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[AGENCY 72]

SENATOR HEIDEMANN: Any other questions? Thank you for bringing LB420 before us. With that, though, we will close the public hearing on LB420, and open up the public hearing on Agency 72, the Department of Economic Development. [LB420 AGENCY 72]

RICHARD BAIER: (Exhibit 2) Good afternoon, Chairman Heidemann, members of the Appropriations Committee. For the record, my name is Richard Baier. The last name is spelled B-a-i-e-r. I am the director for the Nebraska Department of Economic Development for about the last four years. I'm here to provide additional background and answer questions you may have relative to DED's proposed budget. First, let me begin by saying I understand the difficult decisions that you are making regarding our state budget this year. We've all had to make some significant sacrifices to keep spending under control, and that's the reason why I'm only going to be addressing specifically two of these items today recommended from your committee. As a reminder, our statutory mission is to maintain and develop the economy of the state, and to provide opportunities for the people which will enhance and expand the quality of their lives. As a reminder, we have three unique divisions: Community and Rural Development deals with issues like affordable housing, community planning, and infrastructure development; Tourism, which is fairly self-explanatory in terms of marketing and development of our state's tourism industry; and the third component in terms of Business Development, and that includes a variety of things including business retention, business expansion, new business creation, and business attraction. Our field staff and our international effort are also part of this development effort. Your committee's recommendations followed closely the Governor's proposal, with the exception of two changes that I will address today. The first change is in program 603, which is our Business Development Division, and relates to funding proposed by the Governor for the Nebraska Advantage Job Training Program. The second is in program 601, which is Community and Rural Development. This area relates to the request for

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additional staff to support our growing Nebraska Affordable Housing Trust Fund. Let's begin with a conversation about the Advantage Training program. Obviously, a readily available skilled workforce remains a top concern for growing and expanding businesses. This is evidenced by recent national site selection studies and rankings. In light of Nebraska's tightening labor market, the importance of a readily trained workforce is fundamental to our continued economic development growth. During the 2005 legislative session, LB716 was introduced by Senator Engel to provide up to \$25 million in new job training money to the Nebraska Department of Economic Development's Customized Job Training Program. This bill was heard before Banking, Commerce and Insurance, and was advanced to the full Legislature for consideration. However, the bill was never debated on the floor. As the Nebraska Advantage package began to gel in its entirety, it became clear the Governor Heineman, many legislative leaders, and numerous economic development supporters felt compelled to include enhanced job training funds as part of the Nebraska advantage package to improve Nebraska's competitive position. Senators Engel and Don Pederson then introduced an amendment on the floor to set aside up to \$15 million from the Cash Reserve Fund to support the Advantage Training program rather than hold separate debate on LB716. The sole intent of this program enhancement is to provide flexible and responsible job training, incentive programs designed to foster the creation of new jobs, and support the skill enhancements of our existing workforce in Nebraska. DED has worked diligently to incorporate and expand the use of Nebraska's community colleges in training programs since the passage of the funding increase in 2005. Unfortunately, we did realize and confronted a new reality of business operations as our program was implemented. That is, many of our large companies have developed their own internal proprietary training programs, confidential databases and customer lists, limiting the opportunities to offer Nebraska-based customized training through the community colleges. Under these circumstances, a requirement that companies use community colleges in order to receive training grants may not be viable. However, we believe that Nebraska's community colleges play an important role in providing workforce skills to our residents in developing Nebraska's economy. Strong effort has been made to encourage the use of

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the community college training programs by our grant recipients. A handout highlighting some of these activities was provided to you previously, and was hand delivered to your offices. Clearly, we recognize the concerns of Nebraska's community colleges and our partners relative to this program and will continue to work with them to find ways to better leverage their connection with our training clients. To increase the opportunities for community college involvement, I worked with Dennis Baack, of Community College Association, last week to amend our grant application. This amendment will include wording that will specifically say, and I refer you to item number 14 in the attached application, basically, it allows for prenotification of the community colleges about the need for training. And I won't bore you by reading the exact language when you have it before you. A copy of the amended application, as well as a draft of the letter that we will send to the community college presidents are attached for your reference. This change, we believe, will give the community colleges more advance notice about potential projects in their respective regions, we'll also provide them an opportunity to become more proactive in our joint effort to work with growing employers in our state. Also, to help answer some of the questions that I've received from some of you one this committee, I would also like to explain the application review process that applicants go through to apply for training funds. Only businesses involved in primary industries are eligible to apply for these grant funds. Interested companies must submit a formal application, highlighting their expansion plans, the types of positions being created, and expected pay and benefits. Please note that only full-time production positions and not administrative or support positions qualify for grant funding. Upon receipt of the application, DED then reviewed the application for accuracy and compliance. An internal Business Development Team then reviews the application and makes a funding recommendation. I, as DED director, consider this recommendation and then make a final grant amount decision and notify the Governor of said decision. Finally, a contract is drafted and signed between the state and the company. Grant levels for eligible applicants range from \$500 to \$3,000 per job, based upon the types of positions created, types of training required, the proposed pay scale and fringe benefits packages, amount of capital investment, industry type, geographic location, and

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evaluation of whether this project would occur in Nebraska without this support. Eligible training activities can include specialized curriculum, trainer time and cost, training materials, and limited on-the-job training time. Special emphasis is made not to support ongoing training and/or bricks and mortar. Also, only 50 percent of eligible training costs are reimbursable through the state. Despite the fact that this program has been in existence for more than two years, only a small percentage of the awarded grants have been drawn down from the state in terms of dollars. We recognize that this has been part of your discussion. Please note that many of these job training applicants received grant approval when their project was announced publicly and long before they even started facility construction or the hiring process. Once a company sends in the proper documentation outlining their eligible costs, DED staff conducts an audit to verify the documentation and reimburses the company for eligible costs. As outlined by statute, all companies with job training contracts have until July 1 of 2008 to spend the money allocated to them, and they are aware of that when they enter into their agreement with the state. We believe when all is said and done, we will have invested nearly \$12 million of the appropriation that we received in 2005. We remain committed to the fundamental goal of our economic development effort, and that's truly knowing and understanding the needs of our customers. Clearly, the demand for these training funds over the past two years reinforces the fact that many of our growing businesses recognize the value and flexibility of this program and the importance of a trained workforce. Without this program, I personally believe that our list of projects located in our state would be much shorter. Attached to this written testimony is copy of a letter from Mark Sweeney. Mark is a nationally recognized site selection consultant from South Carolina. This letter highlights the importance of our discussion today. This fund also services two vital functions. First, it gives us the incentive fund to persuade companies that are considering alternative sites and locations that we just referenced. I will tell you that the new Verizon Wireless project, that's coming here to Lincoln, was won by a relatively small margin. And this Advantage job training program played a large role in finally convincing them to commit to Nebraska. As of the first of this year, we had 55 confirmed contracts with all kinds of different companies across the state, and 21 additional

