's-- it's not quite like Shark Tank, where you can just go in and say, this is my idea and you're going to get a couple hundred thousand dollars. You really have to have shown that there's some revenue and some traction. That's kind of a cultural element to Nebraska investors as they want to see progress. So there is-- there is a, how do you get to that point problem that a lot of founders run into, which is I have this idea, I know it's going to work, if I could only just get this little bit of money to start it, then I could show everyone and raise money. And so there's a block or there's a barrier. If you can't get some startup capital before most of the investors in the state are involved, that your idea is never going to get off the ground. So to me, the prototype grant means that you get the shot to make the idea that you have. And to the state of Nebraska, it means that we get to incubate ideas that could be huge here, that could be very beneficial to all Nebraskans.

LINEHAN: Thank you. Are there any other questions? Seeing none, thank you very much for being here. The next proponent? Good afternoon.

STEPHANIE LUEBBE: Good afternoon. Hi, my name is Stephanie Luebbe, that's L-u-e-b-b-e. I'm the director of Nebraska Angels, an organization that David just referenced. And today I'm here representing both Nebraska Angels and Invest Nebraska. Senator Wayne, thank you for proposing this bill. I am in support of it and here to represent both the two organizations I mentioned in support of it. And there's a few things that I'd-- I'd like to be-- specifically talk about. For a little context though, Nebraska Angels is a nonprofit organization. We are comprised of members who are all accredited investors who invest in high-growth companies, so exactly what we've been talking about already. We probably represent one of the largest investor bases in the private sector here in Nebraska. All of our-- all of our investors live in the state and we deploy a majority of

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our-- of our investments into Nebraska-based startups. Our organization exists for two reasons, essentially. The first is to simplify that investment process for investors. So anybody that wants to invest in startups can come through our organization, have access to deal flow, work together in due diligence, negotiate terms as one and just simplifies it and helps really put more capital into the-- into local community. On the other hand, other side of the coin, for entrepreneurs, our organization makes it very easy to access accredited investors. With one presentation, you can reach over 100 investors and entrepreneurs aren't required to go out and build their own network of potential investors, which is very cumbersome and difficult to do. To your question, Senator, 80 percent, 80-plus percent of net new growth-- of net new-- net new job growth can be attributed to high-- net new jobs can be attributed to high-growth startups. So that's one of the reasons why many of our Angel investors want to invest and fund and support local startups because they know that if there's a way to attract and retain talent and really build our own-- build our own economical-- economic development, part of that is just supporting high-growth startups. We work hand-in-hand with Invest Nebraska, and majority of the companies that we see come through our process have benefited from the prototype grant program. Huge supporters of that program the-- the fact of increasing it to five million-plus, I think is substantially-- would make a substantial impact as usually half of-- half of the year it goes by and the fund is deployed or is dry. And so the more that we can put into the prototype grant program, I'd be a huge proponent for. What we have learned is that as an organization is that there needs to be more at bats. If you want to reach the successes that David referenced that he had experience with or we have many within our own ecosystem today, but if we want more of those, we have to be able to help support and get more companies off the ground. The prototype program does that. The second thing that we have found by talking to entrepreneurs is that finding a match for the prototype grant can be very difficult. And so being able to mirror what is already available for agribusinesses today by matching 25 percent of what it is that they're requesting and essentially marrying that to entrepreneurs in underserved areas would go a very long way. The match is still there, right? Those entrepreneurs still have to find some sort of funds that they can put into-- put into the program, put into their own company so that they can access prototype grant funding, which I think is very relevant. But I will tell you the amount of runway that they can get by making these proposed changes is quite significant. Any questions, I suppose?

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LINEHAN: Thank you very much. Are there questions from the committee? What's the average-- is there an average, like amount of money that a prototype grant provides?

STEPHANIE LUEBBE: Well, I think the cap is 150, I believe. Typically.

LINEHAN: \$150,000.

STEPHANIE LUEBBE: Yes. And I think I haven't personally seen anything less than 25K.

LINEHAN: OK.

STEPHANIE LUEBBE: But don't quote me on that. But I would say on average, what we typically see is 25, 50. But only when you start getting into the agritech businesses you're going to see, it's easy for them to-- to build a-- receive \$100,000 because all they have to match it with is \$25,000. And from the private sector, our ecosystem has evolved tremendously in the last four to five years. I think there are a lot more opportunities and options for entrepreneurs to help to-- to find the match for that prototype grant, and we'll continue to see that grow and evolve as our ecosystem gets stronger and stronger. But being able to take \$25,000 from an entrepreneur's perspective and have access to \$100,000 through the prototype grant based on this amendment change, would substantially go a long way for entrepreneurs in underserved areas.

LINEHAN: So who decides-- what is the decision process for who gets the prototype match?

STEPHANIE LUEBBE: So the DEAD has, I think, a pretty-- pretty much laid out process for who applies and how they determine which companies or which founders will receive funding.

LINEHAN: All right. Are there any-- Senator Flood.

FLOOD: Thank you, Senator Linehan. Thank you for your testimony. Good job.

STEPHANIE LUEBBE: Thank you.

FLOOD: So we're thinking about north Omaha specifically. We're talking about how to increase wealth and create hardware or software essentially that employs people. How do we-- and this is maybe not-- maybe it's a question for somebody who testifies after you, what strategies do we use as a state to focus that growth in north Omaha?

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Because we talk about ecosystem, we have to inspire people of all ages to want to create this.

STEPHANIE LUEBBE: Yep.

FLOOD: And what kind of, you know, (a) what-- what are some of the strategies to inspire this in north Omaha and (b) I don't-- and I don't know how to answer that question because I think it's a hard question, but and (b), where do we start?

STEPHANIE LUEBBE: Yeah, I think that's a great question. And I think, you know, Scott's going to go and he'll probably touch on some of that for some specific programs that can help in that area. But I think you just have to continue to work further downstream. Right? So education is a huge component, which I believe is being tackled through another bill. Just general awareness, some basic training, right? You can't just pull somebody and say, you know, you have an idea, go be an entrepreneur. There's a lot of-- a lot of guidance and support that needs to go along with that, and I think you're going to hear some of that. I mean, again, I think a lot of that falls on the private sector. And I think we've made a lot of progress and excited for what we're going to see in the next few years based on what's currently in the plan. But there-- we need more of that to then help fuel more entrepreneurs to get to a point where they can be ready to apply for prototype grant. Hopefully figure out, make their way to a point where they can come to Nebraska Angels, receive additional work capital.

FLOOD: Because I don't think this budget, the intent would be to do something for north Omaha, and I wouldn't want it to be a situation where somebody in a surrounding county to Omaha has to just drive in and commute to north Omaha for the purpose of getting their grant and then hire everybody and then take it out to somewhere else. Like, I think if we were going to get this specific on this kind of census track, the intent of the Legislature, I think, would be to say, as your business grows, it grows here. Your people come from these-- this community, they live in this community, they are educated in this community, and not we'll get you started here and by the way, you can be in west Dodge.

STEPHANIE LUEBBE: Right.

FLOOD: You know, not that there's anything wrong with that, but I think we're on the same page here as to what we want if we do it. And I think that's a tall task, but I would think that would be our intent.

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STEPHANIE LUEBBE: Yeah.

LINEHAN: Thank you, Senator Flood. Other questions from the committee? Seeing none, thank you very much for being here. Appreciate it.

STEPHANIE LUEBBE: Thank you.

LINEHAN: Next proponent. Good afternoon.

SCOTT HENDERSON: Good afternoon. Thank you for your time. My name is Scott Henderson. That's S-c-o-t-t H-e-n-d-e-r-s-o-n. Being in the Midwest, you always have to say "on", not "en", right? Thank you for your time. Thank you, Senator Wayne, for proposing this legislation. My job, I'm here representing NMotion startup accelerator, which is operated by a company called Generator. We have operated in the state of Nebraska. We've been NMotion for nine years and Generator has been operating-- been the operating system for NMotion for the last three operating and building companies in the Midwest across from Milwaukee to Cincinnati all the way here. And we work very intentionally in each community. We have to make sure the best and brightest talent is being invested in and supported in creating companies. I think the case has already been made very strongly in terms of the value of high-growth startups in terms of net job creation. I think it also is an opportunity to create generational wealth for those who take chances. I think we all can appreciate the risk and reward factor that's here. I think the other thing that was made point well is this is a part of a continuum of tools that need to happen. I think there's two things that we're talking about. One is, are we-- is this the right thing for entrepreneurs, period? And two, how does this fit into the vision of the transformation for north Omaha? And I think both of those are strong cases. My lived experience, I come from a family where I've got a great-grandmother born in Chadron, great-great-grandmother died in Scribner with family in Cass County, so I've seen the rural side of the state, four generations in north Omaha and four generations of my family in south Omaha. So these are communities that I've lived and grown up and know people and have seen people succeed. Have also lived in other states and have worked in, hand-in-hand with economic development agency, the state of Georgia, state of Louisiana, state of Indiana and state of Massachusetts. So I know that when I moved back in November, I mean in September of 2020, and I found out about the prototype grant, this is the single greatest tool that the state has created for entrepreneurship in high-growth creation. I-- my friends who work for other state economic agencies are jealous of this program and are happy that we have limited and capped it at what we have. So this is a competitive advantage that we have, and it is-- cases are--

the fact is already pointed out it gets used quickly. And I think that the one of the things that we have to think of is that these are, to your question, Senator Flood, this is water-- we're watershed development. This is an ecosystem, right? So one of the things that we're doing is with capping opportunity and creating a barrier between an entrepreneur has a great idea and could create jobs and create wealth, but just doesn't have the means to meet that match, knowing that this is a capacity builder as well. I think David made a great point that this is high-- we have to take a large number of shots for one of them to hit, and when it hits, it hits big and it creates a waterfall of wealth for a lot of people, as was cited with Dell. So right now, it's underfunded. I think increasing the amount that we would put on would be a single-- would be a marvelous thing. It has a high barrier for those with talent, but not the means. I've worked, you know, in tension in the last year and a half in the north Omaha community. Of the 15 companies I've helped, five are black led-- black founder led and have worked with north Omaha entrepreneurs directly. And I can tell you, it's a different experience. It's a very different lived experience because they don't have the friends and family to call on to-- to meet that match. And we're seeing some of the greatest ideas die on the vine because we put a barrier that's too high. So I think that's the second thing. First, was underfunded. Two, we have a high barrier, we can change it. And I also think which was questioned, the selection criteria. I think we need to look at some, you know, give it some flexibility and give more of a market perspective right now. It is the state DED that's making the decisions, and there's not necessarily a consistency to the selections that are made. And I think, you know, having more of a market perspective and some flexibility could help make this even more powerful because I think state of Nebraska and most Nebraskans believe that the government should be making-- should making all the decisions, but I think the market can help make that unlock it. So. And I think this is great to make this on parity between rural communities and urban underinvested areas. Having worked in the state of Georgia on that same issue, the same problems you see in rural, you can find in these urban areas as well. So it's a matter of, you know, I think this-- the biggest thing I'll close with is, I think this could be the model that Nebraska is known for. And we can make this the thing that Nebraska led the way that then doesn't just help north Omaha, Senator Flood, but helps all of the rural communities that have the lack of connection and awareness. Because I think we live in an age where we can-- we build a network and I've deployed a million dollars of capital, and I'm proud to say it's impacted rural startups as well as urban areas as well at a higher percentage than the market has done, and I think speaking

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from experience, this would be a major difference. So, I'm happy to take any questions.

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

FRIESEN: What-- what is the split between actual and rural investment and urban? Did-- it just happens to be the projects, not? I mean, you're not intentionally trying to--

SCOTT HENDERSON: Yeah. So, so in-- in terms-- some of this is really our perspective from how we do outreach and recruiting for the programs that we do is, we do a high level of outreach for small amounts of spots. And I think what I've found working in Kearney, going to Norfolk, and going to Grand Island and then the surrounding communities, you know, Ravenna, it goes back to awareness and awareness of intentional outreach, promoting these programs, promoting these opportunities, highlighting these programs through media content, through news stories that we can place, working with local government, local economic development agencies to know that this tool is there. I did a roadshow with Invest Nebraska and myself and DED to promote the prototype grant with one of them, which allowed for us to get one of the companies in Kearney funded because of it. He wasn't even aware it existed. So some of this is like how we get out there is we have to outreach and because I think our results right now, why do we don't see as many rural and as many of the underinvested urban areas is that just they don't even know it exists. They don't even know this pathway exists. This idea of high-growth startups is different, right? It's a-- it's risk taking. It's an abundance mentality. And when you are in your hardscrabble life, whether it be in north Omaha, south Omaha, child-- child of an immigrant or, you know, living on the farm, trying to keep the family farm in the family, you're in a hunkered-down position protecting yourself, and it's kind of crazy talk to think you should take some money and try to burn it and see if you can create this rocket ship. So some of it's-- we need to be better, put out there. We have to have more to give out. The reason I don't think we do a great job of promoting to the rural and the underinvested urban areas is because we run out of money too quickly.

FRIESEN: Is the DED kind of responsible for the promotion or is there others that--

SCOTT HENDERSON: As I understand, it's the primary. But what we find in all of our-- in the private sector, the folks that you've heard

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from, we do a lot of promotion as well because we want to see more entrepreneurs win, we want to see more founders win. So right now, I think the DED is-- is-- is charged with it, but there is-- it's in our interest in the private sector to continue to promote it as well.

FRIESEN: OK, thank you.

FRIESEN: You're welcome.

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

SCOTT HENDERSON: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in a neutral position? Senator Wayne, would you like to close? And we had no letters for the record.

