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Revenue Committee
January 19, 2007

[LB4 LB9 LB240 LB264]

The Committee on Revenue met at 1:30 p.m. on Friday, January 19, 2007, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB4, LB9, LB240, and LB264. Senators present: Ray Janssen, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Carroll Burling; Chris Langemeier; Don Preister; Ron Raikes; and Tom White. Senators absent: Abbie Cornett. [LB4]

SENATOR JANSSEN: Good afternoon, ladies and gentlemen. Welcome to the Revenue Committee hearings for this afternoon. I'd like to introduce the members of the committee that are here at the present time. To my far left is Senator Don Preister from Omaha, and on his right is Senator Carroll Burling, and to my immediate left is Senator Cap Dierks from Ewing, vice chair of the committee, and to my far right is Senator White from Omaha, his left, Senator Langemeier, and to his left is Senator Ron Raikes. Erma James is our committee clerk on the far right. And George Kilpatrick is counsel. I don't know where he went, but he'll be back. A few things I'd like to tell you. The first thing is please turn off your cell phones and pagers while in the hearing room. It's very annoying to hear one of those go off and there is a fellow with a red coat on back there, if that does happen will take care of that situation. The sign-in sheets for the testifiers are at the back...I think they're on each side, aren't they, Erma? All right. And if you would complete them before you come up, if you're wishing to testify today. If you're testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to your coming up. When you come up to testify hand your sheet to the committee clerk on that end of the table. There are clipboards at the back of the room, you can sign in if you do not wish to testify and would like to indicate your support or opposition of that bill. These sheets will be included in official record. I will follow the agenda as posted on the door. The introducer or the representative will present the bill followed by the proponents and opponents and those in a neutral capacity. Only the introducer will have the opportunity to close on his remarks. As you begin to testify, state your name, please, and spell it for the record. If you have handouts, please bring 10 copies for the committee and the staff. If you only have the original we will be glad to make copies for you. Give the handouts to the page to circulate to the committee. Counsel has joined us and I guess we're ready to go. We'll hear four bills today--Senator Pahls, Senator Preister, Senator Langemeier, and Senator Hudkins. Senator Pahls is here and he's going to tell us all about providing income tax credit and adjustments relating to long-term care insurance. All right, Senator Pahls, it's all yours. [LB4]

SENATOR PAHLS: Thank you. [LB4]

SENATOR JANSSEN: And we're very anxious to hear what you have to say as we were yesterday (laughter). [LB4]

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SENATOR PAHLS: (Exhibit 1) I appreciate that. You know you need all kinds of help here. My name is Rich Pahls, R-i-c-h P-a-h-l-s. I represent District 31 which is the Millard of Omaha. Today, as Senator Janssen--chairman and the rest of you, I appreciate you taking the time to listen to my comments--today, I need to talk about LB4. And this of course, as Senator Janssen said it does deal with long-term care insurance which I believe is a priority, or should be a priority, to many people or more of a priority. In the current fiscal year, '06-07, Medicaid represents 18 percent or \$559 million of the state general fund budget of \$3.1 billion. And although the projections for increases in the next two years are slightly less, the average annual increase for Medicaid general funds over the past five years has been 7 percent. The growing Medicaid budget keeps the Legislature from addressing other expensive issues such as a meaningful tax relief. We need to find a way to curb reliance on the Medicaid program to fund long-term care. LB4 is part of that solution. LB4 provides an incentive for taxpayers to purchase long-term care insurance. Personal responsibility for long-term health care is better than relying on the state. It protects the taxpayers' personal assets and is generally cheaper than relying on a state agency or bureaucracy. Under this bill, any taxpayer who purchases long-term insurance for the individual taxpayer, spouse, parent, immediate family member, or a dependent will be eligible for an income tax credit or an income tax deduction. Non-itemized taxpayers get an income tax credit equal to 25 percent of the cost of the annual premium. The credit cannot exceed \$500 or the total income tax liability, whichever is less. Itemized taxpayers deduct 100 percent of the premium in their list of deductions. When eligible for long-term care under Medicaid, every dollar of a benefit an individual receives from long-term care insurance, under this program, is disregarded as an asset when determining Medicaid eligibility. This is a benefit for the taxpayer and his or her heirs. At least 20 other states have enacted similar legislation including Colorado, Iowa, and Missouri. To a degree, this legislation is similar to the tax deduction allowed for your federal income taxes. A portion of long-term care premiums may be deducted or itemized by taxpayers. The amount deducted is based on the age of that taxpayer. And if you need to see that, if you do not have access to that I can provide that at a later time. Last year we passed LB965. LB965 is aimed to provide a benefit to taxpayers who are able to save their own money for long-term care. There is a benefit provided in the bill for long-term care premiums, but the benefit is limited to persons who are 62 years old or older. I have given you a chart that compares this bill to LB965. I understand that there has been some trouble implementing this bill even though I have seen the Governor advertising this plan. There may be others here in the audience who can address that issue. I know the concern is that the fiscal note for LB4 is high. If we encourage more citizens to purchase long-term care insurance the state will be in better shape in the future. If we want to attract more young people to our state, we need to ensure that our aging population will not eat up state resources through high utilization of Medicare dollars. And I think if you analyze the demographics of Nebraska, you can see that we are becoming an older state. This ends my discussion here. If you have any questions I would be glad to answer them. [LB4]

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SENATOR JANSSEN: Any questions? Senator Langemeier. [LB4]