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projects that we have committed to, but not yet signed contracts, because they've not selected a final location. The Advantage training program also provides Nebraska's workforce with an avenue to more easily enhance the skills of our workers, rather than just creating bodies that fill jobs in our state. This is extremely important in a day and age when our state's population competes globally with every state and other countries for these new opportunities. And I will site as an example the Novartis project, here in Lincoln, where our competition was Novartis's sister plant in Indiana. Let me reiterate, the discussion really gets back to an economic competitiveness issue. Nebraska has made great strides in our overall economic development efforts in recent years. Not funding this program or making vast changes in its implementation would represent a step backward in our history of progress. I urge you, the committee, to aside \$10 million for the next biennium as provided in LB323 and recommended by the Governor for the Job Training Cash Fund. The second issue I'd like to address is our proposed increase in staff for the administration of the Nebraska Affordable Housing Trust Fund. As you probably know, the federal government continues to decrease the amount of money they provide to support our state's ongoing affordable housing efforts. Fortunately, the trust fund continues to see increased levels of funding, with an all-time high of \$11 million expected in 2007. This is an increase from \$3.2 million in 2003. This increase in support for enhanced affordable housing programs through the trust fund does not come without increased workload. The committee's preliminary recommendation for Program 601 did not include funding for the additional administrative costs associated with this increase. I request that these additional cash appropriations be included in your final recommendation. With that and recognizing our time constraints today, I would be happy to address any questions. I do know that we have several companies here, who have used these job training grants, that will be here to testify immediately following my comments. [AGENCY 72]

SENATOR KRUSE: Thank you, Mr. Baier. Are there questions? Senator Wightman.
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SENATOR WIGHTMAN: Now, both of these I gather from looking at my notes and the information we have are cash funded, is that correct? The affordable housing comes out of... [AGENCY 72]

RICHARD BAIER: Affordable housing is through the cash fund, the job training dollars have been out of the cash reserve. That was a cash reserve transfer, that's correct. [AGENCY 72]

SENATOR WIGHTMAN: That was out of the cash reserve, you would take money out of the cash reserve to do that. [AGENCY 72]

RICHARD BAIER: That is correct, and that is the way it's been proposed under the Governor's bill this year. [AGENCY 72]

SENATOR WIGHTMAN: You originally were \$7.5 million, you're now saying \$5 million, is that correct? [AGENCY 72]

RICHARD BAIER: Yeah, that is correct. Our original presentation and request to the Governor was to refund the program at \$15 million. We sat down and made an evaluation, as the administration, with the Governor's Office, believed that \$10 million more accurately reflects what we will see in a demand for the coming biennium. [AGENCY 72]

SENATOR WIGHTMAN: And the Governor approved this at a \$5 million level? [AGENCY 72]

RICHARD BAIER: Five million dollars per year, correct, \$10 million over two years for the biennium. [AGENCY 72]

SENATOR WIGHTMAN: Thank you. [AGENCY 72]

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RICHARD BAIER: You bet. [AGENCY 72]

SENATOR KRUSE: And that is continuing from cash reserves? [AGENCY 72]

RICHARD BAIER: Cash reserve transfer, that is correct, Senator Kruse. [AGENCY 72]

SENATOR KRUSE: Other questions? Mr. Synowiecki. [AGENCY 72]

SENATOR SYNOWIECKI: Thanks, Rich. Looking at your statutory mission, community rural development, tourism, business development, workforce development, training issues, is your department the reservoir of expertise on workforce development issues, or perhaps Department of Labor? I guess, I'm trying to figure out why these funds go to DED, if it's truly a workforce development tool, if it's truly used to update and provide curriculum for workforce in the state of Nebraska, talk to me why this doesn't go to the Department of Labor, for example, or through some kind of hybrid with community colleges and the Department of Labor, stuff like that? [AGENCY 72]

RICHARD BAIER: Sure. Yeah, it's a good question, Senator. We see this money really falling into line 3 of that front page there, which is our area of business development, both in terms of existing business, as well as business attraction. When this program was designed, it really was designed to foster job creation. So in terms of looking at companies that are locating in Nebraska, doing major expansions in Nebraska, most of that contact comes through us. And so that is part of the reason that it's been sort of under the umbrella of DED is that it's been part of our negotiation package for business expansion in the state. That's really the reason it wound up at DED. It was really there as a way to foster job creation. We also work, and I will tell you, I sit on two other groups, look at other kinds of efforts. More on a statewide effort, I sit on the Future Force Board, I sit on the Worker Training Board, and a variety of other activities as well. So there's pretty good integration in terms of what all the organizations are up to that

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deal with this topic. [AGENCY 72]

SENATOR SYNOWIECKI: Does your department, Rich, have the people on staff that have the expertise to evaluate these applications relative to curriculum and those sorts of workforce development issues? Just to make sure that we're getting the outcomes that we should be getting if these are associate level degree programs, are they certification programs? I know a lot of them are internal. And who on your staff...do you have like a Ph.D. level person when it comes to workforce development type issues? [AGENCY 72]

RICHARD BAIER: We don't have a Ph.D. level, I do have a couple of Ph.D.'s in my Research Department that do a lot of work for us, analysis. Tom Doring has been there forever, I think. Tom has been there probably as long as I've been alive, and does a great job in terms of identifying trend analysis. And again, we have a great relationship with the Department of Labor. This program really wasn't designed...what I will tell you, at least from my perspective, and the discussion that I was involved in three years ago, was not designed, even when it was originally created in statute, was not designed as a--let's build a four-year program. It was really designed to get folks up and running quickly. And you know, I know technology will talk with you about their experience in Ainsworth in just a couple of minutes, and trying to find ways to be able to get people up and running, and up to speed quickly, rather than dragging them through a two-, or a three-, or a four-, in some cases five-year, some of our kids now, in terms of a program. This is really focused, short-term training to get folks up to speed, get them up and running. [AGENCY 72]

SENATOR SYNOWIECKI: Because as you know, when this went through the Legislature a couple of years, and appropriated funds, there was a little bit of heartburn on the floor. And it was told to us that the community colleges would be engaged, the apprenticeship programs throughout our state would be engaged with this process. And it seems that that has not been the case. And that's been part of the discussion in the

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committee, as you know, Rich. [AGENCY 72]

RICHARD BAIER: Sure. Oh, I know it has. And I've talked with most of you. I understand that issue, and again I recognize our community colleges are strong partners of ours, and that's part of the reason we're sitting down with Mr. Baack trying to find ways to leverage this process. I think you will hear again from a couple of our applicants who are saying, look, we spent thousands of dollars developing our own system. For us to be able to farm that out, train a trainer, and go through that process doesn't make it relevant. So what we've been trying to do is focus more on industry-specific kinds of development, and let me give you a couple of examples. One of them is in terms of ethanol with Northeast Community College. We have identified, obviously, and you heard in the prior hearing about the growth of ethanol in our state. And so one of the things that we identified with the ethanol industry, and their plant managers were coming to us saying, we can't find qualified people. As you imagine, if you put down an ethanol plant that's going to hire 50 people in Wallace, Nebraska, it can be a bit of a challenge to find the 50 people with the skills that you're looking for. So we recognized somewhere there's probably a hodgepodge in there, because there probably is a need for more of a curriculum type program. There's also a need for these plants that are coming online to get up and running quickly, so that's where we've been trying to focus our efforts with the community colleges, more in, how do we kind of build that continuum of education with the community colleges? It has been a struggle. I will tell you that we have not gotten the use out of the community colleges that I would like. We will continue to work with their association and with their presidents to try and bring that level up, but I can't make any guarantees in terms of what the companies want to do, recognizing again, to be honest with you, that our first priority is to the companies that we're working with. [AGENCY 72]

SENATOR SYNOWIECKI: Thank you. Thank you, Mr. Chairman. [AGENCY 72]

SENATOR KRUSE: Thank you, Senator. Senator Engel. [AGENCY 72]

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SENATOR ENGEL: One thing, in your new application now, you are notifying all the companies that you're dealing with that...rather notifying all the community colleges in advance of the companies that you're talking to, so that they do have the opportunity to contact those companies themselves to show what they can offer them to help with their costs? Is that correct? [AGENCY 72]

RICHARD BAIER: That is correct, that is correct. And a copy is included, it's on the highlighted section, it looks like this in your packet. [AGENCY 72]