WAYNE: Thank you. Thank you, Revenue Committee, and Chairwoman Linehan. The last piece of paper that I gave you kind of goes to the-- to the point of what was just testified to about public investment. What Wisconsin did is they created a badger funds of funds where the state actually put in a little over \$5 million and they seen a 10 to-- 10 to 1 return on a public investment in these types of funds. Because if you can get more funds, if the public invests, the private market will definitely invest. And if we can do things like that, this helped minorities. But if you go in and read the entire Badger Fund, it helped rural. It helped everywhere. Because of this fund, the fund they created, they were actually able to create-- or not create leverage, almost \$100 million from the initial investment of \$10 million from the state. So that's the kind of leverage you can have. This is a great opportunity for entrepreneurs across the state and how we got in this conversation as we were actually out having a drink, and they told me about the prototype grant and I said, what-- what the hell is that? And I think I voted on at least four times. But even me, who consider himself an entrepreneur, didn't know about this. And then we started asking other people in north Omaha, they looked at us like we were crazy. And I venture to say, Senator Friesen, that's probably what'll happen in rural Nebraska too. People just don't know because the funds run out so early. You don't really talk about it because it's like first in line and you're done. So with that, thank you for having me.

LINEHAN: Are there questions for Senator Wayne?

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WAYNE: I am looking to get Speaker priority on this, so. (LAUGHTER)

LINEHAN: Who helps-- OK, you have a great idea, but you don't have any business experience, who helps make sure they can-- how do you-- well, I suppose investors make sure you know what you're doing.

WAYNE: So, so that first-- first, sheet talks about the different ones, technical assistance and just overall business. That's needed almost all the levels, but particularly in high-growth. What they talked about the NMotion is an accelerator program. You have to have some level of business plan and some level of idea before you can get in there, but even if you don't, they're willing to work with you. We have things like that, like P-TECH in Omaha, but they're at the University of UNO's campus, and for many people, that's just kind of, I don't want to go to college. I'm nervous about going there and it's hard to get to. So that's why, again, the iHub was such a big deal for us because we-- we see that iHub being a part of this for north Omaha.

LINEHAN: OK, excellent. Are there questions? OK, thank you very much.

WAYNE: Thank you.

LINEHAN: Good luck, at your daughter's ball game. And with that, hearing on LB1116 comes to a close and we'll open the hearing on LB927. Senator Pahls. Good afternoon.

PAHLS: Good afternoon, Chair and committee. My name is Rich Pahls, R-i-c-h P-a-h-l-s, I represent District 31 in southwest Omaha. I'm here to introduce LB927. This bill was brought to me by the city of Omaha and would amend the Convention Center Facility Financing Assistance Act. The lobbyists for the city will be testifying to the mechanics and the needs for this bill, so I will refer you to Jack Cheloha for questions regarding that. I want to talk about what I always want to talk about, and that's balance. This bill doesn't just help the big urban areas developing parking facilities or raise the overall cap for a sales tax turnback. No, it helps rural communities also, and I think substantially. Only 70 percent of the turnpack-- turnback moneys go back to the qualifying projects. The other 30 percent of that money goes to the Civic and Community Center Financing Fund and that provides grants to other projects throughout the state. In fact, only two projects have been approved under the Convention Center Act, that's Omaha, Lincoln. The Ralston Arena was provided assistance under another act. Now due to COVID this last year, the information that we could gather, you can imagine a lot of the projects were canceled. So I had my staff refer back to the 2019-2020

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cycle to give a more representative look at the impact of this fund. Communities from across the state have received millions in funding for projects and project planning to enhance and grow their communities. In fact, over \$5 million was awarded to 15 capital construction projects during this cycle, as well as \$77,000 for, for seven planning projects. I just did hand out something to give you an idea of all the projects that are in the process. And I'll just name a couple of them. The project funded things like restoring Alliance's central park sunken gardens, and it also restored a community center in Atkinson, which was the first place I lived in in the state of Nebraska when I moved to Nebraska. And one thing I'm going to ask you if you can answer this \$64,000 question: Where was the first swimming pool in the state of Nebraska? OK, you told me. Hebron. Now they have replaced that with some of these plans, of course they're matching funds. And I tell you, if you've not been to Hebron, you are missing something. It's another one of those small communities that when you go through it, you almost think you're in a storybook, as with many of our communities. But that just-- and here's the one to top all off, Senator Flood. Johnson Park has been-- well, it's in a process. It isn't? OK, in May, in May of this year. And the adjacent-- now this is what I think is very interesting, is the North Fork River of the Elkhorn, which is close to Norfolk, is also in that project. And I think it's over a million dollars that's, if that-- when that does occur, that community will receive that, those benefits. So you can go swimming in the, in the Elkhorn River in Norfolk. And to be honest with you, I have been in that river in Norfolk, but I waded just up to my chest because I'm a bad swimmer and I didn't trust some of those deep holes in the water, or in the bed of the river. Now, as I said, some of the technical questions, I would like to have the-- Jack Cheloha speak to that. But also we have the business manager from the city of Omaha and the city councilperson, and those are three people that I've worked with for eight years. And I call them credible people. Now you just have to see whether I'm credible to be able to say they're credible. But I, I do think that they could answer more to the issue of the bill.

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

FLOOD: Senator Pahls, welcome. Are you, are you aware that the North Fork River that you were in is actually a sewage drainage way?

PAHLS: Well, let me tell you this, I wondered why I had to take a shower afterwards. Now you tell me.

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FLOOD: No, I'm kidding.

PAHLS: No.

FLOOD: No, I appreciate your referencing the 30 percent that's not allocated back to the city of Omaha, which I think of that 30 percent total, a portion of that also goes back into north and south Omaha into a special fund. Are you familiar with that?

PAHLS: If it does, I didn't-- to be honest with you, I do not know that. The people following me would know that answer. I didn't think Omaha or Lincoln were capable of using those dollars.

FLOOD: One of the things that I-- we did last year in Senator Lindstrom's LB39 is we redirected a portion of the turnback on the recreational facilities into creative districts. Would you have any objection if this committee redirected a portion of the funding into certified creative districts as administered by the Nebraska Arts Council?

PAHLS: As long as they worked under the Department Economic Development, which I think they, these funds come from the Department of Economic Development.

FLOOD: Actually, that would be through a separate noncode agency through the Nebraska Arts Council, but through a very rigorous process. Question is, would you be open to that?

PAHLS: I would be open to it because I, again, it's enhancing the part of the world that I was born in, out in the country.

FLOOD: Thank you.

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

PAHLS: Thank you.

LINEHAN: First proponent. Good afternoon.

JACK CHELOHA: Good afternoon. Senator Linehan, members of the Revenue Committee, my name is Jack Cheloha, that's spelled J-a-c-k C-h-e-l-o-h-a, and I'm the registered lobbyist for the city of Omaha. Thank you for hearing my testimony in support of LB927 this afternoon. First, let me thank Senator Pahls for introducing LB927 on this topic for the city of Omaha. If the bill sounds familiar to this committee,

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that's because a similar bill was introduced in 2021. And so therefore I want to thank Senator Linehan for introducing LB181, which almost was identical to this bill that we're hearing today. In last session, there was a more pressing issue that came up, so LB181 was needed as a vehicle by this committee, and it was successful-- successfully approved by the Legislature and approved by the Governor and became law. We were happy to help accommodate the Revenue Committee, and with that we had a hope or an expectation that we could deal with our issues in 2022. So that's why we're here today. First of all, LB927 does two things, it allows Omaha to use turnback funds to pay for much-needed parking near the CHI Health Center and arena, if not directly attached to the structure. Under the original act, the turnback funds from the state could only be applied to parking if they were physically attached to the convention center arena. And with that, one small garage was built on the south side of the facility. But since then, if you will, in the last 23 years since the original enacting language passed, a number of different things have happened. There's been development around the CHI arena. There's talk and plans potentially of maybe developing some of the surface parking lots that we have adjacent to the facility. And if that would happen and be a good deal for the city and the state, we would be obligated under our contract with the managing board of this facility, it's called the Metropolitan Entertainment and Convention Authority, MECA, if you will, to provide so many parking spaces. So with that, we probably would need to build another garage nearby. And because it wouldn't be feasible to attach it, that's why we needed this minor change within the state law. The other change that's within the bill, it would also raise the cap from \$75 million to \$150 million per project. As Senator Pahls stated, there's only been two projects approved in this, under this act, one in Omaha, one in Lincoln. LB242 approved in 1999, or 23 years ago, set that cap at \$75 million. So in order to make the arena convention center come to fruition back these 23 years ago, we had to have a public-private partnership. And that partnership involved not only the city of Omaha, private investors, as well as the state of Nebraska. And we were grateful for that. And it was, it was a tremendous deal that was struck and we built this beautiful facility, which maybe many of you have seen, that sits on the eastern border of our state. The private donors stepped up with \$75 million in contributions. The city let \$195 million in general obligation bonds, and as of today's date, the state turnback dollars to help pay for this project are roughly \$44 million. Our finance director can talk more later when he testifies. As you've heard, the CHI Health Center has been a tremendous success. It's hosted world-class concerts, sporting events, conventions and celebration. It really is a shining

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star to our city and to our state. Once again, we're grateful for this partnership and the project. It has helped all of Nebraska. Thirty percent of the funds that are turned back go into this other fund that council-- or excuse me, Senator Rich Pahls mentioned and with his handouts. So therefore, with that, I see the light is turning yellow. We really only have two changes within the bill, and I will try to answer any questions you might have. Thank you.

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

FLOOD: Thank you, Senator Linehan. Thank you, Mr. Cheloha, for coming today. Two-- three quick questions. You're at \$44 million now of your \$75 million of authority, and inside that-- and I think your 20-year sunset is 2027, if I'm correct?

JACK CHELOHA: Right. That's technically now when the bonds that were issued are scheduled to be paid off. Yes.

FLOOD: OK, so you aren't going to reach your full \$75 million allotment? Well, maybe you will, I don't know.

JACK CHELOHA: Well, based on projections and what happened in the last couple of years with COVID, it doesn't look like we will.

FLOOD: OK. And I know you've got the finance officer coming after you, so some of these questions could be answered there. One of the questions with a sales tax turnback, Omaha has what a 1.5 cent local option, or sales tax is 2 percent? OK.

JACK CHELOHA: No, it's only 1.5 within the city limits.

FLOOD: OK. Does-- that is not recaptured? The city of Omaha still gets that 1.5 cents?

JACK CHELOHA: That's correct.

FLOOD: OK. And this may be a question for Lynn Rex with the League of Municipalities. I was meeting with Mayor Black and Mayor Kindig from La Vista and Papillion today, and they were telling me that there's a difference that 1.5 percent doesn't come out of the turnback, but it does come out when the state uses our Imagine Nebraska. The entire amount comes out.

JACK CHELOHA: That's correct.

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FLOOD: Should those two things be uniform and which side would you be--

JACK CHELOHA: That's interesting. Well, I think there, in terms of the economic development, we've supported those bills. We've been a willing partner. However, I can give a quick pitch. We do have a bill pending before this committee that would help us budget more friendly and more open-ended in terms of finding out how much our refunds will be. It's LB457. And that would help us go a long way to knowing our refunds, and we would accept that. In terms of why this program was different, I think it goes back to the public-private partnership. We knew that the city would be under the gun for the general obligation bonds, and ultimately that's tax-funded. So that's why our local option wasn't pledged as part of this, you know, plan within the turnback.

FLOOD: Last question, and that is, if the taxpayers through the state of Nebraska subsidize the parking garages, should they-- I mean, do you still have to collect parking fees if the taxpayers are already paying one time through the turnback of, of sales tax? And I-- does your model require you to charge for parking in that situation?

JACK CHELOHA: Yeah, once again, I believe the finance director can talk about that. But yes, we do charge for parking spaces and that portion goes and stays within the city of Omaha for debt repayment.

FLOOD: OK, thank you very much.

JACK CHELOHA: Thank you.

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

JACK CHELOHA: Thank you.

LINEHAN: Next proponent.

STEPHEN CURTISS: Good afternoon, senators, I'm Steve Curtiss, S-t-e-p-h-e-n C-u-r-t-i-s-s. I'm the finance director for the city of Omaha, and I'm here to testify in support of LB927. And thanks to Senator Pahls for introducing it this year. By way of a little history, the original act was approved in 1999 by the Legislature. Senator Dan Lynch was the introducer, and it was LB382. I'd add one significant amendment, and that was in 2007, to return 70 percent to the facility that was generating the sales tax. Jack already talked a little bit about the mechanics of what, what, what's in the bill. So

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maybe we can go to Senator Flood's questions a little bit about the breakout of what happens here. I will remind everybody, as Senator Pahls and others have said, the facility has been a tremendous economic driver for the city and really for the state. It provides thousands of jobs, at not only at the facility but nearby hotels, restaurants, bars, transportation companies and just to name a few of those. It's been open since about 200-- 2003. It cost \$290 million when we built it, and the debt service on it is approximately \$20 million. So one of the questions, and maybe we'll wait and you can ask your questions instead of me taking up time on this. Remember that in addition to the \$75 million, and we could talk a little bit if you asked me that question about how we'd get to \$75 million. But remember, of that \$75 million, there is the 30 percent that also goes to the, what is-- the Civic and Community Financing Fund. But I think one of your questions was, of that 70 percent, an additional 10 percent of the 70 percent is what funds the north and south is what you were thinking of. So only about 63 percent of this actually goes to the facility itself. If you remember that, that other 7 percent, or 10 percent of the 70 percent, whichever way you look at it, in the law it says it's for areas of high concentration of poverty to showcase important historical aspects of such areas or areas within close geographic proximity of the area with a high concentration of poverty or assist with the reduction of street and gang violence in such areas. So that's what that other 7 percent goes for. So again, 63 percent goes to the facility and that other 37 percent goes to community endeavors. And then I think Lynn Rex will talk a little bit more about the 30 percent, some of the projects around the state that I'm not that familiar with, but I know that she is. So the reason we'd like to get this going now, it's time to start planning for the renovation of that facility. It's 25-plus years, we're coming on 25 years old. The parking will become an issue, particularly as they develop around it. There is some need for some reconfiguration of the building for additional meeting spaces and things that weren't accommodated when they first did it. And so it's time for us to kind of get down to the, to the time to plan to figure out how we fund it and kind of move on from there. And with that, I'd be happy to answer a few questions.