SENATOR LANGEMEIER: Thank you, Chairman Janssen. Senator Pahls, I appreciate the bill. I like the bill. I like the concept. In your mind, would there be any merit into making this program step up after you've purchased this for 10 years? Let's say I purchase nursing home insurance for 10 years and on the 11th year you would get instead of \$500, \$700. And the reason I bring that up is to try...dealing with my own parents, is they always kind of push off those decisions to buy this type of stuff, because I'm in good health today. I won't need that for 10 years. Would there be a way to encourage them to buy it sooner than later if we wanted to incent the whole program? [LB4]

SENATOR PAHLS: Yes. Right and that is a good idea or a good concept. I have been told, because I do have long-term care insurance. I believe that that is one of my responsibilities as an individual. Instead of buying the Lexus buy a little cheaper car and use that premium for...actually helps everybody including yourself, because you're not living off the government if you can afford that type of insurance. I think we do need whatever adjustments we need to make this more attractive to individuals. I've been told that insurance like this should be purchased, at least you should start in your fifties. I'm sure there's some people behind me who can tell you, because the premiums are not so excessive. So you would want people to start a little bit younger just to keep the premiums down. [LB4]

SENATOR JANSSEN: Any other questions? Seeing none, thank you. [LB4]

SENATOR PAHLS: Thank you. [LB4]

SENATOR JANSSEN: Will you stick around and close, Rich? [LB4]

SENATOR PAHLS: Yes, will do. [LB4]

SENATOR JANSSEN: Okay. All right. Take proponents. [LB4]

BOB GRUNDMAN: (Exhibit 2) Senator, my name is Bob Grundman and I'm here representing both the National Association of Insurance and Financial Advisors-Nebraska chapter, as well as the Nebraska chapter of the Nebraska Association of Health Underwriters. [LB4]

SENATOR JANSSEN: Would you spell your last name, please? [LB4]

BOB GRUNDMAN: G-r-u-n-d-m-a-n. [LB4]

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SENATOR JANSSEN: Thank you. [LB4]

BOB GRUNDMAN: Representing both the 300-plus member Nebraska Association of Health Underwriters and the 1,200-plus member Nebraska Association of Insurance and Financial Advisors, and as an independent insurance agent, I appreciate the opportunity to provide comments on LB4 regarding incentives for individuals to purchase long-term care insurance and thereby assume more personal responsibility for their long-term care needs. Our associations represent insurance professionals involved in retirement planning and the sales and service of insurance and savings products including long-term care insurance. Nebraska Medicaid expenditures increased an average of 11.5 percent annually for the 10 year period ending in '04-05 fiscal year and continues to grow. Long-term care services for the elderly and disabled are the largest expenditure categories in this Medicaid program. The population with the highest utilization of long-term care services, 65-plus, is expected to grow 75 percent over the next 25 years. The 85-plus population, in which the incidence of dementia is 50 percent, will grow 53 percent during that time frame. Yes, the state has a growing problem. We believe that if more Nebraskans assumed greater personal responsibility for their own long-term care needs, the increase in Medicaid claims would be slowed. Our members are encouraging people to consider how they will cope with future long-term care expenses. LB4 would aid this process by offering tax incentives for taxpayers to purchase long-term care insurance and reduce the financial risk to themselves and the state. We encourage the Revenue Committee to support LB4 and allow individuals purchasing long-term care insurance policies to receive tax credits or deductions for their policy premiums. We believe these tax incentives combined with those offered by long-term care insurance partnership policies will promote greater self-reliance in people to meet their own care needs rather than relying on a Medicaid program that is already draining state and federal budgets. This combination of tax benefits and asset protection is much more likely to generate interest amongst the middle class target population than either would alone. Currently, 15 states allow long-term care insurance policyholders to deduct their premiums from state taxes, and seven states allow for tax credits of such premiums. By supporting this legislation, you provide a tax incentive to help reduce the sticker shock of purchasing long-term care insurance which, in many cases, may be the most expensive premium individuals have ever paid. In closing, the passage of LB4 offers a valuable incentive to Nebraskans to take responsibility for their own long-term care costs rather than depending on the state's Medicaid program. Saving much-needed Medicaid dollars will then allow this entitlement to better serve our state's most vulnerable population, which is what it was originally intended to do. And I'd be happy to answer any questions. [LB4]

SENATOR JANSSEN: Any questions? Don. [LB4]

SENATOR PREISTER: Bob, can you help me to understand is there anything being done at the federal level to enact a federal tax benefit? [LB4]

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BOB GRUNDMAN: To my knowledge there is no...there is always bills in the hopper, but there's none that right now is probably close to being passed, especially with the changing of the guard that there's a whole new agenda out there. Probably the most positive thing regarding the long-term care which the state of Nebraska has taken advantage of, is the advent of the long-term care partnership policies. This was approved in the DRA 2005 legislation, the Deficit Reduction Act legislation, was signed by the President, and in my visit with John Rink from the Department of Insurance yesterday, the state of Nebraska has been approved for those long-term care partnership policies. The insurance department is ironing out the wrinkles that are there as could be expected, because we all know that the devil is in the details. And we are hoping to see those products on the street by midsummer. [LB4]

SENATOR PREISTER: Good. The other question I would ask you, we have heard in this committee similar bills and one of the reasons I think that we've heard for not advancing it has been that the incentive isn't necessary in Nebraska, because most people automatically do it. We have a much higher percentage of policy purchasers than a lot of other states. Do you have any information on that? [LB4]

BOB GRUNDMAN: The number I heard at the luncheon I was at this noon was 7 percent, which I wouldn't say is a tremendous amount of purchasers. [LB4]

SENATOR PREISTER: Seven percent doesn't sound very high to me. [LB4]