SENATOR ENGEL: Okay. [AGENCY 72]

SENATOR KRUSE: Senator Fulton. [AGENCY 72]

SENATOR FULTON: Thank you for your testimony. Could you inform us what happens if the contrary of what you're requesting happens? If we do not fund this, what happens as far as your competitiveness with other states in attracting new business? [AGENCY 72]

RICHARD BAIER: Sure. Well again, I want to start by directing you to Mark Sweeney's letter, that's on the back of your packet. We have spent, and I will tell you it's been a painstaking couple of years from a travel perspective for some of us because we have been very diligent about promoting the Nebraska Advantage Program across this country. We have been from one end to the other. We have met with CEO's, site selection consultants at existing corporate headquarters, and we have basically put out an all-out blitz to market this program. And one that I will tell you about, similar to what we see from Mark Sweeney, was at the IAMC Conference, last week, and had a chance to visit with Ron Polana (phonetic), another leading site selection consultant. Both of them referenced this job training program as being flexible, customizable, and efficient. I think if we don't fund the program, we really take a step backwards in the eyes of the

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people who are watching us. We had the good fortune, this past year, that Nebraska, for the first time, moved up on the Forbes Magazine list and we became the seventh best state in the country to do business. I think it's because of the things that we've done through this Legislature and the partnership that we've done to grow our state over the last two or three years. And there's a lot of activity and a lot of energy spent to get us on those rankings and move us up that level, Senator. I'm afraid, if we begin to eat away at these programs we're back to where we were three years ago, and in the process we've wasted an awful lot of time and energy trying to sell our state, because we're taking another tool out of the tool box. Sort of an electric screw driver back to a hand screw driver with a stud screw. [AGENCY 72]

SENATOR KRUSE: Thank you, Director. Senator Wightman. [AGENCY 72]

SENATOR WIGHTMAN: Rich, is it one of the things with the organization that rates the states, that it's a friendly place to do business, their tax rated well? [AGENCY 72]

RICHARD BAIER: That is part of the study. [AGENCY 72]

SENATOR WIGHTMAN: So they're going to question hitting a happy medium between increasing tax rates to support the programs, I suppose, and you will concede that that is part of the mix in determining this? [AGENCY 72]

RICHARD BAIER: It is part of the mix. Typically, Senator, and I'll give you an example. It would not be uncommon for us to get a rating form from one of the national rating agencies, it might have 45 or 50 different factors--taxes, housing costs, labor cost, you know, all of those kinds of issues kind of wrapped up into one power cost--reliability, telephone, all those things. So, yes, I would agree with you. But it gets to be very complex when you start to look at all the issues put together. [AGENCY 72]

SENATOR WIGHTMAN: Thank you. [AGENCY 72]

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RICHARD BAIER: You bet. [AGENCY 72]

SENATOR KRUSE: Thank you...oh, Senator Nantkes. [AGENCY 72]

SENATOR NANTKES: Hi, Richard. Thanks so much for joining us here today and providing this helpful information. Number one, I want to commend you and your agency for the work you've done in promoting the Nebraska Advantage Act and helping to draw business and economic development opportunities into our state. And you briefly mentioned that you've been crisscrossing the United States in those endeavors. And I was wondering, in those discussions that you've had with business and with site selectors, how many times, if you could just ballpark it, did those economic development professionals or business owners ask about whether or not, within the context of our right to work state, if we had fair share opportunities available and in place? [AGENCY 72]

RICHARD BAIER: That's a good question, Senator. It does come up on most of those, again, on those rating forms that we see every year. We also see it, depending on the industry, it's typically in the top ten of items, the right to work issue, in general. They don't get into the specifics. But we're seeing it now in terms of...we had a company bring us the issue from Iowa the other day, you know, kind of this ongoing debate that's going on. And I'll let that policy issue up to you folks. But it is usually in the top ten, especially if it's a manufacturing firm. [AGENCY 72]

SENATOR NANTKES: But just to be clear, what's in the top ten is whether or not Nebraska is a right to work state? [AGENCY 72]

RICHARD BAIER: That's correct. [AGENCY 72]

SENATOR NANTKES: Thank you. [AGENCY 72]

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SENATOR KRUSE: Thank you, Director, appreciate it. [AGENCY 72]

RICHARD BAIER: Thank you. [AGENCY 72]

SENATOR KRUSE: And we'll take the next proponent for DED. [AGENCY 72]

GLEND MILLER: Hello. My name is Glenda Miller and I'm the vice president of worldwide operations for PayPal/eBay. I'm very happy to speak today to the committee. Had the pleasure of meeting with other folks from the local government last week when we opened up our second location in Omaha. And I'll tell you why I'm so happy to speak about this. I found most of those questions quite interesting. And would love to speak to any of those specifically, because I can say that without these type funds, I think, our state would not be in the running for retaining and attracting viable, strong corporations. I can speak to the fact that personally I've been involved in the majority of our operation selections around the world, including Europe and Asia. And while there are many things that influence that decision, I believe the conversations will probably not get started without these types of funds. It is seen as a...you know, it is a strong part of any business case. And I also think that without this type of action on the part of the state that it is an indicator of how well a partnership can go in the future. I would also say that, you know, it's...when you to do a business case and you look at the cost to locate, I really would be happy to talk more specifically about what we, you know, in generalities about what we invest. But the offset of these funds typically will pay for a lot of the technology that we have to bring to the state. I will close by saying that PayPal's general approach to business is that what's good for business is good for PayPal. And I believe this type of program is critical to the state of Nebraska. I'll close with that. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you for your testimony. Is there any other testimony in the proponent capacity? [AGENCY 72]

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JULIE YOUNKIN: Chairman Heidemann and members of the committee, my name is Julie Younkin, Y-o-u-n-k-i-n, and I'm vice president of Your Selling Team and Technogent. They are sister companies privately held and headquartered out of southern California, with operations in north central and western Nebraska. We opened a business-to-business call center in north central Nebraska in 2003. We have 50 employees at that call center, and we are servicing Fortune 500 customers. So we are in a different capacity than PayPal, we are always an outsource solution for Fortune 500 companies to utilize us when they do not have the quality labor to fulfill their own customer interactions. We're within 30 days of completing construction on our second call center, which will be located in western Nebraska, and that call center facility will hold around 100 employees. Our corporate headquarters, as I said, is located in southern California, so I want to talk a little bit about the reason why we chose Nebraska. It was very attractive, initially, due to the owner of our company being from Nebraska, attending college in Nebraska. But then he had moved later on to southern California. The primary reason, I will tell you, that we came here and continue to grow here are because of the rich incentives. The company chose Nebraska because of the benefits offered by the Department of Economic Development. We did use a CDBG grant for both of our call center locations, as well as job training funds. The job training funds, to us, are instrumental for our operations through our implementation phase. Our business runs on advanced technology, and we also support the high tech marketplace. So six to eight weeks of an employee's initial employment with us they are not producing revenue, they are nonprofitable. So these training funds have helped us subsidize those nonrevenue generating employees, up until the point where they can, you know, initially run on their own. The use of the training funds also allows us to offer employment to a nontraditional candidate. Since we are located in rural areas, we have many applications for employment by very quality people, but they just have not had the expose of business-to-business to technology that the metro areas offer. So the training funds have allowed us to take people from an agriculture or retail background and train them on an entirely different skill level. And this has a real rippling effect for the entire community, because then the training...you could virtually say that these training funds