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

FLOOD: Thank you, Senator Linehan. So thank you, Mr. Curtiss. So this isn't necessarily just for parking. This can be to reenhanse the building or make some changes to the existing structure?

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STEPHEN CURTISS: Yeah, the intent of the original legislation still remains.

FLOOD: OK, so you aren't prohibited from using this to remodel it? There was some talk about maybe the parking lot right across the street, developing that and using parking, maybe further out. Do you know what that development would be?

STEPHEN CURTISS: More than likely this would be a parking lot to the north on lot D. And I think you're referencing a lot B, which may also be developed. But most of that parking and that development would probably be borne by the developer.

FLOOD: Of the 1.5 percent, the local tax, under the turnback, the city of Omaha gets that money still. That's not turned back into this.

STEPHEN CURTISS: Correct.

FLOOD: OK. And then final question is, well, two, you're at \$44 million now. Your last year on this is 2007-- or '27.

STEPHEN CURTISS: 2027.

FLOOD: And what do you think you'll get at, you get to under your current-- if nothing happens here?

STEPHEN CURTISS: Jack alluded to that, the whole COVID phenomenon, which completely turned these numbers on their head. But we were on track to be at \$4 to \$5 million a year, which with another six or so years would put us in the low \$70 to \$75 million. With the rate we're at now, I think the payout, I want to say to us was \$1.5 million. So it was a fraction of what it normally is because nothing has been happening down there. So COVID did sort of change the numbers quite dramatically.

FLOOD: What do you think the impact of interest rate hikes will be for the city of Omaha? What's the urgency there?

STEPHEN CURTISS: Those could become dramatic. We still haven't seen them yet, but we're all being told they're coming. Now we've guessed-- I've guessed for the last eight years since I was there and the finance-- or the, the controller always laughs and says, you've been saying that for eight years and it hasn't happened. I believe it will happen and it will have an effect on our ability to finance.

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FLOOD: Final question. Parking, people pay for parking. If the taxpayer subsidizes the parking, is it still necessary to charge for parking? And if so, can-- if the state were to do this, can we ensure that their charge is reasonable, given that the taxpayers are already giving up the sales tax in the first place?

STEPHEN CURTISS: Well, remember, it's, it's more than just parking, but that is a component of it. And in our current situation, we got generally, like I said, a million and a half this year, some years it's been two. We'd hoped it would get to four with the extension. It hasn't, but our debt service is around \$20 million a year, so it's just a fraction of what it costs to actually pay off the debt on that facility.

FLOOD: And you'd be building up with parking garages.

STEPHEN CURTISS: More than likely. They were talking about doing a two, maybe three deck, but probably a two deck. And there are no final plans yet. And some it depends on how developers materialize for lot B. But, but they know they're going to need-- they'll, they'll have a genuine need to increase the parking, probably again in lot D.

FLOOD: Thank you very much.

LINEHAN: Thank you, Senator Flood. Senator Briese.

LINEHAN: Thank you, Chair Linehan. Thank you for your testimony here today. How much of this additional cap would you anticipate using? All of it eventually?

STEPHEN CURTISS: You know, that's a great question, and it's hard to know because nobody's really specced that, what we're looking at. I think some of the, some of the expansion that MECA has talked about for the facility itself was in about a \$75 million range. I'm guessing with inflation, supply chain, that's probably easily \$100 today. Parking garages are usually, and again, this is a concept we're having a lot of trouble with. We build a lot of parking garages, and our number used to always be \$25,000 a stall. We're working at garage right now in the Blackstone, and we're having a hard time penciling it out at \$43,000 a stall, just in the last year or two. So to your question, what would that cost? A garage could be \$30, \$40 million on top of \$100 million. So would we use the whole thing? Probably not.

LINEHAN: OK, thank you.

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STEPHEN CURTISS: But it's hard to know until we get spec out what they really want.

LINEHAN: Thank you, Senator Briese. Other questions from the committee? Is this area around the convention center, or are you talking about new development? Would that be TIF?

STEPHEN CURTISS: No, because it would be city property.

LINEHAN: I'm sorry?

STEPHEN CURTISS: It would be city property. So more than like-- well, let me rephrase that. The area in lot B would be developers, and that could certainly be TIFed. Our parking lot and the facility itself, probably not.

LINEHAN: Would it be TIFed as blighted or extremely blighted, do you know?

STEPHEN CURTISS: It's been our habit not to extend beyond 15 years for anybody. I know there's been a lot of discussion about this whole street car thing. But in fact, there they're getting less than their 15, they're only getting 75 percent of their 15. Would be give them 100 percent of their 15? Probably. I don't know that we would rule out the 20-year, but maybe I should rephrase that. If they had a compelling reason, it-- if it included affordable housing, maybe we'd have some other ideas. I doubt, I doubt that lot B would be a good candidate for that. But our, our one and only time to use it so far in the inner core of the city, it's a, it's a less than 15 year.

LINEHAN: So when you decide that something's blighted, how do you, how do you decide that?

STEPHEN CURTISS: Another good question. It's right out of the state redevelopment law.

LINEHAN: It's, it's but/for is that what you use?

STEPHEN CURTISS: No, the extremely blighted is in the, it's, it's based on state law based on census tracts and incumbents in those census tracts. That was in Senator Wayne's bill.

LINEHAN: Yes, I know.

STEPHEN CURTISS: It laid out how you do-- how those were designated. And it's in, it's in the community redevelopment law.

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LINEHAN: OK, any other questions? Thank you very much for being here.
Next--

STEPHEN CURTISS: Thank you.

LINEHAN: --proponent.

LYNN REX: Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. Thank you for the opportunity to testify today in strong support of this bill. Certainly, the 30 percent that you referenced, Senator Flood, is critically important to municipalities across the state. To give you some idea of the impact of COVID, in the last year, only planning grants were given, \$168,000 was it. The year before, it was 3.-- about \$3.7 million that was distributed out of those funds. I'd like to read you from DED's report, which you get annually. Municipalities requested a total of \$8,813,698.50 in CCCFF funding during the 2020 program year. DED awarded 21 of the applications of the total amount requested and one partial for the remaining available funds. This is the fifth consecutive year a partial award has been issued due to limited available funding. And the projects, the programs for 2020 included Alliance, Arapahoe, township of Atkinson, Bridgeport, Cambridge, Grant, Hebron, Hooper, Laurel, Norfolk, village of Roseland, Scottsbluff, Scribner, village of Table Rock, city of York, Ainsworth, Alma, village of Dorchester, Lexington, Tilden, Wayne and Wood River. So the 30 percent is a very critical piece of the puzzle for municipalities across the state, except for those municipalities that have municipal equalization fund moneys, basically, which is, by the way, funded by the cities themselves through the collection fee of local option sales tax. Except for those cities that are close to the 45 cents plus 5 maximum levy limit, except for that, this is the funding source from municipalities across the state. And so that's why we're very concerned about making sure that funds are not diverted from that, and I'll be testifying further. And I've already talked to your staff and Senator Lindstrom in opposition to LB919. I mean, we negotiated on LB39 a diversion. But the implications for that are phenomenal, simply because we're dealing here-- that was a one-time, what we thought was a one-time thing on Tranquility Park. But as you know, from dealing with that particular provision, that's only for cities of the first class. That's for grants minimum \$1.5 million. Last year it was approximately \$3 million is what LB39 was projected to be as a one-time situation. And part of the dilemma is that this basically different-- disenfranchises when you transfer money out of the CCCFF to the Auroras and to the other communities. Disenfranchises 380

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villages, 117 cities of the second class. And in fact, first-class cities who don't even, don't, don't have creative districts yet. So by the-- and that being said, we think creative districts are really, really positive. We think they ought to be able to compete for CCCFF funding. We think it's a great idea and something that needs to move forward, but it certainly needs to be done in the context of competition with other things. For example, Senator Brewer has a bill in, and we supported that bill to allow sovereign nations to have access to the CCCFF. And Harvard University, long overdue, is giving to the Ponca tribe the tomahawk that was Chief Standing Bear's. They want to have access to those funds because they're going to help, hopefully, if everything passes, and we certainly support that bill as a sovereign nation because it's constitutional. And they're not just a nonprofit, it's constitutional, because they want to build a museum and enhance that. That's a huge significance to the state of Nebraska. Because we only had \$168,000 last year and only planning grants could be awarded, and that's because of COVID. I mean, that's really what happened. It's going to take years to build up the CCCFF. And so we just really number one want to say that we were-- I was actually-- some of you were here. Some of you were mayors, looking at Senator Friesen, and others when there was an effort put in place in 1999, which is LB382 for what was then the Qwest Center, and the whole concept of that was how do we get the votes so that other areas of the state could also improve their buildings that matter to them? And that was the deal cut: 30 percent of those funds would go into the CCCFF, or they wouldn't have had the votes and there wouldn't be a Qwest Center today. Well, there isn't a Qwest Center today, it's now morphed into CHI. So in any event, we strongly support this bill. We think that these arenas have been just real game-changers for the state of Nebraska itself. And again, yes, there's throwback sales tax for those to pay 70 percent back to Omaha, Lincoln and Ralston, and 30 percent to the CCCFF. But I want to underscore the fact that in addition to that, it's all the surrounding areas that frankly are not captured by that throwback sales tax, so the state of Nebraska itself is really making a significant advancement in revenue. I know I have a green-- a red light.

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

FLOOD: Thank you, Senator Linehan and Senator-- Senator Rex.

LYNN REX: No, I'm sorry. I could never get elected. Thank you.

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FLOOD: Thank you for your service. So let's just talk for a second about creative districts. It's obviously something you and I have spent the interim on, and you're aware that a number of communities of villages, second-class cities, first-class cities and cities of the primary and metropolitan class have all been excited about and talking about the creation of creative, creative districts. If we were to remodel the turnback on the portion that doesn't go to north and south Omaha and direct that to cities of all classes through the Nebraska Arts Council, understanding that the arts have a direct impact back into recruiting high-wage, high-skill employees, is that a hill to die on for the League if, if our intent is to try and promote this creative district concept?

LYNN REX: We share your intent to cre-- to promote creative districts. It is a hill we're prepared to die on because we have 380 villages, 117 cities of the second class. And when you look at what the minimum grants and everything are and also generating these funds, the concern, Senator Flood, is twofold. One, you'll be taking money from DED and they've in last year's done a very good job of getting that money and they, they made sure every T is crossed and I is dotted, sometimes much to the dismay of municipalities that think they're a little over-toilet-trained, but they need to be. And so the DED is doing a good job with that. We absolutely support the ability of the creative districts to partner with municipalities under the arrangements that we negotiated on LB39. The municipality owns it. It's because you have constitutional issues there as well. So we very much support the ability of creative districts with and in partnership with the city to compete for those funds. But for example, I don't know, maybe there's a project that's going to be more important than assisting the Ponca tribe with Chief Standing Bear's tomahawk and getting something put together. But the funds there, and I think they're very well aware of it, it will be years and years before those funds are built up. I mean, so--

FLOOD: But to your point, the village of Niobrara is actively pursuing a creative district and they are working in concert with the Ponca tribe. And so I think that, it seems like we're far apart. The intent of the creative districts is to build a quality of life in municipalities.

LYNN REX: I'm sorry, to do un--

FLOOD: The intent of creative districts does build a quality of life in municipalities and the money goes to the municipality. It is just a different granting agency. You are very supportive of having DED do

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it. I would offer to you that the Nebraska Arts Council has as much experience and maybe even more in, in dotting I's and crossing T's when it comes to the specific purpose of creative districts, which is a new program. I don't want to carry on a debate here, but you know, I hear what you're saying. And do you have anything that you'd offer to this committee short of, you know, short of the language it's in here in terms of prioritizing creative districts?

LYNN REX: Well, I think, I think that basically being able to allow creative districts to compete with a city for funds with the CCCFF, if I think that's important. But that is far different from saying that, for example, Aurora, Nebraska can't apply to the CCCFF because they're facing something in their library that needs to be addressed, which was, by the way, your first bill, LB217 when you first came here, for which we were most appreciative so.

FLOOD: And I had a bill that did change, that changed the capture area for the CHI center. But I think it's just important to note I am talking about municipalities applying on behalf of creative districts. The money would not go anywhere but a municipality. So Aurora would not compete with a, with a nonprofit for the money as I envision it out of the Creative District Fund. It would be the city of Aurora getting the money after they follow the rules to get a certified creative district. And I think it speaks to the value that I place on creative districts in terms of how to be game-changing with this money for the state of Nebraska. Not that the library is not game-changing, I just place a higher value on creative districts. So I think we're actually talking about a lot of the same things. We disagree on how to get there, but I am municipality-focused and I, I caught that in your testimony that you were talking about cities competing with noncity entities. That is not my intent. My intent is municipalities.

LYNN REX: We just want to make sure, Senator, that, that there is the flexibility. And you know, I have-- we've had this discussion before, but the flexibility for Hemingford to do something if they need some renovations done and the building where they have their funeral recep-- you know, they're receptions, I guess. But after funerals they, they gather there. Wedding receptions, things like that. Those small communities, what those buildings matter to them, I would submit to you, as much as CHI matters to Omaha and the Ralston Arena matters to Ralston and the Pinnacle Bank matters to Lincoln.

FLOOD: Final question. You and I, I, I don't have anything against having a place to hold the funerals. I'm talking about directly contributing to quality of life, that the National Governors

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Association pays back huge, huge dividends. And I am not against people having a place to have their funeral, but I am for jumpstarting this kind of projects in Nebraska communities, which sent into the creative districts could do that if we prioritize that.

LYNN REX: And I think the way to prioritize it is to let them compete with everybody else, because I don't know some-- it's hard to know what the projects are. I guess we can agree, perhaps to disagree.