BOB GRUNDMAN: No. I believe that this incentive is necessary because the people that we are targeting with this are not the people who have large amount of assets. We are targeting those people who have \$50,000...\$100,000...\$150,000...\$200,000 of assets in addition to their home and car, etcetera. People who to purchase long-term care insurance it will take a financial commitment on their part. By providing long-term care partnership insurance policies that guarantee asset protection for them to pass it on to their heirs, and then this providing them some tax benefits for the actual premium payment may be the thing that will nudge them to do it. It is that target population that we seek here, because we want to keep the people off of the Medicaid rolls, and those are the people who are most vulnerable to going onto Medicaid if they've got two or three years of long-term care expenses. [LB4]

SENATOR PREISTER: Sure, thank you. [LB4]

SENATOR JANSSEN: Senator White. [LB4]

SENATOR WHITE: Yes, sir. Can you tell me, and maybe you're not the right person, the fiscal note is \$14 million a year. How many years will we expect that that would be a deficit to the state and when would we start breaking even and what kind of savings

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would we likely realize? [LB4]

BOB GRUNDMAN: I have no clue. [LB4]

SENATOR WHITE: Okay. Can you tell me the quality of the insurance companies that these policies are purchased at will only realize the savings if the companies are still there and in my own career I've had problems with insurance companies disappearing. So in a sense you're asking the state to co-purchase insurance with the resident. First of all, is there a good variety of companies out there offering good policies? Are they fiscally solvent? You know, in 20 years, 25 years, when we start needing to cash in on it will they be there? Has there been anything looked at in that? [LB4]

BOB GRUNDMAN: The answer is yes, they will be there. There are fewer companies providing long-term care insurance today than there were five years ago. As with any industry, there will be a huge rush to get in on a new product. Long-term care products, initially, were introduced in the early seventies. They got a big boost in 1983 when the government passed its diagnostic-related groupings for Medicare expenditures. And because of that many people were no longer allowed to stay in the hospital until they recovered. They had to go someplace else to recuperate. And so in 1983, up until that point in time there were perhaps only maybe a dozen companies. There have been up to 100 companies do that, but as their market share decreased and as they found out the actuarial projections that they had initially used were not accurate, more and more of those got out of the business. Those policyholders, however, did not lose policies, because those policy blocks were sold to other going concerns. The policy blocks are viewed as a dynamic income. And so as each of these different companies has decided to exit the long-term care business, they have sold their blocks of policies to other companies where those policies today remain viable. [LB4]

SENATOR WHITE: The quality of care provided by one of these policies versus Medicare. Can you tell me, is it attractive, alternative? [LB4]

BOB GRUNDMAN: Medicare will only provide a benefit to an individual who has been in the hospital for at least three consecutive days and then enters skilled nursing facility within 30 days following that. They must be receiving skilled nursing care in an approved skilled care facility. And if they are doing that, Medicare will only provide any kind of benefits for up to 100 days per year. Now, the number of individuals who have been receiving skilled care for 100 days probably can be counted on one hand. I have my own personal definition of that and that is you've got tubes coming in or going out, be it catheters, feeding tubes, or breathing tubes. Many individuals who are in a long-term care situation are in more of a custodial situation because they are needing help with activities of daily living. Maybe it's the bathing, eating, toileting, mobility, continence. Those are the activities of daily living these people need assistance with. Medicare will not cover that, because it's no longer the skilled level of care. And if you

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take a look at any Medicare booklet, it will tell you in the very beginning, this is not intended to provide long-term care. [LB4]

SENATOR WHITE: Thank you. [LB4]

SENATOR JANSSEN: Other questions? I have a couple, Bob. Are you seeing an increase in people in the insurance business? Are you seeing an increase in people coming and asking about this? And what ages are they? [LB4]

BOB GRUNDMAN: There is an increase, a slight increase if you will, of those people. As far as ages, it's probably across the board. We're seeing more people come to us because they're CPA has told them if you want to save the farm you better get this insurance, otherwise if you incur the expenses you could lose the farm. We have seen people forties and fifties coming to us because they've had to write the checks for their parents who are in long-term care situations and they have realized that they don't want to put their children with that same task that they're doing. And so, yes, there is an increase. We have had constant education out there now for a number of years with the monies that the state of Nebraska received. I believe it was part of the \$8 million through the federal CMS program, that the Governor sent out the letters and the long-term care planning packets have been made available to all the citizens of the state. As there is more and more information out there, as people become more cognizant of what the consequences are, I think that there's going to be more and more interest expressed. Right now, many people are in a state of denial as far as number one, what it will cost. Number two, that they're going to experience anything like that. And yet, we know that in the 85-plus population, 50 percent of those people will have dementia. [LB4]

SENATOR JANSSEN: Um-hum. One more question. Are most insurance companies providing this or are there a select few that have gotten into the long-term care health care? [LB4]

BOB GRUNDMAN: I can say that most insurance companies have looked at it and many of those have decided not to enter the market, because there is still a fairly unknown risk out there. When the original policies first came out the actuarial was based upon some of the experiences that they had with life insurance which told them that a significant portion of the population would purchase term life insurance and would drop that before it had to pay a claim. What they found out, however, is when people purchased long-term care insurance, they realized that it was for the long term, and so not nearly as many people surrendered or lapsed those policies and therefore they needed to have more reserves available for that. So in the last several years, policy premiums have actually increased on a per unit basis. With the companies that currently are active, I would guess that there's probably 20 to 25 companies nationwide who are active in this market. And there's probably around 10 that have significant market share.