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are then making investment into lives and into the communities and into economic stability. I just want to say it's really not just about the training of the employees that we're talking about here in either rural Nebraska, or Omaha, or Lincoln, it's about staying competitive as a state to be a resource of quality labor. Companies are going to develop in those states that offer the best incentives. The training funds allow us to be competitive. We are going to continue to grow our organization, that's inevitable. Our growth goal is 500 employees by the end of 2008. We do have the relationships initialized to create those jobs. We would love to grow them all in the state of Nebraska. And today that is our intentions, however, we also have to make solid business decisions that make sense. We have to build and grow in communities in the U.S. that are both reliable and scalable. Last week we met with one of our Fortune 500 customers, and they asked us the question, can you ramp to 200 employees in a short period of time? And they were talking 12 to 16 weeks. And then we were told that our competition for those 200 jobs is in Budapest and Saboo, Philippines. So then it becomes a much larger issues, and that's about keeping jobs in America. In 2002, we were featured in the New York Times about the rural initiative that we're taking to fulfill our contracts. And fortunately for Nebraska, unfortunately for our organization, we thought the article was going to really give us exposure, but it gave the state of Nebraska more exposure about keeping jobs in America than it actually gave our company the attention. But that's good for Nebraska. We want to grow in Nebraska. We have to grow in labor markets that will allow us to ramp quickly and efficiently, and the state of Nebraska does indeed have some very tight competition. With CDBG funds dwindling, and now the consideration of training grants being taken from corporations, the corporations that really have the fuel to, you know, charge the economy, training is a huge expense for any company. And when you can show a business how to offset that expense, then you're appealing and the surrounding states are doing that. That will keep Nebraska really in the game when we are competing for new business from quality organizations. So I'm really here not as just a Nebraska employer, but also an economic developer for the state. And I appreciate you allowing me to communicate the fact that we really need to protect our competitive positioning in the marketplace so that we can

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continue to attract companies to do business right here. [AGENCY 72]

SENATOR HEIDEMANN: Thank you for your testimony. Is there any questions? Seeing none, thank you for coming in today. Is there any other testimony on this agency budget? [AGENCY 72]

TOM WHALEN: (Exhibits 3, 4, 5, 6) Good afternoon, Senator Heidemann and members of the Appropriations Committee. My name is Tom Whalen, T-o-m W-h-a-l-e-n. I'm serving as chair of the Nebraska Chamber of Commerce and Industry this year. I was born and raised in Nebraska and have worked my entire career in this state. I'm very proud of be a Nebraskan. I'm here to offer testimony on behalf of the Nebraska Chamber of Commerce and Industry, the Nebraska Diplomats, the Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, and the Nebraska Economic Development Association. The Nebraska Legislature passed crucial economic development legislation in 2005, as you're aware. Our state and its citizens are beginning to see some of the substantial benefit of business growth and job creation resulting from those initiatives. Commitments for well over \$3 billion in investments have been made, and over 9,000 new jobs created to date. Included in that economic development package was the Nebraska Customized Job Training Advantage, which provides training assistance on projects that offer an opportunity for economic development in the state, will help ensure Nebraska's workforce skills and competencies are kept current with respect to the rapidly changing requirements in the marketplace, and that will allow for a flexible and discretionary approach to custom designing the job training requirements for each participating employer. Eligible businesses must invest capital in plant, equipment, or technology. And as appropriated by the Legislature, funds are available for those companies that sell goods and services primarily to non-Nebraska markets. Most likely those will be manufacturers, processors, warehouses, and possibly headquarter facilities. Businesses whose activity is mainly retail or selling services to a local market are not eligible. Administrative support personnel, management, and facility maintenance personnel are not included in those

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training activities. Only projects with a start and end date are considered for funding, as the program was not intended to fund ongoing training programs. The Nebraska Legislature now faces a crucial decision regarding continued support for Nebraska's industrial training incentive plan. This is a crucial issue to our state and its future economic development. It is an investment decision, not just a cost decision. Employers considering locating in Nebraska will always consider the economic incentives available in any location decision. Businesses currently located in Nebraska will always consider the economic incentives available to them if they are to grow and expand their operations in our state. The business community does not expect this state, nor any other state, to fund all of their training. They clearly recognize that keeping employees' skills and knowledge up-to-date is critical to the success of their enterprise and is simply a cost of doing business in today's world. Yet the simple facts are that funds are available to help reduce these costs in other states. The decision businesses will make on whether to locate in Nebraska or expand in Nebraska will be based principally on economics. As provided for in the Nebraska Customized Job Training Advantage, we have the opportunity to favorably influence those decisions. The Nebraska Chamber and the other organizations I represent here today believe it is in Nebraska's best interest...its best economic interest to commit to full funding of such a program. It is an investment decision which can return great dividends for our state and its citizens. Thank you for your consideration. [AGENCY 72]

SENATOR HEIDEMANN: Is there any testimony...(laughter), any questions? Is there any questions? Seeing none, thank you for your testimony. [AGENCY 72]

TOM WHALEN: Thank you. [AGENCY 72]

CINDY JOHNSON: Senator Heidemann and members of the Appropriations Committee, my name is Cindy Johnson. I'm the president of the Grand Island Area Chamber of Commerce, and I'm testifying here today in support of the Job Training Advantage Program. Grand Island actually had the opportunity to utilize the training

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grants that were made available in 2005 by developing our first ever Welders Manufacturing Coalition. Six manufacturing companies, along with our Central Community College, our Economic Development Corporation in Grand Island, Workforce Development, and the Chamber of Commerce came together and developed a program that would put welders in the businesses four weeks after starting training. As mentioned earlier, being able to hit the ground running, when you're training new individuals, and being able to meet the businesses needs is absolutely critical. We went to Central Community College as one of our primary partners early on in the process and said, this was a need of the business community, as identified in 2005. They all agreed, the manufacturers that I mentioned all agreed that it was a primary concern, and as a result we were able to generate \$45,000 in local revenues to be applied against this program. We were able to receive a grant from the state of Nebraska, through the Job Training Program, in the amount of \$28,000. As a result, we have 38 individuals who are trained in basic welding skills and that are now in the welding workforce. We have 11 that were able to expand their skills and pass the advanced welding training, so they were able to increase their pay from approximately \$9 to \$12. The six businesses that I'm referencing here today as part of the coalition hire and employ over 1,800 people. Those companies are Chief Industries, Chief Automotive, Case IH, MFS, CXT, and Standard Iron. And obviously, there is a concern about the cost of doing business. And some of the previous speakers have visited with you about that. My concern is strictly on the ability for the businesses to have access to the training dollars through this program at a time when they need it. As mentioned earlier, we were fortunate that the businesses were able to come together, work to meet their own needs, and at the same time utilize some of the training funds that were available through the Job Training Program. In closing, I'd like to thank you for your support for this program, and thank you for the funding that has already been made available and that Grand Island was able to capitalize on. Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Thank you for your testimony. Is there any questions? How much money was your grant? [AGENCY 72]

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CINDY JOHNSON: Twenty-eight thousand. [AGENCY 72]

SENATOR HEIDEMANN: Twenty-eight thousand. Okay, thank you for your testimony. Any other testimony on this agency's budget? [AGENCY 72]