FLOOD: That's OK.

LYNN REX: And I realize you have a vote, and I don't. I get that.

FLOOD: We'll keep talking. I don't know, you have a lot of votes.

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

LYNN REX: Thank you very much. Appreciate your consideration.

LINEHAN: Are there other proponents?

VINNY PALERMO: Good afternoon, honorable Chair Linehan, honorable members of the Revenue Committee. My name is Vinny Palermo, V-i-n-n-y P-a-l-e-r-m-o, I'm here to testify in support of LB927. My former colleague, Senator Pahls, had asked me to show up today and I wasn't going to say no. So I appreciate that. Thank you, Senator. When we talk about this bill and we talk about the difference it can make and things that need to be done, I want to touch about the aspects of the small percentage that's captured with the south Omaha turnback tax part of it. I serve on the Omaha City Council, but I also serve on the Omaha Historical Grant Committee, so we know that there's two target areas that this small percentage gets filtered into the moneys. One is north Omaha, one is south Omaha. The handout I have shows the 28 grant applicants that have applied for this money. The total moneys applied for was \$418,000, but as you can see, the money available is \$136,000. So there's a lot of work that goes into this. It is a four-member committee that was changed this year with myself, the Douglas County commissioner that represents this target area as well, two outside members, and Senator Vargas sits on this as a nonvoting member. So when you get elected and you sit in the seat, sometimes you don't know everything, obviously. And the first thing I did when they showed me where my office was, I opened up the desk drawer and there was a roll of pencils with a rubber band around it that still sits in there. And there was a note that said, contact Commissioner Boyle as soon as you can. And I had no idea why. Bless his soul, he's not with us now. But

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I called him and I said, hey, I'm supposed to get a hold of you. It did have mention of a turnback tax. And he goes, we need to get together, because this is very important for the area that you and I represent. And as you look through these org-- organizations, you come to know them. Some of them you know before, some of them, you really dig into the details and learn more about. And what I want to talk about is the, the normalizing of this money and how it affects these grant applicants. And one of them on here is the Miguel Keith project. Miguel Keith was awarded the highest award you could receive, the Medal of Honor. And there was a park down in a high-poverty area of south Omaha, where they built a beautiful Kroc Center next to it. But the park that this community group that always tried everything from bake sales to garage sales to raise money, they were trying to raise money for a bronze statue. And they thought, well, if we can put the statue here, the sidewalks need repair, the parking lot needs repair. We can work on all these moving parts. And it was one of the decisions we made as a committee to say, hey, you know what? They could be right. Let's give them a small sum of money, and let's, let's help them with this bronze statue. And they got a matching grant. They-- the bronze statue was put into the park. All of a sudden, there's flagpoles, there's new flags flying. The sidewalks are taken care of. Lo and behold, a foundation builds a million dollar soccer facility right next door. The city of Omaha sees all this progress, again, in a high-poverty area, and decides it needs some new playground equipment for a park nearby and some upgraded walking trails. And now this, this part of the neighborhood is a focal point. And it truly started with that bronze statue that was awarded from the committee's money that was given to that group. And you could go on and on down this list. Another one is PACE, which is the Police Athletics for Community Engagement group. They started with an officer, and the Miguel Keith project is that kind of historical part of this. And there's a part of it as well about the street gang violence reduction. And that's where PACE comes in. And they had an officer who would go around and literally recruit kids who were out causing issues and problems, and they would bring them in. And that group was also awarded money through the years, more and more. And they currently serve 6,500 kids that are truly at risk in an area that is desperately needed. And they bring them in and it's sports from football to soccer to baseball to cheerleading now, I think they're going to start a volleyball league. And it's truly free to every one of the kids in the neighborhood. So as we talk about parking lots and we talk about money that needs to be shifted, there's a small, small percentage of this that will sunset as we know someday. And I'm here to support this bill on behalf of the city of Omaha to do what I can to, to make sure it lasts even longer.

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So with that, I would like to ask if there's any questions I can possibly answer.

LINEHAN: Thank you. Are there questions from the committee? Is the park where the statue went, is it a city park?

VINNY PALERMO: It is.

LINEHAN: So did the city add money to take care of the park too?

VINNY PALERMO: A large-- well, with the bronze statue that was built, the following year, they asked for money for flags. Obviously, the military, different branches of the service, you know, American flag, Nebraska flag. The parks, I think they with the matching grant and then they had a couple of other foundations that pitched in. The city did help, I believe, with the parking lot aspect of it. But it was, it was that park where you just weren't going to go otherwise. And all of a sudden there's a statue here, there's lightings. And when that park was dedicated, it was, it was a who's who, from the Governor at the river cut-- ribbon cutting, to all the elected officials in the local area. So it was truly a game-changer for that neighborhood.

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

VINNY PALERMO: Thank you very much.

LINEHAN: Other proponents? Are there any other proponents? Are there any opponents? Is anyone wanting to testify in the neutral position? We had four letters for the record, proponents. No opponents and no neutral. Senator Pahls, would you like to close?

PAHLS: I won't say balance again today, I assure you. And I appreciate the individuals who came behind and really explained what this is all about. And I need to compliment Vinny Palermo. One thing I miss about city council. He was a Democrat, I was a Republican, we worked for the city. I do miss that part. We had times we would argue with each other, but we walked away respecting each other. Thank you.

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

PAHLS: Thank you.

LINEHAN: With that, we will close the hearing on LB927 and open the hearing on LB919. Welcome, Senator Lindstrom.

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LINDSTROM: Good afternoon, Chairwoman Linee--

LINEHAN: Good afternoon.

LINDSTROM: Oh, I'm sorry.

LINEHAN: That's OK.

LINDSTROM: Good afternoon, Chairwoman Linehan and members of the 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, Bennington, Nebraska, here to introduce LB919 to redefine terms under the Sports Arena Facility Financing Assistance Act. I believe you may recall my priority bill last year, LB39, that we passed. LB919 makes a few changes with the language from that bill. The pandemic may have influenced many parts of American life, although the top priority for parents, a good place to raise children remains unchanged. According to a new survey by the Pew Research Center, while living in a place considered good to raise children remains number one, other factors for parents include living in a community with access to art, music, theater and youth sports facilities. LB919 is a reaction to the need to encourage youth sports. Last year we passed LB39. As I've traveled across the state, I've heard that the need to expand the bill. Nebraska needs more sports facilities than just those owned by municipalities. Shovel-ready bill we passed will do great things, but it is limited to the projects that were underway or just about to begin. It does-- it does nothing for poss-- for possible and future projects. LB919 does three things. It expands the period to receive turn-back tax from 48 months to 60 months. As we start these new projects, they will be smaller and may not have the same large economic impact. Although they will still have a positive impact, these projects will need more time. Number two, it expands eligible applicants from cities, villages and counties to all political subdivisions. Coming after me will be Jeff LeDent with United or-- excuse me, Millard United Sports to explain a project they are looking at to create with Millard Public Schools. And third, it expands the turnback zone from 600 yards to 1,500 yards. As these projects move across the state, the projects need more flexibility. The goal is to provide a plan that is firm yet flexible. The League is coming in against the bill and I'm working with them to address their concerns. Specifically, LB39 had the limit-- had limited the 30 percent fund to Creative Arts District and second class-- excuse me, cities of the second class. We're not looking to take any funds out of the 30 percent fund from LB39. However, we are looking to create language that expands the new funds under LB919 beyond just certain creative

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districts. AM1872 preserves the agreement with LB39 from last session and ensures that going forward, all-- all proceeds will go into the Civic and Community Center Financing Fund, or CCCFF. With that, I'll be happy to answer any questions, and I know there's some other folks behind me that are coming in to talk about this bill. I will tell you it's been kind of fun in what we did last year and seeing what communities have done, particularly in Kearney. Kearney is putting in a \$34 million youth sports complex and based on the bill of LB39 last year, \$17 million would be used to do that. Last night, I was in Valley, Nebraska, and they showed me the proposal that they have and I can pass this around if you'd like. But I think they're doing maybe a 50-- looking to do a \$55 million project. But really across the state as the bill was written, I've had more interest over the past year on this particular bill than even maybe Social Security, which has been pretty fascinating. But it it really is important, and seeing the legacy that those communities can create in having the creative arts districts, these are the things that retain and recruit and bring families in the state of Nebraska to spend their money to see the job opportunities, to see the way of life that Nebraska's have, and really these things are the-- the major investments that I believe we need to make as a state to continue to grow the state. So again, I'd be happy to answer any questions there and look forward to it.

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

FLOOD: Thank you, Senator Linehan, and Senator Lindstrom. So help me understand what, so you are-- you're intent on preserving our accord from LB39.

LINDSTROM: Yes.

FLOOD: But going forward, how would you distinguish from city-owned to nonprofit-owned? Is that the difference? If your city-owned it goes to the creative art district? If it's nonprofit-owned, it goes to--

LINDSTROM: CCC.

FLOOD: CCCFF.

LINDSTROM: FF. Yeah

FLOOD: Would you be willing to stay the course on the creative arts districts?

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LINDSTROM: Yeah, I have no-- I have no issue with the creative arts process. I mean, that was the deal that we blended together and that was kind of your baby, if you will. So to the extent that-- that we can work on that with the League and other people, I'm perfectly OK. I mean, the main product of this bill, again, is to address the concerns that I have heard on the length of time going from the 48 months to 60 months and the distance go up from 600 yards to 1,500 yards. The fact of the matter is that not a lot of communities, I'm thinking of Valentine, with the new projects that need to be built or new retail spaces that need to be built to collect the sales tax of in time the place that they want to put those projects don't reach far enough with the 600 yards. So in some cases, you know, like a Dollar General, it might be the only project in the community where they could pull sales tax from, and they need to have a certain length of time to be able to do that to help fund that project. So that, to me, is where this portion on the other side of the creative, we can work on that. And I would, um, you know, we could have those negotiations.

FLOOD: So this-- this would apply to Grand Island, which is currently working on a--

LINDSTROM: Yeah.

FLOOD: --nonprofit driven.

LINDSTROM: Yeah. So Grand Island was one of those groups that are at-- or their economic development group I had met with a few months ago and the-- as we had written LB39, there were a few extra things that they needed. But it isn't, you know, from their perspective, I think this is partly the issue that other communities were having across the state on the distance.

FLOOD: I do have a concern that you could have a nonprofit endeavor upon this without a city if the city doesn't endorse the nonprofit's efforts. So let's say, for instance, in my community of Norfolk, we have a very good YMCA that is supported by 10,000 families, 10,000 members. Let's say you had a nonprofit group wanting to do this, and it would compromise what the city has-- what the community has built with the YMCA, would you object to requiring the city or the municipality within the jurisdiction of the ETJ to have to endorse a project which I think would happen in a place like Grand Island--

LINDSTROM: Yeah.

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FLOOD: --to prevent so that the city leaders can guide this a little bit and not leave it to just a nonprofit?

LINDSTROM: Yeah, I think that'd be a fair compromise. I can tell you, just meeting in Valley last night, the mayor was there, another community of officials and-- and it was a combination. They have a YMCA there as well. And their idea is more about how do we complement each other? How can the families that are part of the YMCA also use these facilities that are too far away? And even though the nonprofit is going to be a part of, you know, the Elkhorn Athletic Association will handle a lot of the issues, it's-- it's-- it is a very-- it's very much a project that helps the community and having those partnerships. So I think that would complement it if that's what the committee chooses to do.

FLOOD: The other thing I think was if we're doing nonprofits, we have to make sure that they're valuable.

LINDSTROM: Right.

FLOOD: And that they're financially sound and that they have some kind of an audit to ensure that we're not giving away our sales tax base to a nonprofit that doesn't have a track record of being able to run a facility.

LINDSTROM: Yeah, and that's part of that process of going and meeting in front of the group that signs off on these, right, the Governor and treasurer and everybody that is involved in that sales tax that turn back discussion. And I know even like-- I keep bringing up last night, but it's fresh in my mind because we went through this whole process. Yeah, I mean, the return on investment and the long-term sustainability of this has to be a part of the equation or else-- we don't want these to fold. So I think there's a lot of opportunities. I don't think when you look at [INAUDIBLE] a project, it could be in Tranquility and maybe one in Valley. I don't see them stepping on each other's toes. There's such a huge need for these facilities all across the state. And when you have organizations playing their-- their state tournament in Council Bluffs and Des Moines, and we just don't have anything like that. And I think that there's a huge need for that. And, you know, dependent on these facilities that are popping up and then just the number, again, that-- that group that decides on it, I can-- can also really look at the numbers and it will be incumbent upon those people want to do the projects to show them the sustainability with the numbers.

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FLOOD: One of the concerns I have is you're going from 600 yards from the eligible sports facility to 1,500 yards. One of the-- you know, I think a municipality should sign off on that. But I think if we're going to go to 1,500 yards, the city is going to have to agree to give up their local option sales tax because you can do a lot, you can capture a lot of sales tax with 1,500 yards in a community. And I know that's going to be objectionable to cities. But-- but I think we could be looking at a huge erosion of our sales tax base in some of the most high value areas of the state. Yet if we allow this 15, you know, 1,500 yards in Valentine, you could take a lot of the business community's sales tax generated there and give it all away and the state would have nothing to say about it at that point.

LINDSTROM: Well the part of it, though, is that it's new business--

FLOOD: Right.

LINDSTROM: --versus existing. So when we wrote this bill last year, it was, you know, the fiscal note. That's why I had to change it from three years ago when I worked on it to new business versus existing because of the large fiscal note. So this is always the but/for argument, but for these projects, would you have restaurant, retail, any type of hospitality and hotels, motels built there? And it's a date certain. So it isn't as if this is a forever situation. It is the-- the 24 months prior to the date of completion. And then if this bill passes, currently it's 48 months, but if this bill passes, it's 60 months. So yes, they're giving up some type of revenue during that time period, but I would argue that because of the economic impact of drawing families there and having to build up hospitality in those-- those hotels and motels, you're driving people into that community. You're-- you're, hopefully, by the investment driving up sales tax that ultimately helps those. And at some point it'll turn back after that project's done, after that final 60 months is done, it all goes back into that and goes back to the state.