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[LB4]

SENATOR JANSSEN: Um-hum. Is that a pretty small number then? Or is it about average? 25-30 companies. [LB4]

BOB GRUNDMAN: I don't know. I don't know how to compare that. [LB4]

SENATOR JANSSEN: Okay. Never mind. Okay, any other questions? Seeing none, thank you. Next proponent, please. [LB4]

JANIS MCKENZIE: (Exhibit 3) Senator Janssen, members of the Revenue Committee, for the record, my name is Jan McKenzie, spelled M-c-K-e-n-z-i-e. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation here in support of LB4. As those of you who have been on the committee for many years know, we always testify in support of the long-term care insurance credit deduction bills, and this year is no exception and I'll be back when you take up the others that have been introduced as well. I will be very brief. I wanted to provide you a bit of information. Every year when we testify, I believe it was either Senator Landis or Senator Byers who might ask well, how close are we in projecting what the fiscal impact might truly be for this state. What's happened in other states? And so before I came today I did a little research for you regarding Minnesota. And this is from their house research division. Their credit was enacted in '97 and took effect in '99, but what I thought you might like to see is the chart on the second page that looks at those states that do provide a credit, income tax credit, not a deduction. Minnesota has had 2 percent of their tax filers actually claim the credit, but it's a \$100 credit. And their fiscal impact is \$7.2 million. I also checked to see, in Nebraska we have about 185,000 tax returns filed in our state yearly and let's say, if we have 7 percent of our population depending on what we set the credit at it, I think it gives us a little better way of looking at what might really affect it. Now I'm going to guess, based on some other material that I looked at in Minnesota, that they have more than 2 percent of their population actually purchasing long-term care insurance. So I think in some cases people may not take the time to actually apply for the credit on their income tax return. But you can see it ranges everywhere from about \$80,000 in a fiscal impact in the state, to \$80 million depending on the type of credit they have. With that, I'd answer any questions you might have, but I thought this might be helpful in at least discussing that issue about how much will this effect the state. And I will leave, for the committee clerk, a testimony by America's Health Insurance Plans which is a national trade association from health insurers that kind of looks at effects that have taken place in states relative to Medicaid spending when there is both some sort of long-term care insurance credit and a managed Medicaid approach. So Senator White might be particularly interested in looking at that and I apologize for not bringing more copies for you, but Senator White asked the question so I thought it might be appropriate to leave for you. [LB4]

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SENATOR JANSSEN: Any questions? [LB4]

SENATOR WHITE: Can you tell us when the state could reasonably predict to break even from this investment? [LB4]

JANIS McKENZIE: Yeah, that's a good question because this is the first document I've found that actually could start to show what kind of true effect the credit had on the state revenue. The document that I'll leave here, Senator, has looked at if you combine the credit and encouraged long-term care insurance purchases with a managed Medicaid approach that in certain states, in particular Texas and Minnesota, have seen an effect just because--almost immediate effect--because of the difference in the outright expenditures through nursing home care and, in particular, counties that are heavy in populations living in some sort of long-term care situation. So the research is still a little fuzzy on that, depends on how long the state has had one or the other pieces. It's a crystal ball question, I guess. [LB4]

SENATOR JANSSEN: Other questions? Ron. [LB4]

SENATOR RAIKES: We took a different approach last year... [LB4]

JANIS McKENZIE: Right. [LB4]

SENATOR RAIKES: ...as Rich mentioned. I'm interested in your comparison. If we did something like this would we repeal what we did last year? That was the wrong approach, this is the right approach. How would you make that comparison? [LB4]

JANIS McKENZIE: I think if I recall last year from the discussion, we heard someone testify saying that in some cases the long-term care savings account was something they could not apply for or access, so it might be a better approach to do a blend or both approaches. So depending on your financial circumstances, I might choose to do the long-term care savings account and another person might be "incented" to purchase because of some sort of credit. [LB4]

SENATOR RAIKES: Okay. [LB4]

SENATOR JANSSEN: Senator White. [LB4]

SENATOR WHITE: Are you suggesting then that you get a credit either/or? [LB4]

JANIS McKENZIE: I don't know. [LB4]

SENATOR WHITE: In other words, the saving plan credit or you can opt for this? Not both. [LB4]

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JANIS McKENZIE: I'd have to run that by my people. I'm not sure what they would think about that. [LB4]

SENATOR JANSSEN: Senator Preister. [LB4]

SENATOR PREISTER: Jan, did I hear you say that there were 184,000...185,000 filers? So, of the 1.6 million people, only 10 percent actually file an income tax return? [LB4]

JANIS McKENZIE: Well, you have to figure that you have, of the 1.5 million we have in the state, some are not of age to file. [LB4]

SENATOR PREISTER: Sure. [LB4]

JANIS McKENZIE: There are joint filers, but that's what the data from the Department of Revenue listed. I was a little surprised, too. [LB4]

SENATOR PREISTER: It just seemed curious to me. [LB4]

JANIS McKENZIE: I was a little surprised, too. Yeah. [LB4]

SENATOR PREISTER: Okay. [LB4]

JANIS McKENZIE: Yeah, well maybe we have some bad folks out there not filing their income taxes. [LB4]

SENATOR PREISTER: I know I'm one of 10 percent. (Laughter) Thank you. [LB4]

SENATOR JANSSEN: Any other questions? Counsel said that there are...what did you say, George? 700,000... [LB4]

GEORGE KILPATRICK: It was about 700,000 filers. [LB4]

SENATOR JANSSEN: ...filers. So... [LB4]

JANIS McKENZIE: That must have been the 185,000 that had some sort of liability, tax liability. [LB4]