ROBERTA PINKERTON: (Exhibit 7) Good afternoon, Senator. Roberta Pinkerton, the last name is spelled P-i-n-k-e-r-t-o-n. Members of the Appropriations Committee, I appreciate the opportunity to talk with you. I work with the Omaha Public Power District as their community economic development coordinator, but I'm here today as a representative of the Nebraska Microenterprise Partnership Funds Board of Directors. I'm going to shift gears on you a little bit and testify in support of the Microenterprise Development Act and a request for increased funds. I do have a couple of people who are here with me today: Jeff Reynolds, who is with the Rural Enterprise Assistance Project, which most of us recognize as their acronym REAP, R-E-A-P; and Jaine Troxel, who owns a small business in Fairbury, Nebraska. And they are also going to testify in support and tell you a little bit about their perspective with the Microenterprise Development Act. You're receiving a packet of information that, on the front, has a business profile that is specific to your district that will share some information about a business that has been affected by these funds. There is also an attachment that shows some of the programs across the state of Nebraska that are working in the microenterprise area. There are ten of those programs that currently are receiving funds through the Microenterprise Development Act. REAP is one example of those funds, the Juan Diego Center, Catholic Charities in Omaha is another example, and you can look through the list and find those who are representative of your area. Together those ten programs served over 4,200 clients in the year ending June 30, 2006. They provided services, including self-employment training, technical assistance, and micro loans that were needed to stabilize and grow businesses. We realize the difficulty at hand of the task that you have at hand, determining priorities to be funded. But we want you to know that the services that have been delivered, under the funding from the

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Microenterprise Development Act, have had a great impact on small business across the state and it is a good investment of tax dollars. Although many have been served, there is a far greater number of businesses that are unaware of these services, and we feel that this is the year that we would like to see some increased funding and increase those numbers of businesses that are impacted. For your benefit, I would just like to restate the definition of microbusiness in the Microenterprise Development Act. Microenterprise means any business, whether new or existing, with five or fewer employers, and includes startups, home-based businesses, and self-employed businesses. These businesses form the base of Nebraska's economy. Historically, most businesses in Nebraska have started with one or two individuals and then grown in our small towns across the state. Over 85 percent of the businesses in Nebraska right now have four or fewer employees, That equals over 132,000 businesses in Nebraska that have four or fewer employees, it impacts the states economy. Just briefly, let me tell you in the ten years since the passage of the Nebraska Microenterprise Development Act what we've been able to do. Programs like REAP, the Juan Diego Center have loaned over \$6.8 million to microbusinesses; the average loan size is only \$8,179. Over 15,000 individuals have received business management training or technical assistance from these programs. Clients in all 93 of Nebraska counties received services. These clients report over 7,400 jobs in their businesses. In your packet, you'll see some graphics that show a steady increase in both the number of people receiving training and the number of loans that have taken place over that ten-year period. In addition to the microprogram loans in 2005-2006, programs leveraged nearly \$2 million in loan funds from public and private sources for loans to businesses. The Microenterprise Development Act requires a two-tier match for state funding. The organization that I represent, the Nebraska Microenterprise Partnership Fund provides a 25 percent match, and the programs, such as REAP, then provide another 25 percent match. For the year ending June 30, 2006, the nonstate match was over 11 times the state funding; the nonstate match was \$5,218,000 to match the state funds of \$447,750. We think that's a good investment of your state dollars. There's still a lot of unmet need, however, across the state. The ten programs that I mentioned earlier that utilize these funds have done some surveys, and

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they have reported a need for an additional \$1.96 million in operating and loan capital yearly for the delivery of loans, training, and technical assistance to microbusinesses. They've also reported a need for patient capital for use in making near equity loans to businesses that are growing. They estimate that over \$1 million is needed for that purpose. And then we also have several communities that are starting loan pools. And we have had some experience working with Hastings in helping to put dollars in their loan funds, and we'd like to work with some of those communities. In order to meet those needs we'd like to ask the Appropriations Committee to increase the funding for the Microenterprise Development Act to \$1.5 million for each of the next two years. What will we do with that increased funding? Primarily, we'll make more loans. We'll help the programs to be able to reach out and reach more businesses. We'll work with the refugee and immigrant communities specifically to provide some microfunds, and we'll also work with some of the communities that are looking to add funds. Those are just a few of the examples, and there are some additional ideas of how we can increase the awareness and help businesses to know that these funds and this technical assistance are available in your packet. I'd also like to reference an article. I don't know how many of you were able to read the World-Herald this morning, but there was an editorial in the Omaha World-Herald that supports additional funding for microenterprise. And I just want to read a little bit of that, in case you didn't get a chance to read the paper. The successful principle is the same, lifting people out of poverty doesn't always require massive investments. Nebraska's economic development strategies need to embrace macro, as well as micro, the recruiting of major employers of hundreds, the expansion of local firms that employ dozens, and the nurturing of enterprises of one or two. For an example, one only needs to recall the origins of Cabela's on a kitchen table in Chappell, Nebraska, to recognize the maximum possible pay off. So I think I will stop at that point. And if there are any questions that I can attempt to answer, I will do that, otherwise I'll introduce Jeff Reynolds. [AGENCY 72]

SENATOR HEIDEMANN: Senator Engel. [AGENCY 72]

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SENATOR ENGEL: I understand your default rate on these loans is quite low, is that correct? [AGENCY 72]

ROBERTA PINKERTON: That's correct, it is very low. And Jeff can tell you what their specific program default rate is, but it's extremely low. Part of that reason with the reprogram specifically is that it's pure lending. And there's not only lending, but there is also some assistance and some work with the businesses to make sure that they are making a good decision, first of all, and to help them in making future decisions and keep their business on the right track. So it's more than just a lending program in many of those situations. [AGENCY 72]

SENATOR ENGEL: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Any other questions? Seeing none,... [AGENCY 72]

ROBERTA PINKERTON: Okay, thank you very much. [AGENCY 72]

JEFF REYNOLDS: Chairman Heidemann, members of the committee, good afternoon. For the record, my name is Jeff Reynolds, spelled R-e-y-n-o-l-d-s. I'm the director of the Rural Enterprise Assistance Project, REAP, a program of the Center for Rural Affairs. REAP is a full service microenterprise development program and offers lending, loan packaging, training, one-on-one technical assistance counseling, and networking opportunities to microbusinesses on a statewide rural basis. The Microenterprise Development Act Funds are a critical component to the success of REAP. These funds allow us to leverage other funding sources and provide a base of support that is needed for long-term viability. In our case, we use these funds to leverage our small business administration Women's Business Center funding. REAP is well known as a program that continually strives to reach maximum scale in Nebraska. REAP has a very long list of possible activities to build skill, but funding is necessary to do this. Many of our staff have been with our program for multiple years and are considered experts in this field.

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Just to give you a few examples, REAP staffer, Gene Rahn, at Atkinson, has placed and leveraged over \$4 million in loans. We need more Gene Rahn's in the field. REAP staffer, Adriana Dungan is piloting Hispanic work in northeast Nebraska. We would eventually like to cover the state with Hispanic services for entrepreneurs. Our program conducted over 80 trainings, last year, across the state of Nebraska. This work is coordinated by Monica Braun, our REAP WBC director. In addition, REAP would like to further develop and enhance many other things. A few examples are: an innovative REAP online lending system which provides statewide access for microloans. Across the United States there's a handful of programs that have an online lending system, we're one of those programs here in Nebraska. Further, we'd like to develop and implement online assistance options for entrepreneurs to include possibly a business plan builder that's done online, so anyone in the state of Nebraska can go online. If they don't have a computer, they can go to a local library and work on a business plan. We'd also like to develop new lending products. We feel microenterprise programs in Nebraska are primed and poised to achieve to achieve scale on a statewide basis. We need more funding to do this. And as Roberta referred to the LB327 report, which is in your handouts, clearly shows the growth over the last ten years, and I think clearly states to our sincerity about achieving scale in Nebraska. I thank you for your time. Before I turn it over to Jaine Troxel, who is an entrepreneur from Fairbury, I'd be happy to answer any questions, if you have any. [AGENCY 72]

SENATOR HEIDEMANN: Senator Harms. [AGENCY 72]