FLOOD: Final question that is a concern that you can respond to is, because this is incentivized by new development, you're often building away from the core of a city. And so a lot of the low-income tracks in my largest community, Norfolk, are near the downtown, and anything built would have to be on the outside of the city to take advantage of the growth, which can exclude low-income families from a situation where they can ride their bikes there and they have to cross highways.

LINDSTROM: Yeah.

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FLOOD: That concern is paired with, if you let a nonprofit do it and they are a club sport facility and it cost 800 bucks to join and you've got to be willing to drive to Des Moines or Kansas City, there's a lot of kids that don't have folks that can pay for that. How do we reconcile the concerns for low-income kids by expanding it to nonprofits?

LINDSTROM: Well, these-- the facilities that I've seen, it's more community-based, not just directly tied to-- you have to be a member of that association to be able to use it. This is more getting-- going back to the partnerships in the community and working with mayors and city council to say-- I know just again last night their intent is to make sure it's open for-- for everybody all year, not just, yes, the associations and groups will use it, but it's for everyone. When we wrote LB39, one of the concerns that came up from Senator Wayne and-- and others was, does-- how does this affect north Omaha and south Omaha? That's why I changed the bill and we amended it to go from 12 fields in certain areas to 4 fields because of the PACE program. There's-- there's other programs in north Omaha and south Omaha that are landmarked that can't do 12 fields, but they can do 4. And so we-- we made that adjustment to account for some of the issues that dealt with poverty and being landlocked and the investment would--

FLOOD: You wouldn't be opposed to specific language in a-- in an amendment that required the committee looking at this to make sure there's access to low income.

LINDSTROM: Oh, absolutely no. And we've done it. We did it last year and I'm very willing to do that on this bill as well. I mean, it sounds like everything that we just talked about is very doable and just making a few-- few changes here and there, but.

FLOOD: I agree you have created a bill that is doing big things. And so thank you for paying attention.

LINDSTROM: Thank you.

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

LINDSTROM: Thank you.

LINEHAN: Proponents.

JEFF LEDENT: Good afternoon.

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LINEHAN: Good afternoon.

JEFF LEDENT: Madam Chair Linehan, members of the Revenue Committee, my name is Jeff LeDent, J-e-f-f L-e-D-e-n-t. I'm the general manager of Millard United Sports. Prior to my full-time position with Millard United Sports, I served on the board as a volunteer board member. Prior to that, I played for Millard United Sports as a kid. Millard United Sports serves the youth of Omaha and surrounding areas through sports programs including football, both tackle and flag, baseball and softball. We also host leagues, tournaments for teams all over the state. We currently manage 36 fields. Senator Flood, you'll appreciate this. Millard United was established in 1940, over 82 years ago, and we're still going strong. In fact, we recently agreed to create a public-private partnership with Millard Public Schools. We've agreed to partner with MPS to create a state of the art, first in Nebraska, 170,000 square foot indoor baseball-softball facility, with four outdoor fields to follow in phase two. The facility will be located on land currently owned by MPS. We will collaborate to build a joint facility. MPS will use the facility during the day for both educational and sports programming. We will utilize the facility to run programs, leagues and team trainings on nights and weekends. We are excited to work with MPS, but we also do not want to add to the possible property tax burden of a new facility. This partnership opportune-- opportunity-- offers opportunity to create better fields and competition for all our student athletes. This first of a kind facility will provide much needed practice facilities for all of our athletes, as well as mentoring and tutoring opportunities. The COVID-19 pandemic had a significant impact on virtually every facet of life throughout the world. Among youth athletes, the cancelation of school and sports was accompanied by decreases in physical activity with significant mental health consequences. Physical activity and sports participation have a wide range of physical and mental health benefits in children. Unfortunately, the restrictions due to COVID-19 pandemic resulted in significant restrictions in physical activity and worrisome increases in anxiety and depression in youth athletes. For example, in a survey of over 13,000 adolescent athletes throughout the country during the COVID-19 restrictions in May 2020, a study by the British Journal of Sports Medicine found that 40 percent of students reported moderate to severe depression symptoms and 37 percent reported moderate to severe anxiety from not playing sports. The potential benefit for this public-private partnership is more than improved mental and behavioral health. As I stated above, we will run tournaments. The new facility will allow us to run year-round tournaments, and this facility will also have a positive-- positive

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economic impact in the area. It is our intent the new facility will lead to increased sports tourism with new hotels and restaurants to follow. Last year, the Legislature passed LB39, and I want to thank Senator Lindstrom and the members of this committee for their work in getting that bill passed. Unfortunately, effects of the bill work well for a metropolitan area with density and potential for quick growth. LB39 does not work well for areas that are not as dense or ready for rapid development. We are asking for additional options to help spread the positive aspects of sports complexes and public-private partnerships across the state. You have in your packet letters of support from other possible athletic facilities being considered across the state. Thank you in advance for your consideration of this bill to help grow youth sports and sports tourism in the state. I'm available for any questions you may have. Thank you again, Senator Lindstrom, for introducing this bill.

LINEHAN: Thank you, Mr. LeDent. Are there questions from the committee? What is the cost of 170,000 square-foot indoor sports?

JEFF LEDENT: Prior to COVID, about \$22 million. Due to the cost of materials and things that certainly will go up, you know, around that 18 to 20 percent, so.

LINEHAN: You said a public-private partnership with-- so Millard being the public part, Millard Public Schools.

JEFF LEDENT: Correct.

LINEHAN: And the private is your--

JEFF LEDENT: United Millard Sports, yes.

LINEHAN: So is Millard Public Schools-- how is this \$22 billion being split up between the two partners?

JEFF LEDENT: Hopefully, not \$22 billion-- \$22 million.

LINEHAN: Twenty-two million. Talking too much about property taxes.

JEFF LEDENT: Yeah.

LINEHAN: Yes.

JEFF LEDENT: It will-- you know, the-- the district certainly is participating financially, but a lot of it will be on donors and legislation and a lot of things. And then a fee structure within our

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organization that we currently have. We operate three indoor facilities right now, so this would be merging them into one. And so that's how it would be funded.

LINEHAN: OK. Other questions? Yes, Senator Pahls.

PAHLS: Thank you, Chair. I'm interested in how much money Millard is putting into this, the public schools. Could you give me a ballpark?

JEFF LEDENT: I don't want to speak on their behalf, that's--

PAHLS: You should know.

JEFF LEDENT: I do. Roughly right now, they-- they have paid all the architectural and design fees. And so that isn't complete because of some of the changes they'll have to do with some of the cost structure, but they are probably in excess of about 1.2 million right now.

LINEHAN: Is there going to be somebody here from Millard?

JEFF LEDENT: I'm not aware, I don't believe so.

LINEHAN: All right. Any other questions from the committee? Seeing none, thank you very much.

JEFF LEDENT: Thank you.

LINEHAN: Next proponent. Good afternoon.

BRAD MELLEMA: Good afternoon, Senator Linehan and committee. Thank you for the opportunity. My name is Brad Mellema, B-r-a-d M-e-l-l-e-m-a. I'm director of the Grand Island Convention and Visitors Bureau, and I'm here to speak on behalf of this legislation. I just wanted you to understand I'm not on that committee of the nonprofit that is going forward with this proposal-- this proposed project. But I wanted to give you a little sense for the geographic constraints that we have and why this is a helpful-- in the case of our proposed [INAUDIBLE] here. First of all, it is literally on an island. You've gone by I-80 at 75 miles an hour, more or less, those are all islands there. Grand Island has not developed down there for that reason. We've got Mormon Island Recreation Area and other things there. So we don't have the presence on the Interstate that say a York or Kearney, or even the North Platte have, and to develop in that area is-- is very important. Also, it's not a high density area. It's literally between Grand Island and the town of Donovan. And so as a result, we're not talking

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about a metropolitan area with that high density development, this is out more on the Interstate, so you choose that location because of that Interstate access and to develop that in that area is really important. To expand that circle of recouping that tax allows us to scoop down below the-- both sides of the Interstate interchange and future development to the north. We're not going to develop a great deal to the east. That's again, where Mormon Island is and some agricultural ground there and probably flood and so forth, it's going to be difficult to develop that direction. So it will develop in a linear north-south fashion in that area as things come into that area, whether it be hotels, restaurants or other things that would serve this type of development. We are working as a community to continue to develop that area as a larger destination-based. This sports tourism facility would just be one component of that that we're-- we're tremendously excited about. I can also say that while Grand Island, of course, is-- is a metropolitan area, the city of Grand Island's border proper does not come that far south. So Hall County would be the organization that we would be working with and partnering with on that should the nonprofit be able to take advantage of this particular offering, that would be taken care of in this particular bill. And we've been having conversations with individuals at the Hall County level to that end. I can also say that this morning, Grove Grand Island is a committee that works in our community. There were representatives in that meeting from the city of Grand Island from Hall County, business leaders, economic development were all represented there and we updated them on this proposal, updated them on what was happening here in the Legislature today. And I can assure you that the community of Grand Island as a whole is working in concert to-- to help give this organization every effort they can to make that-- that happen down there. And so that's what I wanted to do was to get down here and kind of inform you about some of the interesting development things that are down there. It's an island. We're called Grand Island for a reason. We're literally on an island, but that helps development to not maybe free flow as it would in certain other areas of where the city proper is. And so with that, I wanted to come out in favor of this and I would entertain any questions that anyone might have.

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

FLOOD: Thank you, Senator Linehan. Thank you, Mr. Mellema, for coming today. So just to get an idea of where this is, would this be on north of the Interstate or south of the Interstate?

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BRAD MELLEMA: It's north of the Interstate. If you know where the Bosselman Travel Center long-established business there, there is an acreage of ground right north of the travel center where it would be located.

FLOOD: And is that area around that able to be developed?

BRAD MELLEMA: It is to the north of there, yes. And so Grand Island is moving towards the Interstate. The new development of the new hospital, there's new development. There's a large FedEx transfer facility going in there. It's a couple, maybe two miles where that development is going to eventually. So if we look 20 years into the future, it's plain to see that that's eventually going to be.

FLOOD: So that's not in the city limits of Grand Island.

BRAD MELLEMA: It is not in the city of limits.

FLOOD: How far out is it? Is it within the ETJ of Grand Island?

BRAD MELLEMA: It is, but it's probably too much and three miles south of the city limits. Now South Locust, one mile to the east kind of comes down there because of that road project that happened years ago. So that's a little different on that interchange.

FLOOD: Thank you for lowering the speed-- thank you for upping the speed limit on that, by the way.

BRAD MELLEMA: This is on Highway 281. Yeah, thank you.

FLOOD: But, so if we require city approval, that wouldn't apply here.

BRAD MELLEMA: That's correct.

FLOOD: You'd have to have it be county approval.

BRAD MELLEMA: The county is the-- the organization that we would need to work with on this particular project.

FLOOD: And do you have a county sales tax?

BRAD MELLEMA: We do not.

FLOOD: OK.

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LINEHAN: Thank you, Senator Flood. Are there other questions from the committee? Do you-- is the partnership, private partnership a public entity? I mean, not--

BRAD MELLEMA: It's a nonprofit.

LINEHAN: It's a nonprofit.

BRAD MELLEMA: Um-hum.

LINEHAN: Are you-- can you say who it is?

BRAD MELLEMA: The organization? I am not a member of the nonprofit. It was a nonprofit that is being organized for the purpose of building this. I can say, if you weren't aware of it, Pinnacle Bank has become a named sponsor commitment to it, so we do have that. Was announced a few-- few weeks or a month ago.

LINEHAN: OK, thank you. Other questions from the committee? Thanks for being here. Appreciate it. Other proponents. Are there proponents? Are there any opponents?

LYNN REX: Senator Lindstrom, members of the committee-- I'm sorry, Senator Linehan, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're respectfully here today in strong opposition to LB919. I've not seen the amendment, so I really don't-- and I could not hear Senator Lindstrom's explanation of it, so I can't tell if the funds are going directly to the nonprofit or not. I don't know how that shakes out, what the implications are for the CCCFF. So I'm just going to testify to the green copy of the bill, and I know it's not my prerogative to ask you questions or I would say what-- what did you say in terms of what does the amendment do? So that being said, as an expansion of LB39, this again would be-- basically allow it for creative districts in season first class in only first class cities. In addition, a minimum grant of \$1.5 million. And to my point that I've made previously, just to tell you some of the implications of why that CCCFF is so critically important to municipalities across the state. I'm just going to read you a couple of things here. In Ainsworth, they're looking at a very serious issue on their swimming pool to be redone because that's very important to them. In Alma, the Alma City Auditorium was built in 1922. It has-- it has been a community issue there and something that's had to be updated. It's on the national registry of historic places, and the city wants to preserve it and use it and continue using it. Arapahoe, expand the Arapahoe Public

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Library. Atkinson, make major repairs to its community center. Dorchester, several old, outdated buildings, including a fire station, community center and hall and library need renovation. Laurel, a 20,500-foot civic center, will provide a modern venue to host large scale civic, community and business events. A safe-- a safe senior center and an up-to-date municipal offices, all with ample and accessible parking. City of Norfolk We've already talked about that with Johnson Park, which is a little bit different. In Roseland, a building for the Village Community Center. In Scribner to renovate the auditorium, provide a site for large celebrations, town hall meetings, auctions and voting facilities. So in essence, again, just underscoring the point, these funds really matter to municipalities all across the state. And just simply saying, well, we're going to let everybody then have access to it, but only if they have a creative district. The limitations are much more narrow in terms of what they can use these funds for, and that is not in any way undermining the importance of what creative districts can do for the state of Nebraska. But again, not knowing what his amendment does, also, just a caution, as I'm sure community councils already let everybody know. Years ago, Senator Kate Bolz passed a bill giving the access to nonprofits to the CCCFF, and it was unconstitutional on its face. And so the next year, the Legislature came back and repealed that bill, and that's in Article 13, Section 1-- Section 3, Article 13, Section 3 of the Constitution against prohibition, against lending the credit to the state. So I don't know. I couldn't discern, and I apologize, I couldn't hear what he was saying about where funds were going. If they're going directly to the nonprofit or not. But there are really serious implications about how to do it and make sure that it's done correctly. So and I thought LB39 was a very tightly drafted bill. In our view, this one is not, but I'd say that with respect because I understand what the intent is. So I'm happy to respond to any questions you have. I would also emphasize that just in the last few minutes I was adding up, which is maybe why I didn't hear it clearly what he was saying, adding up since 2004, the number of grants given to communities across the state of Nebraska. In 2004, one grant. That was just Grand Island, the Heartland Center. 2005, seven grants; 2008, eleven; 2009, seven; 2010, six grants; 2013; four. In 2014, 12 grants; 2015, 13. In 2016, 13 grants. In 2017, 12 grants. In 2018, 22 grants. In 2019, 28 grants. In 2020, 22 grants for a total of 188 projects across the state of Nebraska. In the last rounds, we're just planning grants because there's no, really only \$168,000 there. So these are really, really important funds for municipalities across the state. And again, we think creative districts ought to be able to compete for them. I think there are some great projects coming down the way and

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we're-- again, I apologize, I can't testify about the amendment because I don't have it. So with that, I'm happy to respond to any questions that you might have.