SENATOR JANSSEN: Yeah. [LB4]

JANIS McKENZIE: Who paid taxes, let's put it that way. [LB4]

SENATOR JANSSEN: Right. Seeing no other questions, thank you for being here

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today. [LB4]

JANIS MCKENZIE: All right. Thank you. [LB4]

SENATOR JANSSEN: Um-hum. Next proponent, please. [LB4]

JUSTIN BRADY: Chairman Janssen and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist of the Nebraska Health Care Association and they represent 400 or so nursing homes and assisted living facilities across the state. So as you can imagine are a large receiver of Medicaid dollars, but also realize that just sitting back and taking Medicaid dollars isn't a long-term sustainable growth for them. And so they look at tools like this to help them and help individuals take responsibility for their own long-term care and needs. And with that, would try to answer any questions. [LB4]

SENATOR JANSSEN: Any questions? I don't see any, thank you, Justin. [LB4]

JUSTIN BRADY: Thank you. [LB4]

SENATOR JANSSEN: Um-hum. Any other proponents? Proponents? I don't see any. Any opponents? Anyone in opposition to this plan? Seeing none, Rich, close. [LB4]

SENATOR PAHLS: I just want to reiterate, if this is, the tax savings is too rich...of course, that could be something that could be taken a look at. You know, if you're saying that we're giving too much back, to me that seems to be something that could be adjustable. I just want to point out, I am an example of somebody who has purchased long-term health care. I am not a rich man, nor am I a poor man. But it would be nice for a lot of people who are, what I call sort of middle of the road, gives them an incentive to do to protect...I don't have a farm to protect, but I do have some children that I would like to protect from anything that would happen to them. And if you need any other information I would be willing to get that data, because \$14 million does sort of jump at you and sort of scares you. I can understand that. Thank you. [LB4]

SENATOR JANSSEN: Rich, how old were you when you purchased this? [LB4]

SENATOR PAHLS: 58. [LB4]

SENATOR JANSSEN: 58, okay. All right. Okay, thank you. [LB4]

SENATOR PAHLS: And I'm 46 now (laughter). [LB4]

SENATOR JANSSEN: That ends the hearing on LB4. Senator Preister, you're on deck. Tell us all about LB9, provide an income tax credit for energy conservation and

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renewable energy generation. [LB9]

SENATOR PREISTER: (Exhibits 4, 5, and 6) Thank you, Chairman Janssen, members of the Revenue Committee, and if I get a page, I have a letter that I was just given before I came in from Mike Ryan, spokesperson for CLEAN who is in support of this legislation, and I'll ask the page to make copies and pass those out. Thank you very much. And then I've also got two handouts, perhaps, before you do that. My name is Don Preister, P-r-e-i-s-t-e-r. [LB9]

SENATOR JANSSEN: There you go. [LB9]

SENATOR PREISTER: I have to get back in the pattern and for the transcriber I know that's important that even before we speak and ask questions if our name is pronounced or said, then the transcriber knows who to attribute it to when they do the transcription, so I will try and remember that. I represent the 5th Legislative District, here as the primary introducer of LB9 which provides an income tax credit for homeowners and businesses who make investments in their homes or business for energy conservation or for renewable energy generation. LB9 would grant a non-refundable income credit for up to 25 percent of the cost of the installation or improvement with a cap of \$500 in any particular tax year. This provides a financial boost to those homeowners and businesses who want to make the investment to do their part in cutting down on energy use. These incentives have the following added benefits to all Nebraskans: 1) reduced energy use results in extending the life of current generating facilities; 2) it delays the need for construction of new generation facilities, transmission lines, and distribution systems enabling our public utilities to continue to keep Nebraska's electric rates among the lowest in the nation; 3) the decrease in energy results in less pollution created by fossil fuel plants such as the coal plants and the pollution's effect on the public's health and the state's natural resources. Other benefits include a number of significant economic development stimulators. If enacted, the credits would boost investment in remodeling and heating and cooling upgrades, even more than the federal tax credits have done. That, in turn, would create and sustain hundreds of Nebraska jobs. Jobs for window and door replacement companies, insulation installers, heating and cooling contractors, to name a few. How many jobs? The Energy Office's dollar and energy savings loan program estimated that over a 7 year time frame, \$80 million dollars was spent to make energy saving improvements that generated an equivalent of 1,416 new jobs, and best of all these jobs are scattered all across the state. The resulting energy savings have reduced energy use more than offset the cost of the improvements resulting in money spent on other local purchases. The combined spending on building and systems renovation and money not being spent on energy creates additional local and sales tax revenues that can offset the cost of the tax incentives. None of which would be reflected in your fiscal note, but would certainly have an impact. The bill gives the Nebraska Energy Office the authority to define what constitutes an energy conservation installation or improvement. The Energy Office has worked and continues

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to work extensively on energy efficiency issues and is well-suited to define the parameters of this language. It is my intent that this would include such investments as energy efficient windows, insulation, or the purchase of Energy Star appliances which use less energy to operate. And you can see on your handouts there, just in terms of savings you can do a comparison on the one with the Energy Star product cost savings from a regular central air conditioner and the cost of operating that compared to the Energy Star version. And you can see on your sheet the savings that would ensue. The same with the annual home energy cost for a home. The other handout shows you just in replacing six compact--oh perhaps you don't have, I guess you've got those, okay--just in replacing six compact fluorescent bulbs and depending on the cost of your electricity, if we use 8.5 cents a kilowatt that's probably pretty close to what most us pay, you're looking at, on average, a \$610 savings a year just by replacing those. If you replace 12, on the other side you can see that you essentially double that amount of savings, and that's that much electricity you don't have to use. And as I said earlier, that money is likely to be spent in other areas purchasing other things, therefore generating some sales tax for the state as well that would offset the cost. The \$500 cap is an attempt to balance a reasonable incentive amount with concerns about the fiscal impact on the state. It is unknown how many citizens might take advantage of this tax incentive. The cap could be adjusted as needed. We all have a role in energy conservation and I believe the cheapest energy is energy that we don't use. I would certainly be happy to entertain any questions that any committee members may have, Senator Janssen. [LB9]