SENATOR HARMS: How many people do you help through the REAP program?
[AGENCY 72]

JEFF REYNOLDS: We average working with 700 to 800 people a year. [AGENCY 72]

SENATOR HARMS: I'll tell you, I'm familiar with the REAP program and the microenterprise, and I have to commend you on what you do, because I think it's our

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only hope for the cottage industry, and it's the fastest growing in the nation. [AGENCY 72]

JEFF REYNOLDS: Thank you. [AGENCY 72]

SENATOR HARMS: I think anything that we can do to keep this alive in Nebraska, particularly in rural America, it has great...it's a good program. I applaud you for what you're doing. [AGENCY 72]

JEFF REYNOLDS: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you for your testimony. [AGENCY 72]

JEFF REYNOLDS: Thank you. Thanks. [AGENCY 72]

JAINE TROXEL: Good afternoon. My name is Jaine Troxel and this is a first for me. It's really interesting. It's kind of fun. And thank you for what you said, that was wonderful. I'm here to speak on behalf of the REAP organization. I own a business in Fairbury, Nebraska called Doozy's. I started this business in 2002, after the previous owners decided that it couldn't make it in Fairbury. We're a restaurant that serves pizzas, subs, salads, and a variety of other things and our bread, which is homemade, as well as our pizzas. We're located in downtown Fairbury on the square. My customer base is mainly businessmen and high schoolers in the evenings and farmers. I have quite a variety of people who come into visit. I do have annual visitors, certain customers that come from Texas, Wyoming, Colorado. I had a family, one time, planning their trip from Colorado just to get to Doozy's for lunch; it was really nice. We also do catering for various events in the area. Now, I employ eight part-time employees, mostly high schoolers, and Mindy, who is mentally challenged, and she's definitely a treasure from God, not that the high schoolers aren't, but she really is. I say all this to say that I more than likely

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wouldn't be here if it wasn't for the REAP organization. While trying to figure out where the funds were coming from, Glennis McClure (phonetic), who's no longer with REAP but who helped me with my business plan and technical support and filling out all the business plans, she was able to help me locate funds to buy the business and to buy the equipment that I needed for the business. But then I needed money to do the startup, to have all my product there for people. And that's when REAP stepped in and they helped me get the funds that I needed to start just to have the food to serve the customers. I feel that REAP needs to be multiplied to reach many more businesses like mine. I have plans to expand my business by adding a meeting room. And I'm probably going to start by going to REAP, to ask for assistance. And when other folks who are...there's been people in Fairbury who have started small businesses there. And whenever they've come to ask me where I got my funds, REAP has always been the one that send them to because they've been a big help to me. Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Thank you so much for coming and testifying today. Are there any questions? Seeing none, thank you. [AGENCY 72]

TOM TOMASER: Good afternoon. Senators, my name is Tom Tomaser. I'm a successful entrepreneur from Omaha. Some of my credentials include my first successful venture, you recognize the Midlands Business Journal right up on the front page. Share that with Ike Friedman of Borsheim's and Rose Blumkin of Nebraska Furniture, so I felt it was a very substantial honor to be on that business magazine. I'm here to testify very strongly on behalf of this entrepreneur program. I started this business with \$5,000 of borrowed cash; it turned into a \$2.1 million business in five years. We employ 30 hourly employees and 5 management employees. I've had a string of successes, I've been blessed. This was by far the best. What was just said about getting training, to learn how to develop business, you've heard, a mind is a terrible thing to waste, but a great idea that can't be born is just as bad. And what happens is these entrepreneur has these fantastic ideas, but you need the seed capital to get started, and then this part about the training, understand how to manage a

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business is crucial as well. I learned it hard knocks. Going in at 4 in the morning, worked until 10 at night, hire an accountant and an attorney to teach you the language of business, how this business speaks to you, so that you can speak to bankers, you can speak to customers, you can speak to suppliers in a language that they understand. I'm ready for my fifth successful project. I know how to make a business plan. I'm going to drop this on the desk of some of these microenterprise lenders to get my new project off the ground. It's a dog training DVD. For two and a half years, before I started this business, I was down in central Kansas, just south of Superior, and Jewel County, and I had a hunting guide service, where I took people from all over the country that wanted to shoot the wily ringneck out hunting. And it was successful. My kids grew up and went to college, had kids and got married, and I had to do something else. But I'm ready to get this one off the ground. And like I said, I feel very strongly that that million bucks that they're asking for would be well spent and well returned, because entrepreneurs are cut from a different cloth. John...Senator Synowiecki probably remembers Carl Fromm started the business in south Omaha as Union Packing Company, was the first beef kill to go to 300 an hour, and I worked in that plant. I spent 20 years in the packing house business before I went into the by-product business, and that's what this...this was a by-product. They were throwing fetal calf skins away, and I said, what a waste, there's a market for them, and we sold 70,000 a year of them, and we produced a high quality product that was in big demand for the Israeli trade, to make the Jewish judoka, Torah scrolls, mezuzah megillah, and I was the number one producer for 20 years. And that's the bulk of my testimony. I thank you very much for allowing me to come and testify on behalf of this wonderful program. And if you have any questions, shoot. [AGENCY 72]

SENATOR HEIDEMANN: Senator Nelson. [AGENCY 72]

SENATOR NELSON: Thank you very much. I'm from Omaha. I did not get your name, and I could not see the Midlands Business Journal article there, so I have no idea how you started out. Could you just briefly...I can't read it from here. [AGENCY 72]

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TOM TOMOSER: Okay, I'm sorry. My name is Tomoser, T-o-m-o-s-e-r, Tom Tomoser.
[AGENCY 72]

SENATOR NELSON: Okay. [AGENCY 72]

TOM TOMOSER: And in 1981, I had been in the packing house business since 1960, and back in Buffalo, where I started, my boss, Jewish guy, would let me skin the fetal calves and peddle them. I'd maybe be able to skin five or six a day, after work, take them to a hide peddler, and sell them to him. And I kept saying when I get out to Omaha, and these guys are getting 200 a day, and there's 20 packing houses in Omaha when I got here, I said, there's a business, we can make truckloads of this stuff. I just needed the money and the place, because I had the customer. I had the customer, he comes and he said, here, I'll give you half the money up front. But I needed 5 grand to get started and we borrowed that and we got started. Then this customer, once he saw my stuff, he said, for 15 years I look for a man like you, now God brought me to your door, he brought me to your building. (Laughter) How much do you need? Reached in his pocket, brought out \$30,000 laid it on the table, said, that's half for the first order, if you run out, call me, I'll bring you more. And he didn't send it, he brought it. [AGENCY 72]

SENATOR NELSON: Good. Okay, thank you very much. [AGENCY 72]

TOM TOMOSER: Okay. Anybody else? [AGENCY 72]

SENATOR HEIDEMANN: Any other questions? Seeing none, thank you for coming in.
[AGENCY 72]

TOM TOMOSER: Thank you very much, senators, appreciate the opportunity.
[AGENCY 72]