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

FLOOD: Thank you, Ms. Rex, for coming. I note your objection to the creative district language again, but I want to talk for a second about the constitutional concern you raised.

LYNN REX: Um-hum.

FLOOD: If we are turning back the state revenues associated with sales tax and we're giving them to a nonprofit, do you think that that is an unconstitutional-- is that unconstitutional state assistance to a nonprofit or do we need to put some qualifiers on there?

LYNN REX: Let me just tell you that the city of Norfolk does not have the authority to simply, for example, give money to the Chamber of Commerce or just pay dues to the Chamber of Commerce. They can contract with the Chamber of Commerce for services rendered and Clint Schukei put together as a city attorney back in the day some really good agreements with respect to that, because doing otherwise is lending the credit of the state. And the premier case on that was in Douglas County case in 1976. So basically, where the Nebraska Supreme Court said to municipalities and to counties, you're not going to go out and do indirectly that what you cannot do directly. And oh, by the way, you're not giving money to somebody else to do that which you cannot do so. So bottom line is, the short answer is, I think it takes some serious consideration. I will just tell you that on its face with the Urban Affairs Committee advanced out one year, it was a Kate Bolz bill and that bill would have just given the funds to-- directly to nonprofits.

FLOOD: Well, I--

LYNN REX: And the answer was it was unconstitutional. So, I guess-- the answer is, I don't know.

FLOOD: I'm hearing something that sounds like a very big concern. I think this committee may be inclined to go support Senator Lindstrom. I would be interested in any legal information you have for us to navigate this, so we don't violate the Constitution if that does involve city ownership stake or some kind of role to facilitate this. I would hate to spend all our time working on a creative district and

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missed the big issue, which is extending the creditworthiness of the state.

LYNN REX: Well--

FLOOD: Maybe we need an Attorney General's opinion here to clarify some of these issues, unless there's one on point already.

LYNN REX: I think that'd be a good thing to do. I mean, that's one of the reasons too, why in LB39, Senator Flood--

FLOOD: Worked.

LYNN REX: --we said it needs to be city-owned because one of the conversations you and I had was, no, the creative district just cannot come in, get CCCFF funds and do this fantastic project, which would be great. They need to partner with the city. The city needs to own it. There's a constitutional prohibition--

FLOOD: But, aside from the CCCFF--

LYNN REX: OK.

FLOOD: --which I note your support of. I'm talking about the-- last year, the park was sitting on Tranquility Park--

LYNN REX: Yes.

FLOOD: --by the city of Omaha, and in this case, we have something that's owned by a nonprofit that is not regulated or owned by the city. And so I think the constitutional concern you raised is-- is a red light for us to fit, to address before we even get to the turn back tax provisions.

LYNN REX: Well, I just think that there are some really--

FLOOD: Etched out.

LYNN REX: --important issues that committee counsel can look at. But for example, again, municipalities, some cities contract with an American Legion to run their software. You have a contract, it's a services rendered. It's not just, oh my gosh, we really like the Boy Scouts, we're going to give them money. We like this group over here, we're just going to give them money.

FLOOD: But it might be--

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LYNN REX: That's--

FLOOD: Might be deal with the Millard Public Schools model is the best model because they're working with a public entity. You know where they could be working with Hall County, Nebraska, for instance--

LYNN REX: Um-hum.

FLOOD: --in Grand Island. I do think we have to incorporate something like that if we want to survive any constitutional question.

LYNN REX: Well, my understanding-- that's why with LB39-- and again, yeah I thought even with LB919 again, I've not seen the amendment. But when you look on page 2, the applicant is political subdivision or a political subdivision and nonprofit organization that jointly submit an application. The one it-- some of the issues to consider here is well, then, is the ownership with a-- with the private sector then? One of the-- I don't-- I don't know these answers. I'm just raising these questions because I think they're legitimate questions for your consideration. And again, I just think that LB39 was a really tightly drafted bill. And respectfully, we just don't think this one is. That doesn't mean that the projects that were brought to you today aren't great projects for those communities, but I'm happy to answer any other questions you might have.

LINEHAN: Thank you-- Senator Flood. Any other questions from the committee? I'm not a lawyer. I know you and Senator Flood both are, but--

LYNN REX: I have a J.D., but I'm not practicing.

LINEHAN: Set the Constitution aside. Wouldn't the cities have concerns about people building a big sports complex without their input or the county?

LYNN REX: Absolutely. The county, the city would have concerns about that in the same way-- I mean, you want to have, I would think, there are just a number of issues that come into play.

LINEHAN: OK.

LYNN REX: It's not just the zoning elements of it. For example, I'm going to-- I hope I'm not stepping on anybody's toes by saying this, but I'll say it, which is that when the Ralston Arena was built, that arena was built based on specs for the University of Nebraska, Omaha. That arena was, I mean, the color scheme, everything, and it was

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absolutely discouraging. There are other words that come to mind that UNO announced the day of the opening of the Ralston Arena, they would have their own arena, so.

LINEHAN: Yeah, you're probably stepping on some toes.

LYNN REX: I bet that's true. I'm sure that's true. But I'm just suggesting.

LINEHAN: It's a very good case in point.

LYNN REX: But the point being to your effort or to your question, Senator Linehan, which is an excellent question, the coordination of whatever these projects are, how are they being coordinated? Where are they located? For example, I don't know that some of the players here today that are talking, I don't mean players, some of the individuals testifying for some of the important projects, especially around the Grand Island area, may, may or may not be aware of some of the other things happening around Grand Island that have a tremendous impact on the state of Nebraska because of other projects, because of ARPA funding, because of other things that are happening, so.

LINEHAN: More coordination is better. Yes. Any other questions from the committee? Thank you very much.

LYNN REX: Thank you very much for your consideration.

LINEHAN: Are there other opponents? Anyone wanting to testify in the neutral position? Senator Lindstrom, would you like to close?

LINDSTROM: Thank you. We just had that amendment drafted today, so I apologize to Ms. Rex if she didn't get it. Basically the language in there just says again, located in the city of the metropolitan class to address that issue. The-- the intent of the bill is to make sure that the political subdivision owns and the nonprofits can run it. So there's time-- there's clarification there, we can clean that up. It's not--

LINEHAN: I'm sorry.

LINDSTROM: Well, it's not-- it's not-- we-- the credit in the lending side or the credit to extend it to a 501c3 to the state would-- there would be issues there. So the political subdivision would own the facility and have the 501c3 or nonprofit would be the one that runs it, if we need to clean that up.

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LINEHAN: So the contract-- OK.

LINDSTROM: Yeah, and that's fine. We can-- with that, no problem there. I think that's it. I'll just say, you know, come all these things that are going on in Grand Island, there are certain communities that, and I appreciate people coming in-- certain communities that, you know, have opportunities that may choose to do certain things, like on the gambling side and do casinos, and that type-- there's other communities that don't want to do that and would be like, we'd like to be more, I guess, family focused on that front. And to me, this is again allowing those people in the community to take their own sales tax dollars, invest in their community to provide those outlets for their families and to draw in families from across the region. So I am excited about what we did with LB39, because it seems to be, you know, we draft these bills, you're going to hope it works and it's worked. And I think this is the next step to-- to do that. I think creative arts districts are important. So there are definitely things that we can tweak to get us all on board. But yeah, I would appreciate the committee taking a look at this, making the necessary changes and then kicking this out, if we can. So thank you.

LINEHAN: Thank you very much. Questions from the committee? Thank you very much, Senator Lindstrom.

LINDSTROM: Thank you.

LINEHAN: Did we have-- we had no letters for the record. With that, we'll open the hearing on LB864, and Senator Lindstrom, are you sticking around or-- because I was going to have you take over here for a couple of minutes. Senator Friesen, you want to take over?

FRIESEN: Sure.

LINEHAN: OK, I'll be right back.

FRIESEN: OK. We will open the hearing on LB864. Welcome, Senator Gragert.

GRAGERT: Thank you. Senator Friesen, members of the Revenue Committee, my name is Senator Tim Gragert, T-i-m G-r-a-g-e-r-t, representing District 40 in northeast Nebraska and here today to introduce LB864. The Nebraska Educational Savings Plan, administered by the state treasurer, can be used for qualified higher education expenses at eligible educational institutions. LB864 expands the definition of qualified higher education expenses to allow the funds to be used for educational loan payments for beneficiaries or their-- or a sibling of

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a beneficiary not to exceed 10,000 per person. You may wonder why anyone would want to use 529 plan to repay student loans, since the best use of 529 plan money has been-- is to spend it up-front to avoid the need to take out any student loans at all. However, despite all the planning, sometimes families have leftover 529 fund, as well as student loans, and want to use the leftover money to repay student loan debt. In 2019, the National Association of State Treasurers and their affiliate to coll-- the College Savings Plan Network approved a resolution supporting legislation which would allow use of 529 accounts for student loan payments, as this would increase the appeal and flexibility of the 529 plans and encourage more families across a broader spectrum of household incomes to save a higher-- to save for higher education. The resolution noted that student loans debt continues to increase with about 70 percent of students taking out loans and that 2018 graduates had an average debt of \$29,800. The resolution went on to say that additional flexibility in the use of a 529 account should be encouraged as some children will require more and fewer resources because of the school they attend, scholarships, graduate school and many other variables. Keeping in mind that the overall goal is to increase access to post-secondary education in affordable way. On December 20, 2019, President Trump signed the Secure Act. Two provisions affected 529 plans were included in the legislation. That being the expansion of qualified distribution at the federal tax level to apprenticeships and student loans. First, the expansion to student loans included interest and/or principal on qualified education loans for the 529 beneficiary or sibling. Again, there is a \$10,000 lifetime cap per person. Second, was the expansion of the definition of qualified higher education expenses to include apprenticeship programs. This portion was dealt with last year in legislation introduced by Senator Mike McDonnell. The LB5-- LB564 was amended into or committee priority bill LB432 and passed by the Legislature in May of 2021. The expansion of 529 plans to student loans broadens the prospect usage from saving and paying to repaying as well. LB864 can help families throughout the entire college find-- financial planning cycle for effectively saving, planning and repaying the cost of education. This may encourage more investors to open 529 accounts in the first place. Thirty-seven states have enabled legislation-- have enabling legislation to allow student loans and apprenticeship withdrawals. Two other states, besides Nebraska, allow apprenticeship withdrawals. Three states do not allow either, and in eight states, legislation is pending or the status is not clear. I became interested in this issue when a constituent wrote me last summer. She had a 529 plan for her son. She counseled him to take federal subsidized plan-- or loans and pay the rest of the college

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bill using 529 funds and then use up to \$10,000 to pay off those loans, only to find out that this wasn't allowed in Nebraska. Until Nebraska alleg-- the Nebraska Legislature adopts legislation such as LB864, the use of 529 accounts for repaying student loans would be trig-- would trigger recapture of-- of amounts previously deducted by the account owner and the earnings portion and the withdrawals may be subject to Nebraska state income tax. My constituent is here today to testify, and I will let her provide details of her situation. I contacted the State Treasurer's Office and was told that the State Treasurer Murante-- that State Treasurer Murante would support changing our law to mirror the federal law, thus allowing 529 money to be used for loan payments. I want to thank his office for working with me on drafting this bill. We would all agree that we want to encourage more students to attend college and we want them to avoid debt to the greatest extent possible. Expanding what constitutes a qualified withdrawal under our 529 plans will give families more flexibility in spending the money and that they will work-- that they have worked hard to save over the years. Therefore, I ask your support in the advancement of LB864 from committee. I would be happy to answer any questions you may have. The State Treasurer is here today and may be able to answer more specific questions relating to the College Savings Plan. Thank you.

LINEHAN: Thank you, Senator Gragert. Does the committee have any questions? Seeing none. You'll stay to close?

GRAGERT: I'll stay for close.

LINEHAN: First proponent, please.