SENATOR JANSSEN: Any questions? Ron. [LB9]

SENATOR RAIKES: Don, a lot of the arguments you make are well made, but they might be termed as arguing against the need for any tax incentive. People would save a lot of money by making these changes and I'm sure that manufacturers, retailers, installers, and so on are incented to make people aware of these kinds of things. And as a matter of fact, you can argue that higher energy prices are a good thing in that regard, because the higher they get, the more the incentives are going to be without the state doing anything. [LB9]

SENATOR PREISTER: And I would say you're correct and certainly you could make that case on the other side, because somebody in the business of installing windows or insulation is going to be out promoting their own business, certainly. But when you have to make that initial investment up front, it takes awhile for the payback. And so even though they may be promoting it, the average customer or the average citizen isn't really aware of what those savings are. And I really haven't seen much in terms of...people sell windows and energy efficient windows and other kinds of attachments and improvements on houses, but I don't see a whole lot of advertising when I've seen those things that show people how much they can actually save and the payback periods on that. Maybe I've missed some of those, but I haven't seen much of that.

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Although, I certainly understand what you're saying. [LB9]

SENATOR RAIKES: Um-hum. Okay, thank you. [LB9]

SENATOR PREISTER: Thank you. [LB9]

SENATOR JANSSEN: Carroll. [LB9]

SENATOR BURLING: Thank you, Don. Are there some federal credits and deductions for this same type of... [LB9]

SENATOR PREISTER: There are some federal credits. They're subject to whether or not they're budgeted and appropriated for, and so it's an annual process that may or may not be there in the future. And right now, there is, but what the future holds we don't know. [LB9]

SENATOR BURLING: Okay. [LB9]

SENATOR PREISTER: And they're structured differently than this. I can't tell you exactly how they're set up, but it would not necessarily include all of the things that I have here like the light bulbs and some of the other improvements. There are some limitations, but yes, there is a federal program. [LB9]

SENATOR BURLING: Okay. Who defines energy conservation that would qualify for a deduction? [LB9]

SENATOR PREISTER: I tried to make this easy, so basically, if it's Energy Star-rated the work has already been done. The Energy Office, the Department of Revenue, nobody has to determine whether it qualifies. If it has that rating, which is a national rating, then it would qualify. So we don't have to go through that process at the state. We accept the national rating that's already been established. [LB9]

SENATOR BURLING: Okay, thank you. [LB9]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Don. [LB9]

SENATOR PREISTER: Thank you. [LB9]

SENATOR JANSSEN: We'll take proponents. [LB9]

SHELLEY SAHLING-ZART: Senator Janssen, members of the Revenue Committee, for the record, my name is Shelley, S-h-e-l-l-e-y, Sahling-Zart, S-a-h-l-i-n-g-Z-a-r-t. I am vice president and assistant counsel for Lincoln Electric System, the municipal electric

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utility here in Lincoln, and today I am testifying on behalf of the Nebraska Power Association which represents all of the electric utilities in the state--munies, public power districts, rural co-ops, rural public power and irrigation districts. We're here today to support Senator Preister's LB9. We're happy to do so even though, directly, it has no impact on the utilities. We're not eligible to claim an income tax credit because we don't earn an income, but we are here to enthusiastically support it. We think incentives are an excellent way to promote greater energy efficiency and conservation. We try to do that at our own utility practices. I also find, you know, it works well with young kids at home. If you've ever noticed if you mandate your kids or require them to do something it's a little hard to get them to do it, but if you provide a little financial incentive or an allowance it's amazing what you can get your children to do. And we've been doing it a little bit at home. My kids have to pay me a quarter every time they leave the light on in their room when they're not there. And if I catch them actually turning it off, they actually get to get it back. So we have a little revolving fund at home. But, you know, in response to Senator Raikes' comment, the public power utilities of Nebraska are kind of unique businesses, because we're one of the few businesses that go out there and ask our customers to use less of us. Matter of fact, LES' slogan right now that were out in some of our marketing messages are use LES to save more. And we are promoting a great deal of energy conservation messages trying to get people to turn their lights off, to turn their thermostats down, to use compact fluorescent bulbs. We've worked with a number of businesses and utilities across the state. I've worked with schools and commercial businesses to do lighting retrofits and a number of other energy efficiency measures, and we've seen some of those customers see significant reductions in their energy costs. So there's a lot to what Senator Preister is telling you, but the problem is we need to get more people to do it. And the way you do that is to start by incenting them to do it and over time, I think that incentive could probably be phased out over time as you start to modify behaviors over all. We promote Energy Star homes, we promote Energy Star appliances. Those are also great programs and you'll see the utilities across the state actively promoting those. And again, we encourage you to advance this and send it to the floor and get this program started. Any questions? [LB9]

SENATOR JANSSEN: Questions? Senator Langemeier. [LB9]

SENATOR LANGEMEIER: Thank you for your testimony. [LB9]

SHELLEY SAHLING-ZART: Um-hum. [LB9]