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JON BAILEY: Good afternoon, Mr. Chairman, members of the committee. My name is Jon Bailey, J-o-n B-a-i-l-e-y, and I'm the director of the Rural Research and Analysis Program at the Center for Rural Affairs in Lyons, Nebraska. And I'm going to shift gears on you again. I come before you today to request an increase in the appropriation for the Building Entrepreneurial Communities Act, that is within the Department of Economic Development budget, to \$1 million per year. The Building Entrepreneurial Communities Act, or BECA as it's commonly known, supports regional collaborations in rural Nebraska for projects that generate and sustain wealth in economically distressed communities through entrepreneurship, leadership development, youth engagement, and local philanthropy. The BECA program recognizes these are proven revitalization strategies and also to meet the demographic challenges of rural Nebraska. Nebraska ranks among the lowest states in the nation in the percentage of its population in peak earning years with that challenge concentrated in rural areas. That means fewer taxpayers and more people needing state funds for items like schools and healthcare. As the Governor states in his State of the Union Address, one of the most important long-term investments Nebraska can make is in creating opportunities for young people and young families to build lives and businesses in its communities. And BECA recognizes that and provides investment for those type of strategies. However, because of the terms of the BECA program and its current funding, support is limited to the number of communities that can implement these revitalization strategies. More communities deserve the opportunity to shape their future. If LB232, which Senator Karpisek has designated as his priority bill, is adopted by the Legislature, more communities will be eligible for BECA grants and the strategies that BECA funds. And BECA could even be more limited without additional funds as more communities become eligible for the grants and the strategies that BECA funds. Five other testifiers will follow me and will discuss the need for additional BECA funding. Thank you for your consideration of this request. And I'd be happy to answer any questions you may have. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you for your

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testimony. [AGENCY 72]

JON BAILEY: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Out of curiosity, at this time, how many other people are going to testify on this agency's budget? There should be at least five. (Laugh) Just five, okay. If you'd keep it as short as possible, if you have written testimony, if you could just hand it in and summarize, we would appreciate it. But take your time, you've made the trip. [AGENCY 72]

JEFF YOST: (Exhibit 8) Good afternoon. My name is Jeff Yost, I'm the president and CEO of the Nebraska Community Foundation. Kirk is handing around some background information for you. In an attempt, Senator Heidemann, to summarize this information, I will attempt to do exactly that. The Nebraska Community Foundation started in 1993, and since then we've been growing at a fairly rapid pace, helping communities to do exactly the sorts of things that are contained within this BECA legislation that was passed two years ago and the Appropriations Committee generously allocated \$250,000 a year to that. Within that spirit, there are enormous opportunities, a couple of which I want to further familiarize you committee members with. I apologize, it's Y-o-s-t. In 2001, the Nebraska Community Foundation completed analysis of both the magnitude and peak of the transfer of wealth from one generation to the next for Nebraska in each of its 93 counties. Based on national research completed at Boston College, we estimate that \$258 billion will be transferred in the next 58 years, or pardon me, in 50 years in Nebraska. Of this amount, we estimate \$94 billion will be transferred in rural Nebraska, that's constituted as 750,000 people living in communities of 10,000 or less. More absolute, more important than this absolute number is the timing of this with 86 of 93 counties experiencing their peak transfer of wealth between now and 2039, 24 very rural counties experiencing their peak transfer of wealth before 2014. If you'll look at those attached materials, you'll see for your individual counties there are both some graphics, as well as some numbers that we'll go through, and you can see

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your particular district. By comparison, the peak transfer of wealth in the United States will not occur until after 2050, if ever, as each year our nation continues to become more populace in welfare. In rural Nebraska, commonly referred to as land rich and cash poor, engaging the middle class in better estate planning to ensure they include gifts to sustain their hometowns is essential to realizing this transferable opportunity. Today there are 84 Nebraska Community Foundation community-based affiliated funds that are actively building endowments using the transfer of wealth as a call to action. These total endowments and confirmed expectancies for these funds now exceed \$33 million, which is three times the \$10 million that was realized five years. We now have over 1,500 community volunteers that are actively helping to raise these monies, and today there are 44 of these community-based affiliated funds that have more than \$100,000 in endowment and expectancies in place. Again, you can reference the map that's in there and all of the communities that are in bold and in larger font are those 44 funds that have more than \$100,000 in endowment expectancies. Many of these community endowments in rural Nebraska are being build in communities with limited financial capacity. The transfer of wealth analysis is helping many leaders to understand the extensive wealth in their community, even though personal incomes in their place may be very modest. The transfer of wealth can be a transformational opportunity for Nebraska and its communities. If just a small percentage, say 5 percent of this SMA transfer is given to endowments for community and economic development, the income stream could be \$250 million annually that could be used to sustain these sorts of efforts. Tools such as BECA are key to enabling community leaders to begin developing and sophisticating strategies for community development economic renewal and beginning conversations with community members about their opportunity to sustain their place. With youth out-migration and brain drain continuing to be the most profound economic threat to our rural places, BECA and other tools are essential to helping community leaders to bridge the funding gap that will exist until these community endowments begin to generate an annual income stream. Increasing the annual investment in BECA to \$1 million, combined with the revisions referred to in LB232, will enable even more Nebraska communities to access the resources necessary for them

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to form strategies and action plans to build vital and sustainable economic development for their hometowns. Combined with the community endowments being built throughout Nebraska and the opportunities afforded through the transfer of wealth, a \$1 million annual investment holds the promise of erecting a bridge. And I want to emphasize that I think we're really looking at BECA as bridge funding, to get to this opportunity, to build these endowments and sustain these sorts of programs. However, if we do not act now and act decisively, the unique investment opportunity afforded by the transfer of wealth could be lost. So with that, I'll be happy to answer any questions. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? [AGENCY 72]

JEFF YOST: Thank you. [AGENCY 72]

SENATOR HEIDEMANN: Thank you. [AGENCY 72]

BRIAN THOMPSON: (Exhibit 9) Thank you for allowing me to come testify to the committee, Senator Heidemann. My name is Brian Thompson, T-h-o-m-p-s-o-n, and I am the vice president of external relations for Consolidated Companies. We are a telecommunications company here in Nebraska that currently employs around 48 full-time employees, plus several part-time employees during our peak seasons. We provide telephone, Internet and cable television service in western Nebraska. I've provided you this handout to be a very graphical representation of what I'm going to say today, and I'm going to try and move right through it in terms of summary, to be quick for you and then answer any questions you might have. If you turn to the second page, you'll see a map of the service territory that we provide service in, to nearly 30 communities in Nebraska. Our communities are very rural and very small in size. And we continue to work with those communities on economic development efforts and have been working with them toward reading out to the BECA program and becoming grantees for that program for their economic development strategy. If you go onto the third page, we looked at the wealth transfer information from the Nebraska Community

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Foundation back in 1999. And we found that many of our communities peak wealth transfer time period was about 2010, or three years from now. We used that as kind of a call to action, and we decided to be a leader in doing the following things--we first wanted to emphasize and fund entrepreneurial education; we wanted to help establish community endowment funds through the Nebraska Community Foundation; and in 2002 we created six challenge grant programs for some of our communities and counties. Within that, we also recruited area alumni to fill the job openings that we have. And find that to be an extremely challenging process in recruiting folks back to Nebraska due to the very tight labor market in this state. With that, we learned that a little bit goes a long way. We challenged our six communities and counties to raise \$6,000 locally, and we would contribute \$3,000 annually over each 12-month period. We created a five-year contract with each of those communities to do that. The funds would then go into a community endowment so interest earnings could be used for grants for the community, and those grants would be directly toward economic development. I'm sure the question you're asking me is then, how did that work? Well, if you go to the following page, that starts out with a summary of our progress of 12-31-06. Fund number 1 that I bring your attention to is the Mullen, Nebraska and Hooker County area fund that we've contributed \$12,000 in the last four years to, and locally they have come up with \$247,000 to build their endowment. That's only been in operation since May of 2003, and that's about a 20 to 1 return on our investment. Behind that is also the wealth transfer scenario which I'll...Jeff really hit well in his conversation, so I won't belabor that. The next one is Fund number 2 in Eustis, Nebraska, where we had started in 2004, and contributed \$9,000 over three years, and they have locally contributed over \$80,000 to their endowment fund, which is again a 9 to 1 return on our investment. Following that is again their wealth transfer scenario. And the third fund I'd bring your attention to is Thedford and the Thomas County area, where in 2004 we created a challenge grant there. And local contributions of around \$96,000 to our \$9,000 match, so again a 10 to 1 return on our investment. In closing, I testified on the BECA program when it was brought to the Legislature as LB273 back in 2005. And Consolidated has had an enormous success in building challenge grant process