JOHN MURANTE: Thank you, Senator Linehan, members of the Revenue Committee. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e, and I am your Nebraska State Treasurer here today in my capacity as the trustee of the College Savings Program. First of all, I want to thank Senator Gragert for his interest in this bill, and I also want to thank you, as Senator Gragert kind of outlined, the process that-- that happens is Congress expands and passes legislation to expand the usage of 529 plans. And then we have to come to the state Legislature and make it operative for NEST specifically. In the past few years, this committee has advanced the expansion for apprenticeships. The Education Committee advanced an expansion for computer and technology services, which just makes the program more flexible for our account owners. So this is a very important issue. Congress has allowed the expansion for repayment of student loan debt, the principal and the interest. We need to make it operative in the

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state of Nebraska and pass legislation so that NEST can be used for that purpose. As Senator Gragert outlined, we're currently approaching 40 states have already done this. So we want to make our program as flexible as any program in the entire country. So we all know the challenge of student loan debt, the burden that it's placing on Nebraska kids and, quite frankly, American kids across the country. And anything that we can do to mitigate that problem, I think, is something that we ought to take under advisement. So I think this is a great idea. I again thank Senator Gragert for introducing it and thank you for your work on the College Savings Program. Be happy to answer any questions that you may have.

LINEHAN: Thank you, Treasurer. Senator Albrecht.

ALBRECHT: Thank you, Senator Linehan, and thank you for being here. So what would happen if a parent left funds in there and the kids aren't going to school? Can they take that out or is there a penalty?

JOHN MURANTE: So there are a couple of options there. First, they could certainly so that the-- they could certainly roll it over to the bene-- if the beneficiary has a sibling, a child. I sometimes recommend that you just keep the money in the 529 account. Wait to see if your kid has a kid and the money can be transferred, penalty free, no-- no problem there. You can certainly withdraw it with a nonqualified withdrawal, but there are penalties for that, both on the state and the federal level. So it's not like if you put money-- you deposit money into a 529 account, it's locked there forever. There are still opportunities there, but there are a couple of options to do it that way.

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

BOSTAR: Thank you, Chair Linehan, and thank you, sir. Can you speak a little bit to the inclusion of the language related to sibling of a beneficiary and why that's being put in here and didn't exist in the act previously?

JOHN MURANTE: Sure, my-- my understanding is that was the-- that was the verbatim bill that passed on the federal level. Behind me is the director from Union Bank and Trust. He's our program manager. He can correct me if I'm wrong about that, but that's-- that's my understanding.

BOSTAR: Thank you.

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

PAHLS: Thank you, Chair. Okay, let's say I have money in my account. I could give that money, could I not, to another individual not related to me?

JOHN MURANTE: No, that would be a nonqualified withdrawal. So, I shouldn't say you couldn't do it, you could do it, but it's an unqualified withdrawal which has a penalty to it.

PAHLS: Thank you.

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

JOHN MURANTE: Thank you.

LINEHAN: Next proponent.

JAY STEINACHER: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Jay, J-a-y, Steinacher, S-t-e-i-n-a-c-h-e-r. I serve as program manager at Union Bank and Trust. We have the privilege to work with the State Treasurer and the state investment officer on the NEST 529 program. Our experience over the last 20 years working in the 529 industry, while there's a lot of knowledge at this table in this room, the average investor, whatever we can do for them to simplify programs is in the best interest. So they establish accounts so they set dollars aside. And I think whenever there's things that are not synced up with the federal law and this would be one of those things. Apprenticeship programs was an excellent addition last year. This would be an excellent addition this year. Whenever you have to explain to someone, yes, your friend in Iowa can repay a student loan, but here in Nebraska, you cannot, it just maybe creates doubt for that individual. So the name of the game that we look at is how can we simplify the program? How can we make sure it syncs up with federal legislation? So we see this as a positive move. We don't see tons and tons of people going to utilize this, but whatever can be done to either help with a college education or to help pay down student loan debt, we see as a big positive for the state, for citizens of the state, for families of the state. So we are a definite supporter of Senator Gragert's legislation. Happy to answer any questions.

LINEHAN: Thank you very much. Yes, Senator Bostar.

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BOSTAR: Thanks, Chair Linehan. Thank you, sir, for your testimony. As our State Treasurer mentioned, the-- this language, specifically I'm talking about the sibling language matches the federal language, is that correct?

JAY STEINACHER: That's correct.

BOSTAR: Do you have any perspective on why that change happened on the federal level?

JAY STEINACHER: I think if you think about it, we see people will set up-- maybe you have three kids, maybe you'll set up three accounts or the way the federal legislation and then the NEST plan works, you could set up one account for your oldest. They finish school and you change the beneficiary to the second child, their sibling, then down to the third. So I think it syncs up with those changes that are allowed in the beneficiary. And I think is a natural then if you-- if you have a son, you pay \$10,000 of their student loan, and if-- if you have a daughter, also, you can change the beneficiary, use it for their college expenses or pay up to \$10,000 maximum lifetime on that student loan.

BOSTAR: OK, it makes a lot of sense. Thank you.

JAY STEINACHER: Certainly.

LINEHAN: Thank you, Senator Bostar. Are there other questions from the committee? So following up on Senator Bostar, but it has to be-- it has to be a familial relationship, is that the point?

JAY STEINACHER: Exactly right. Member of the family and the IRS. I like to simplify it. It's up the family tree, down to the family tree, all the way out to a first cousin that is considered a member of the family.

LINEHAN: Oh, OK.

JAY STEINACHER: Now when you're talking, that's maybe to Senator Pahls's question in regards, can you change a beneficiary? Yes, you can if they're a member of the family. In regards to the student loan, specifically, it's the beneficiary or a sibling of the beneficiary. So there's two different things, I apologize there.

LINEHAN: So not the first cousin?

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JAY STEINACHER: Not in the case of the student loan payment. It would only be a sibling of the beneficiary.

LINEHAN: OK, thank you very much. Are there other questions? Senator Pahls.

PAHLS: Yes, sir. So in other words, if I keep it within the first cousin, I could give them money if I had money sitting in my account?

JAY STEINACHER: If you had money and say you had a son or a daughter and you wanted to then change it, or to a grandchild and you wanted to change it to another grandchild that'd be a first cousin of that beneficiary, you could. So that's where you can change beneficiary to another member of the family for college expense purposes. To Senator Bostar's question in regards to student loans, it's only beneficiary and sibling.

PAHLS: Okay, because I thought I'd done something illegal. (LAUGHTER)
I feel much more relaxed.

JAY STEINACHER: Probably. Very good.

LINEHAN: Thank you, Senator Pahls. Any other questions from committee? Thank you very much for being here. Appreciate it.

JAY STEINACHER: Thank you.

LINEHAN: Next proponent. Afternoon.

BRENDA REICHLE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Brenda Reichle, B-r-e-n-d-a, last name R-e-i-c-h-l-e, and I'm from St. Helena, Nebraska, in District 40. Thank you for allowing me to address you today. Last fall, I contacted my Senator, Mr. Gragert, to ask if he could initiate a process to allow Nebraska's 529 plan to be used for penalty free loan repayments in line with the Federal Secure Act. The federal government passed the Secure Act in December of 2019, and as part of that legislation it allows up to \$10,000 of 529 money to be used to pay off school loans without penalty. I was excited to hear this since I have a son attending the University of Nebraska-Lincoln, and we've been steadily saving since he was a child to try to provide some help with college expenses, even though we can't afford to save very much. He receives a very unpredictable amount of financial aid each year through the University Financial Aid Office, including some federally subsidized loans. Since it is difficult to know how much money he will have to complete his education, I counseled him to take the federally

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subsidized loans when they were offered and pay any remaining student bill using scholarships, grants, 529 funds and money from jobs. If any 529 money remained when his education was complete, he could use up to \$10,000 of his 529 money to pay off those loans. I then discovered my plan had a flaw. Each state must amend their 529 rules to allow this type of disbursement and currently, Nebraska does not allow penalty-free withdrawals for loan repayment from the NEST 529 plan. Students find it difficult to fund their education and pay off their loans with uncertain amounts of financial aid. Allowing 529 money for this purpose seems like a proactive way to help students shoulder this burden with little or no cost to the state. In addition to my son, I have a daughter who plans to start college in the fall of 2022, who will face the same issue. Please considering advancing LB864 to allow the modification of the charter so the NEST 529 money can be used for loan repayment without penalty. This has the potential to help very many struggling college students. And in relation to the Senator who was asking about siblings, you know, if you have kids, you know it's a crapshoot, right? You have-- I only have two children, but they came out of the box as completely opposite as you could possibly imagine. So my son is in the arts and my daughter is going into business. She has the potential of probably getting a lot of her education paid for due to her scholarship and the college she's going into. My son, not so much. And so, you know, the hopes is that, you know, gee, if she can come through college with very little loans, I could use it to pay off his. But that would require LB864 to go forward because he is taking loans right now because he's the older one, and she's following three years behind and we'll see what happens then. So-- so I appreciate you allowing me to testify today.

LINEHAN: Well, I appreciate you very much being here. Is there any-- are there any questions from the committee? Seeing none. I really do appreciate-- this is actually the way it's supposed to work. If you have a problem, you take it to a senator, he writes a bill, you come and testify.

BRENDA REICHLE: You know, I felt a little weird. I'm the only one who's not like representing somebody besides myself. (LAUGHTER)

LINEHAN: I know this is exactly how it's supposed to work. Thank you very much for being here. Did you have a question?

PAHLS: Well, I just saying we had a Treasurer who would listen.

LINEHAN: Yeah, that too, that too. This is how it works. Thank you very much for being here.

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BRENDA REICHLE: Thank you.

LINEHAN: Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator Gragert, would you like to close?

GRAGERT: Very briefly. Thank you, Chairwoman Linehan. I believe LB864 will serve a beneficial service for those saving and paying for their college education of their-- of their children. With the billions and possibly trillions of dollars of college loan debt on the books, I feel LB864 is a way to-- we can help to address this issue. So, thank you.

LINEHAN: Thank you. Wait-- do we have any questions from committee? Do you-- you don't have a priority for this probably, but maybe it could be a consent calendar thing maybe.

GRAGERT: Sure, it'd probably be a committee priority. (LAUGHTER)

LINEHAN: There are a few people ahead of you in that line. OK, we did-- we did-- it was this, yes, we had one opponent, one opponent. Any other questions? Thank you very much for being here.

GRAGERT: Thank you.

FRIESEN: OK, we'll now open the hearing on LB818. Welcome, Chairman Linehan.

LINEHAN: Thank you, Senator Friesen and fellow members of the Revenue Committee. For my record-- for-- my record-- for the record-- reading has never been my strong point. For the record, my name is Lou Ann Linehan, spelled L-o-u A-n-n L-i-n-e-h-a-n, and I represent Legislative District 39. Today I am introducing LB818. The bill amends the Sports Arena Facility Assistance Act [SIC] in three ways. One, it makes the construction of nearby parking facilities up to 700 yards away from the arena an eligible expense for a turn-back tax. It increases the limit the political subdivision can continue to collect in turn-back sales taxes to fund the bonds from \$50 million to \$100 million. And three, it removes the 20-year time limit to pay out the turn-back tax on a specific project. The Ralston Arena, now formerly known as the Liberty First Credit Union Arena, is the only arena project to take advantage of the turn-back sales tax under this act. Omaha and Lincoln developed their arenas under the Convention Center Facility Financing Assistance Act, so LB818 only affects the Ralston Arena. The current parking situation in Ralston has changed, most notably due to the impending construction of a casino at Horsemen's

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Park. The area previously had a deal with Horsemen's for off-site parking. With the loss of 1,000 spots under that option and the continued economic development in the area with the Hinge project, parking is going to be at a premium. They have tremendous economic redevelopment going around the arena and I believe this is a tool for them to continue the progress they have made. I have also, I have also had discussions with representatives of the city of Ralston and I'm confident in their fiscal turnaround. I believe there will be someone from Ralston testifying who will elaborate on that point further. LB818 does not take funding away from the state that it's currently receiving. It simply allows the arena to continue to receive the tax it is collecting to make needed improvements like the parking facility. While the bill only directly affects Ralston Arena, I remind the committee of the indirect effects on the rest of the state and the Civic and Community Center Financing Fund. I think you already know that today. Thirty percent of these turn-back tax goes directly to support CCF. Without these funds, the Fullerton-- yes, you've heard all that today-- and community improvement arts projects. So I'd be happy to answer any questions.

FRIESEN: Thank you, Chairman Linehan. Senator Flood.

FLOOD: Thank you, Vice Chairman Friesen or temporary Vice Chairman Friesen. Senator Linehan, you value the arts, don't you?

LINEHAN: I do.

FLOOD: Are you open-minded as to including creative districts or even redirecting money from this bill to creative districts organized under the Nebraska Arts Council?

LINEHAN: I'm always willing to work with you, Senator Flood.

FLOOD: Thank you, Senator Linehan.

FRIESEN: Thank you, Senator Flood. Any other questions from the committee? Seeing none, proponents wish to testify in favor of LB818.