SENATOR LANGEMEIER: The Loup Power District that serves power to Schuyler that I live in has offered for a number of years a program if you take your gas furnace and go to electric furnace they give you \$700. If you go from a gas water heater to electric water heater, I think it's \$300 and I apologize. I tried to call them and find out how they were funding that, but I couldn't get that all in time for this hearing. Has LES done anything like that or do you know of others that have done that? [LB9]

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SHELLEY SAHLING-ZART: Yeah, I know a lot of utilities have and LES did. We discontinued ours a couple of years ago for the reasons I just mentioned. We did it for a really long time. We had that program in place, I want to say, for a good 15 years. It was designed as a peak-load reduction program and it did that effectively. And what we found is that over time we had modified the behaviors and we had done a good job of saturating the market with some of those with the heat pumps and some of those things that we didn't feel the incentive was there any longer, that people realized the energy payback. And it was just sort of built in to the products themselves at that point. And we had dealers out there that were promoting the energy savings you could realize. So at that point we felt there wasn't a need for us to subsidize the program. It was kind of natural at that point. And that's one of the problems with some of these measures like an Energy Star home. It's difficult when people are making that home-buying decision, that home-building decision, do I want to put in a heat pump that might have a higher up front capital cost to it or do I want granite countertops? That, realistically, is the choice that they're faced with. And so it's trying to get people to understand that, you know, this is an investment that's going to save you money over the long haul, and you know you might not get the granite countertops, but you're going to save a lot of money. But that's a little bit more difficult to get people to understand that kind of an investment choice. [LB9]

SENATOR LANGEMEIER: Okay, thank you. [LB9]

SHELLEY SAHLING-ZART: Um-hum. [LB9]

SENATOR JANSSEN: Any other questions? Don. [LB9]

SENATOR PREISTER: Shelley, it's nice to be on the same side with you and the NPA. (Laughter) [LB9]

SHELLEY SAHLING-ZART : It is, isn't it? [LB9]

SENATOR PREISTER: Thank you very much. [LB9]

SHELLEY SAHLING-ZART: I was enjoying that myself. [LB9]

SENATOR PREISTER: I want to make note of that. Could you get me some of the information on how LES is encouraging the development of the Energy Star homes and some of the other energy efficiency kinds of reduction programs that LES does? [LB9]

SHELLEY SAHLING-ZART : Yes, and one thing I can tell you is that, you know, we do the parade of homes with the local home builders a couple times a year and typically we work very closely with the builder and sort of help sponsor a couple of Energy Star

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homes, and we help do the promotion and everything for that. But I'll be happy to provide you some more. [LB9]

SENATOR PREISTER: I know OPPD does the same thing and they've just built a couple of homes and partnership, particularly, with Habitat for Humanity with good combinations and good ways of helping low-income people as well. So... [LB9]

SHELLEY SAHLING-ZART: You know, the other thing I might add is for the last couple of years, as I mentioned, we've been doing this use LES to save more campaign, and if you look around town and some of our ads and if you walked into our lobby you'd see signs that say this light would cost you X more in another city or, you know, do this and save this much on your electric bill. We've really been promoting those messages and we did a survey this last fall to find out what the recall on those messages is and whether people are responding to those messages. And we found of the folks we surveyed that about half had implemented at least one of the energy saving suggestions we put out in the last two years, and a good share of them had done at least two or more. So we're finding that the message is getting out there. People are starting to implement those and now we just need to push it out further. You know, we need to work with the Home Depots and other people to help us promote those kinds of ideas. [LB9]

SENATOR PREISTER: Good. Thank you. [LB9]

SENATOR JANSSEN: Any other questions? I have a couple. [LB9]

SHELLEY SAHLING-ZART: Um-hum. [LB9]

SENATOR JANSSEN: These wind generators you have out on 56th Street, are those yours? [LB9]

SHELLEY SAHLING-ZART : Yes. [LB9]

SENATOR JANSSEN: Yeah. Are you planning on any more of them in the near future? Don would like you a lot better if you put some more of those in. [LB9]

SHELLEY SAHLING-ZART: That's another hearing. That's a different hearing, different committee. The answer is we look at investments in wind energy all the time. Every time we go out for another resource we do model wind. Right now, the latest resources that LES in particular has needed have been base load resources. And as I think Senator Preister will agree, wind energy doesn't kind of meet the standards for base load resource because you need it to run a good percentage of the time. Will we look at more? Yeah, we look at more all the time. Will we look at them here in Lincoln? Probably not. This isn't the most economical place for them, because we don't have the

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highest wind speeds here, but we had other reasons for wanting to put them out here. We wanted to get Lincolmites accustomed to seeing them. There is good visibility. It brings greater awareness of the wind energy turbines and what they look like when people hear about them. Will we consider them in the future? Absolutely. Will we invest in them? That's a business decision as we go along. [LB9]

SENATOR JANSSEN: I know that the Douglas County landfill now is getting energy from the fermentation, you might call, out of the landfill out there. [LB9]

SHELLEY SAHLING-ZART: Um-hum. And we are right on the bubble here of doing a landfill gas project. [LB9]

SENATOR JANSSEN: Good. [LB9]

SHELLEY SAHLING-ZART: We are right where the city needs to look at putting collectors in for the methane there, and I think it's pretty safe to say that in the relatively near future you'll see a landfill gas project here in Lincoln as well. [LB9]

SENATOR JANSSEN: Okay. Seeing no other questions, thank you for being here today. [LB9]

SHELLEY SAHLING-ZART: Thank you. [LB9]

SENATOR JANSSEN: Any more proponents? [LB9]

JUSTIN BRADY: Chairman Janssen and members of the Revenue Committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as the registered lobbyist with the Nebraska State Home Builders and in support of LB9. And we, just as has been mentioned before, this would be another tool that the Home Builders could use to promote more efficient homes, and as it's been talked about, a lot of those items are more expensive up front costs to build, you know, as people look at building they kind of say, well, I don't know if I want to spend that extra couple hundred bucks in the more efficient refrigerator or better insulation. So this would be a tool that we could say, but here's an advantage you could take to get that and get the long-term benefit. So with that I'd try to answer any questions. [LB9]

SENATOR JANSSEN: Any questions? I don't see any. Thank you, Justin. [LB9]

JUSTIN BRADY: Thank you. [LB9]

SENATOR JANSSEN: Next proponent? [LB9]

KEN WINSTON: (Exhibit 7) Good afternoon, Mr. Chairman, members of the committee.