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and endowments in our communities. Our small communities need to use the BECA program in an updated form to recruit employees and families back to fill the vacant jobs in our area. And as I said, the low unemployment rate in Nebraska makes that challenging. Eustis and Thedford are both in the research stages of completing an application for the BECA process, but without it being refunded, and hopefully refunded at the higher level, that effort will be a moot point, because they will no longer have the program to use. Our communities have had time to build local assets in our endowment funds to use for the matching portion of this program. Those earnings from those endowment funds can be strategically planned to be used for development and recruiting. This program is well suited to these very rural parts of the state that my company services. And that's the only type of communities that my company serves. And so I'm here on their behalf because they typically don't have the resources to bring someone from the Economic Development Corporation in, because in places like Thedford they don't have a paid staff person. Our communities are still learning however, because in the BECA program we have to find two subdivisions of government to cooperate on this process. And that sometimes is a challenge when you're talking about bringing the city and maybe county commissioners together to agree on creating a BECA process. So if there are any questions for me, I would be happy to answer those. Thank you for your time. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you for coming in today. [AGENCY 72]

BRIAN THOMPSON: Thank you. [AGENCY 72]

PAT HAVERTY: Good afternoon, senators. My name is Pat Haverly, H-a-v-e-r-t-y, I'm the director of River Country Economic Development in Nebraska City. I'm here to testify today in support of the increased appropriation of the BECA program. Our community was a recipient of a BECA grant. I'd like to give you just a little information about what we're doing with that program and some interesting side issues that have

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come out of that process. We did receive a \$6,000 matching grant. Participating communities are Nebraska City, Auburn, and Tecumseh. But we also have other financial and collaborating partners in the process: RCEDC, my organization, Auburn Economic Development, Tecumseh Economic Development, the Rural Enterprises System Project, who you've heard speak today, the Southeast Nebraska Edge Coalition, and their match money was funded through a federal home loan bank jobs grant. And we also have received some technical assistance from the UNL Extension at the Kimball Education Research Center, there in Nebraska City. The opportunities for training from this grant are open to the entire southeast Nebraska area, and that's the way we're promoting that, not just to the three communities that are involved in the grant application. Just a quick synopsis of what we're trying to do, in the interest of time. We're going to have a number of entrepreneurial trainings in each of those communities. We're going to market all across southeast Nebraska. We're going to use the UNL Bit (phonetic) Mobile, to do some e-commerce, e-knowledge, eBay, pod casting training, that's for business or tourism. We're also having some networking events for REAP students, REAP graduates, ed graduated, ed students, current business owners, local government leaders. We're trying to get these folks together to network and possibly find some mentors for some potential entrepreneurs. We're also using some of these funds to update an existing web site to provide electronic resource for business owners and potential entrepreneurs, specifically in southeast Nebraska. BECA has provided not only assistance with the financial resources for our attempt to foster an environment of entrepreneurship, but has also forced us to open dialogues with our neighbors so that we can work collaboratively on making a positive impact on our areas economy. An interesting side issue that has come out of this, these aren't issues that are in the BECA grant, but these have occurred since we've had these dialogues, we are currently getting ready to have a southeast Nebraska job fair. We're working with the Workforce Development Office on that; that will be held in April. And possible projects we've discussed are also a southeast Nebraska leadership class, a Workforce recruitment project, that's a piece of what's included in LB232, and we've also talked about some collaborative tourism opportunities. Increasing the appropriation

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for the BECA grant program will allow additional communities to expand their ability to provide programs to entrepreneurs. And we think it's important that we provide opportunities to possibly bring or retain our youth back into our area. And that's all I have for you today. I'd be happy to answer any questions. [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions for Pat? Seeing none, thank you for coming in today. [AGENCY 72]

PAT HAVERTY: Thank you. [AGENCY 72]

WES BLECKE: Chairman Heidemann, Appropriations Committee, thank you for letting me speak today. My name is Wes Blecke, W-e-s B-l-e-c-k-e. I'm from Wayne, Nebraska. I represent the Wayne Area Economic Development, Incorporated. I will forego some of the written comments, just in lieu of time. But mainly I wanted to let you know a little bit about what we're doing up in Wayne, Nebraska with a BECA grant. We received \$13,000 on top of our match of \$13,000. The cooperating entities with our Economic Development Corporation is the city of Wayne, Wayne County, as well as the Northeast Nebraska RC&D, the local chapter there. We received some cash from those entities, as well as obviously some administrative support and different things like that, that they're going to assist us in doing. I want to touch on three main things that the grant is going to help fund. I'm kind of going in reverse order here, two of the things we have not done yet. But we are going to hold an economic development summit in May to address the other two things that I'm going to talk about. But we're going to bring in speakers and focus on entrepreneurialism and also inventors, which I don't think has been mentioned today, as well as a planning giving aspect. The planned giving has not taken place yet, but is in the works. And we want to do the same thing that Mr. Yost had talked about with wealth transfer and all of that. And we'll be using their Community Foundation to foster some of those conversations. The most exciting thing, because it already has started taking place, is an entrepreneur and inventors club that we actually just launched last Thursday. So it's very fresh in my mind. Our goal was to get ten

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people there. I think ten people isn't a lot, but in our area ten people that have ideas that would like to put them into action would very impressive for us, at least for this initial meeting. The BECA goal...at the end of the BECA period of about a year and a half would be 50 people. Well, the first night we had 40 turn out. And we had people from Tekamah, from Bloomfield, from Neligh and around the area, not just Wayne, Nebraska show up. So we're very excited about the possibilities this club is going to have, the first of its kind in Nebraska. We're using Terry Whipple (phonetic), from Genoa City in Wisconsin, as a model for this. And we've very excited that it's been very successful in Wisconsin. We're hoping the same things will happen in Nebraska, of course in northeast Nebraska, but in Nebraska as a whole. So with that, I'll conclude my comments and if you have any questions... [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Seeing none, thank you for your testimony. [AGENCY 72]

WES BLECKE: Thank you. [AGENCY 72]

KEVIN BURNISON: Chairman Heidemann, committee, my name is Kevin Burnison, that's B-u-r-n-i-s-o-n. I work with the Southeast Nebraska Development District, officed out of Humboldt, Nebraska. My opportunity here today is to put a point of passion on the team presentation you just heard. We are passionate about providing professional support in rural Nebraska to groups such as Pat's River Country Economic Development. We are passionate about being able to respond to those entrepreneurs out there that are looking for an opportunity. At SENDD we look to utilize those small opportunities that can have a big impact. BECA is fairly new. We feel the added financing for BECA would provide that small, incremental step that will make an impact in rural Nebraska. That's my testimony. Any questions? [AGENCY 72]

SENATOR HEIDEMANN: Are there any questions? Thank you for testimony and for coming out today. [AGENCY 72]

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KEVIN BURNISON: Thank you, Lavon. [AGENCY 72]

SENATOR HEIDEMANN: Is there any other testimony on this agency's budget? Seeing none, we will close up the public hearing on Agency 72 and open up the public hearing on Agency 29, Department of Natural Resources. Welcome. [AGENCY 72 AGENCY 29]