RICK HOPPE: Senator Linehan, members of the committee, thank you so much for your time to talk today. I am Rick Hoppe, R-i-c-k H-o-p-p-e. I am Ralston city administrator. Parking is a critical resource for economic development. I think we all know that. It is particularly so in a community that has a 4,000-seat arena. As Senator Linehan just mentioned, we have a problem. Warhorse Casino will take 500 spots that we use very consistently and depending upon the time of year and how big the show is, there's an additional 500 spots that are in jeopardy

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for about a total of 1,000 spots. It really jeopardizes the progress we are making in Ralston, as alluded to by Senator Linehan. As she mentioned, we have secured a naming rights partner, Liberty First Credit Union Arena. Liberty First has paid for those naming rights and that has significantly helped the bottom line at our arena. And that is not the only thing that has helped that bottom line. We've hired a private sector management company, Spectra, which manages facilities like ours across the United States. They have secured act after act that has sold out the arena. In fact, last weekend alone, we sold out both February 4 and February 5, a comedian and country artist, Walker Hayes, for those of you who follow country music. They are having a tremendous impact on the operating deficit of the arena. In the middle of COVID, they were able to cut that deficit by one-third and had we not been in the middle of a pandemic, we're confident that that operating deficit would've been cut by more than half. That is not the only good financial news occurring in Ralston. Thanks to some very tough, challenging budget decisions in the 2020-21 budget made by our own mayor here, Don Groesser, we were able to free up cash to pay off \$2.8 million in short-term debt that we had. Now keep in mind, we only have a \$4.5 million general fund, so that was quite an accomplishment to do in a single year. On top of that, we were able to increase the cash balance position of our general fund in our other pots and that has had a tremendous impact. Standard and Poor's, the rating agency, has taken the first of a two-step process to increase our bond rating. We think that's a validation of the direction that we're heading in Ralston in terms of our finances. We are also investing heavily in the Hinge economic development project, which we anticipate we'll have \$200 million in private sector investment before it's all said and done. We have already had \$30 million in investment, including a business incubator, on a smaller scale from what you heard from Senator Wayne's bill earlier today, that is attracting the young talent and the young entrepreneurs that this state wants to keep in Nebraska. In fact, we're proud to tell you that the startup of the year in the metro area is in Ralston, Event Vesta, and they came out of a business incubator that resulted from our public-private partnership. Now, LB818 is key to the success not only of the arena, but this economic development project. In addition to the lost spots from Warhorse Casino, the original planning document for the Hinge project called for an additional 1,500 parking spots to accommodate the commercial and residential growth in that area. In your packet that was handed out to you is a plan put together by HDR that calls for two parking garages; one a 400-stall garage on a surface parking lot adjacent to the arena, the second in 800-stall garage two blocks to the south of the arena that would be across the street from the

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Hinge economic development area, thus creating a situation where both garages function to help both projects and a big boon to the community and in central metro as well. LB818 helps us finance this plan. As you will see from the HDR memo, it is estimated the two garages would cost about \$33 million. We anticipate about \$14 million in interest for a total of about \$47 million. And obviously, those are in today's dollars. We all know the cost of construction is moving very rapidly. We would tell you that the time is now for this bill. We are not-- it isn't if we lose the parking, it is when. And it isn't when the casino opens, it's when the casino starts construction. We have to make arrangements to make that parking replaced. I would only also point out the state is in its strongest financial position in decades, thanks to leadership of this committee, the Legislature, and the Governor's Office. This is something that we think the state can afford to continue the great work being done in the city of Ralston and the economic development of the metro area. Thank you so much for your time.

FRIESEN: Thank you. Are there any questions? Senator Flood.

FLOOD: Thank you, Chairman Friesen. Thank you, Mr. Hoppe, for being here and congratulations on the announcement of your Hinge project and your efforts. I'm looking at your documents here. What is the current bond rating-- and some of these questions are going to be difficult, but I think the taxpayers-- we need to walk-- we need to march through some of these just to understand them. What is your current bond rating?

RICK HOPPE: BB.

FLOOD: OK. And where do you see that going in the next year, five years, ten years?

RICK HOPPE: Well, we think and hope that this spring or in the fall, we'll be raised to BBB, which gets us out of what is affectionately known as junk bond territory. It will really reduce the rate of interest that we pay when we actually bond anything.

FLOOD: It looks like you have reduced your operating deficit by 33 percent and it-- was that last year?

RICK HOPPE: Yes.

FLOOD: And so what is your, what is your-- what was your operating deficit net, I mean, last year? Like, what was the final number, cash flow wise?

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RICK HOPPE: The year before Spectra started, it was almost \$1.5 million. They've steadily whittled that down. It was just under \$1 million last year. And again, as I said, it certainly would have been far less than that had COVID not happened.

FLOOD: What are your project-- so you're in the middle of your-- well, you're, you're closing out your fiscal year on June 30 this year, I assume?

RICK HOPPE: We close our fiscal year at the end of August.

FLOOD: Oh, that's right.

RICK HOPPE: I'm sorry. I want to thank Tim, Tim's-- thank you, that's our finance director there. Go ahead.

FLOOD: How is it-- what is your projection on this fiscal year, all your--

RICK HOPPE: I apologize, end of September. And right now, we would be very pleased if this was in the neighborhood of \$500,000, \$600,000.

FLOOD: So what is making up your deficit right now? What kind of funds are you--

RICK HOPPE: Restaurant tax and keno funds.

FLOOD: OK, so you're not using any of your general fund or are-- you're not using any of your property taxes or any of your sales tax collections?

RICK HOPPE: The bond fund does have some impact. We have a portion of our property tax that does have some backup. So if, for instance, we don't generate enough dollars to pay the debt service on the arena to pay the bonds, that's a backup.

FLOOD: OK, so when it comes to the operating deficit, does that-- year end or do, do you pay that monthly?

RICK HOPPE: We pay it monthly.

FLOOD: OK and that money does utilize the property tax funds or is it mostly keno and restaurant tax?

RICK HOPPE: It's keno and restaurant tax.

FLOOD: And what is your occupation tax on restaurants?

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RICK HOPPE: Is it 1 percent? 2.5.

FLOOD: 2.5 percent and then you-- what is your keno raising here?

RICK HOPPE: I'm sorry. Again, Senator.

FLOOD: What does your keno generate a year?

RICK HOPPE: Oh gosh. I'm sorry. I'm going to have to turn to our finance director.

FLOOD: Well, is he, is he testifying later?

RICK HOPPE: Just-- what's that? He is not, but--

FLOOD: OK.

FRIESEN: Just--

RICK HOPPE: Go ahead.

LINEHAN: You can't--

FRIESEN: Just-- we'll-- and maybe he'll come up--

RICK HOPPE: We'll get--

FRIESEN: --and testify or something, but we can't have this three-way--

RICK HOPPE: OK, I understand.

FLOOD: Well, that's fine. So, OK, so you've, you've gone through hell and back with your, your city's finances.

RICK HOPPE: I think that's a fair statement.

FLOOD: But you are, in your opinion, on a path to, to close that deficit?

RICK HOPPE: We're on a path to close to deficit, yes, or improve it greatly.

FLOOD: When do you think you can get there?

RICK HOPPE: You mean completely close it?

FLOOD: Yeah.

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RICK HOPPE: I'm not sure, from where I sit, that, that completely closing it is a realistic option. But I think what you want to do is get it to a point where it no longer threatens property taxes and we're rapidly approaching that point.

FLOOD: So if we don't authorize this and you-- and the Warhorse Casino comes in, is the Warhorse Casino essentially across 72nd Street?

RICK HOPPE: It's about 10 blocks away, yes.

FLOOD: OK and you're utilizing their parking right now?

RICK HOPPE: Correct, for, for overflow. We, we have about 1,200 spots on the site.

FLOOD: OK, so you get 420 stalls with the parking structure number one. Parking structure number two is connected to the Hinge, is that correct, the Hinge development?

RICK HOPPE: The part-- the-- yes, the Hinge development is across Main Street, about two blocks to the south of the arena.

FLOOD: OK, so I don't know a lot about Hinge, but creditworthiness of the developer, is it underway? How much of it has been built out?

RICK HOPPE: About a \$10 million residential project has been completed. We're in the midst of completing a \$20 million residential commercial and that business incubator that I mentioned earlier.

FLOOD: OK, so will you be charging for that parking in parking structure number two?

RICK HOPPE: Senator, the people of Ralston and expect to park in front and they expect to park for free. I doubt whether I would get away with charging much of anything. In a more serious note, I wouldn't charge the parking itself, but we do have to have a plan in place for the eventual replacement of parking garages and their upkeep and maintenance. So I imagine we'd have to figure out some sort of small charge, whether that was for residential and commercial parkers associated with the Hinge or some other project.

FLOOD: Will you have-- will that parking garage number two consist of, like, a mixed-use parking garage, similar to what you were probably part of in Lincoln that Senator Landis--

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RICK HOPPE: Our-- it's funny you mention that because we are in the midst of developing a creative district and one of the things that this-- the folks in that creative district would do would like to create a food truck park on-- in the bottom level of that parking garage.

FLOOD: Well, now that you said creative district, we're gonna be fine.

RICK HOPPE: I, I knew it was coming.

FLOOD: No, I, I appreciate it. I think we need to understand what's going on here, but you think there is an imminent harm coming to the Ralston community if we don't address the parking situation?

RICK HOPPE: I think it will really harm our tenants to the arena. And as I just mentioned, we're starting to sell out shows. It's just not-- it won't allow people to feel like they had a good experience at the arena if they struggle to find parking.

FLOOD: Thank you.

FRIESEN: Thank you, Senator Flood. Senator Albrecht.

ALBRECHT: Thank you. Thank you for being here and explaining this. Where is the actual event center, is this it?

RICK HOPPE: That's it, yes, at the top.

ALBRECHT: So this is one of the parking areas--

RICK HOPPE: Yes.

ALBRECHT: -- and, of course, the one right next to it.

RICK HOPPE: Yes.

ALBRECHT: So how do the people get from here to there?

RICK HOPPE: They'll either walk or take a shuttle. We provide a shuttle service right now from Horsemen's Park to the arena.

ALBRECHT: OK. And so, will one structure-- is, is one structure already underway?

RICK HOPPE: No, we have not done anything with the planning yet. We don't have the finances to do it at this point and why we're here today.

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ALBRECHT: Um-hum and you're asking from us how much money?

RICK HOPPE: It would double the amount we can take under the turn-back sales tax, so \$50 million.

ALBRECHT: Fifty. Have you gone before Appropriations at all or have you just been here with us?

RICK HOPPE: We've just been here. This path started last year when Omaha introduced their bill, which was substantially similar to ours.

ALBRECHT: OK, thank you.

FRIESEN: Thank you, Senator Albrecht. Any other questions from the committee? Seeing none, thank you for your testimony.

RICK HOPPE: Thank you.

ANDY POLLOCK: Chair Linehan, temporary Chair Friesen, members of the committee, my name is Andy Pollock, A-n-d-y P-o-l-l-o-c-k. I'm here as a registered lobbyist on behalf of Nebraska Travel Association. I won't say much. I'll keep my comments brief. I'll not dig into the nuts and bolts in the bill. The travel association has been a watchdog, if you will, on all bills affecting the sports arena financing fund, the convention center financing fund, in particular, the Community-- or Civic and Community Center Financing Fund. All of those funds have been economic drivers across the state. They attract tourists to large and small towns. They're important to quality of life. We support this bill. I would step up and testify on the other two bills, but we decided not to overdo it with you. We are watching those two and I would simply close by asking the Chair and the committee that if changes are made to these bills, that we just simply be part of that conversation. With that, I'd be glad to try to answer any questions.

FRIESEN: Thank you, Mr. Pollock. Any questions from the committee? Seeing none, thank you for your testimony.

ANDY POLLOCK: Thank you.

FRIESEN: Other proponents.

LYNN REX: Senator Friesen, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here in strong support of this bill. We appreciate Senator Linehan introducing, as we did appreciate you,

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Senator Pahls, introducing the Omaha arena bill. And with it, I just want to add my testimony from LB927 and LB919, even though we opposed LB919, having that testimony also apply to this hearing for those that are looking at this down the road in the years to come, because we just want to underscore, again, the importance of what these three arenas have meant to other municipalities in the state. And that's how it was intended to be so then your small cities and the villages and everyone can have access to these types of funds and improve their communities as well. So we really appreciate Senator Linehan doing it. We appreciate your efforts, Senator Pahls, and I'm happy to answer any questions that you might have.

FRIESEN: Thank you, Ms. Rex. Senator Bostar.

BOSTAR: Thank you. Senator Friesen. Thank you, Ms. Rex. You brought up the previous bills, so I have a question that's sort of related to those, the lending of the credit of the state and the concerns therein regarding nonprofit participation in some of these programs. So I looked, it looks like the bill you referenced previously was LB564 of 2019. Does that sound correct?

LYNN REX: I don't recall that number. If it was by Senator Bolz and it came through the Urban Affairs Committee, the answer--

BOSTAR: Yes.

LYNN REX: Then it would be, yes.

BOSTAR: And, and I also noticed that you supported that bill.

LYNN REX: Yes only to find out that at that, at that point, though, there were efforts underway with amendments to partner with the municipality in that regard.

BOSTAR: And it looks like the green copy of that bill actually started with partnerships with municipalities, including participation and ownership of municipality having to have a majority share of ownership. So that still was considered unacceptable?

LYNN REX: It-- there was, there was a-- that was a moving-- it, it's hard to say in terms of how that bill-- all the negotiations that went into it. And there are parts of it that we supported, parts of it we did not-- we initially did not. Then we thought we could negotiate something on that, only to find out in the end it was unconstitutional.

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BOSTAR: And in the end, it looks like the final amendment struck all of the nonprofit language because I'm assuming that was--

LYNN REX: Well, to be clear, the bill was then-- it-- we came back through the Urban Affairs Committee and that language was repealed.

BOSTAR: OK and then ultimately ending up with language--

LYNN REX: So only municipalities, cities, and villages can access those funds.

BOSTAR: And there was subprovision about a partnership with other political subdivisions?

LYNN REX: Yes, that two political subdivisions could go together.

BOSTAR: Where the munic--

LYNN REX: That's my recollection. I don't have it in front of me.

BOSTAR: --where the municipality had to maintain a minimum of 50 percent ownership stake?

LYNN REX: Well, yeah. I mean, basically there's various versions and I don't know which version you're referencing. What I can tell you is that-- unequivocally, that nonprofits in and of themselves don't have access. It's unconstitutional is my understanding, based on everything that we looked at at that time, to have access to the CCCFF. That's why the bill had to go back, we had to repeal the bill the next year and did.

BOSTAR: OK, thank you very much.

LYNN REX: Yeah, you're welcome.

FRIESEN: Thank you, Senator Bostar. Any other questions from the committee? Seeing none, thank you for your testimony.

LYNN REX: Thank you very much. Thank you.

FRIESEN: Any other proponents? Seeing none, anyone wish to testify in opposition to LB818? Seeing none, anyone wish to testify in a neutral capacity? Seeing none, Senator Linehan waives close. Were there any letters?

GRANT LATIMER: No.

FRIESEN: OK. With that, we will close the hearing on LB818.