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My name is Ken Winston, last name is spelled W-i-n-s-t-o-n, and I'm appearing on behalf of the Nebraska chapter of the Sierra Club in support of LB9. One of the things that I've come to find out is that actually the cheapest way to deal with energy alternatives is to conserve energy in the first place so that you don't have to generate it. And that's the most environmentally conscious way of dealing with new energy demands. There was a study of power use and efficiency that was done in New England that indicated that if conservation measures were taken, they could reduce energy usage to 1993 levels by the year 2013. I don't know if there's one that's been done in the state of Nebraska. That's something I intend to find out. I know that NPPD has been looking into that. And I know that Senator Preister talked about the benefits of energy efficiencies, so I won't reiterate his comments. And there's also been some discussion about the reason why tax incentives are beneficial, because people often don't want to spend that money up front and so they need an incentive to do that. And I guess I'd just like to point out, and I'm sure the committee is well aware of the fact that this committee often uses public policy as a way of providing incentives for things that are beneficial for this state such as job creation. And it's our position that reducing energy consumption is one of the most important issues that we're facing at this time and we would ask that the committee use this tool in this particular situation by means of LB9. As Senator Preister indicated, there is some cost to LB9, but we also believe as Senator Preister indicated that there would be benefits that would flow to this state that would flow to individual consumers that would be above and beyond the initial costs to the state in revenue, and would, in fact, from our viewpoint would probably generate more tax revenue than what is cost through sales taxes and through additional spending by the people who are putting in new improvements to structures. And then finally, I guess I just want to mention--although I don't want to get into a discussion about global warming, that could be a long discussion--it has a very significant impact on the planet and we need to think about the long-term impacts of public policies and how that impacts that. And the conservation is a very important part of dealing with the global warming issue. And then finally it's our position that reduction and energy costs will put more money in the hand of taxpayers and that's money that can be used for whatever taxpayers want including food, clothing, housing, and other needs. And frankly, from our perspective, we think that this would be better than any of the tax bills that are currently being considered by the Legislature with all due respect to the members of the committee. And then I guess the last thing that I wanted to indicate is that we understand that this would not be a panacea. That it would be in combination with a number of other changes in policy and practices. There's a number of bills before the Legislature. I know that Senator Preister has some other legislation. I know that Senator White has some legislation. Senator White has an energy audit bill that will probably be considered by the Natural Resources Committee. All those things need to be considered in terms of creating public policy changes that will have an impact on our energy usage. And also, obviously, education is an important part of it as well as the incentives that we're talking about in this particular instance. At this point we would ask that LB9 be advanced to the floor of the Legislature and would be glad to answer

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questions if I can. [LB9]

SENATOR JANSSEN: Any questions? Ken, energy is subject to sales tax. Does energy conservation, and as a loss the state dollars over and above the cost of the credit, would that be a loss do you think? [LB9]

KEN WINSTON: I'll have to yield to your legal counsel who's smiling at me that I didn't realize that it was subject to...I mean, I guess now that I think about it. I mean, if I look at my utility bill it is subject. But I hadn't thought about that. [LB9]

SENATOR JANSSEN: Yeah. [LB9]

KEN WINSTON: But I think the long-term impacts would be beneficial. I mean, it's like what is more beneficial? Losing a few dollars or providing more money to go into other areas of taxpayers. I mean, it's like the question on the federal level is if you cut taxes for certain taxpayers will that generate more money and will that, in turn, generate more economic activity and it would be our position that in this particular situation if you reduce their energy costs they'll have more money to spend and more likely that will result in increased benefits to the state and probably increased revenues. [LB9]

SENATOR JANSSEN: You're telling me there's arguments both ways then? Sure. [LB9]

KEN WINSTON: Well, I believe that it would at least be a wash, and probably beneficial in the long run. [LB9]

SENATOR JANSSEN: Thank you, Ken. [LB9]

KEN WINSTON: Thank you. [LB9]

SENATOR JANSSEN: Any other proponents? [LB9]

JOHN K HANSEN: Chairman Janssen, members of the committee, for the record, my name is John K. Hansen, H-a-n-s-e-n. I'm president of Nebraska Farmers Union, and appear before you today as their president and also their lobbyist. We are in support of LB9. We have been involved in a lot of the renewable energy issues at the state and the national level for some time, and you don't have to be involved very long before you recognize that the way to get the most bang for the buck the quickest is to put some glue and gum up some of the holes in the bottom of the bucket that you carry the energy in. And so if you think about how we do energy use generally, we waste an awful lot of energy in lots of different kinds of ways. And so one of the first and best things to do is to put some goop in the bottom of the bucket and get a more efficient way to haul the energy that we use in our daily lives. So this looks like a good economic incentive package. It seems like a good renewable energy way to try to maybe push things over

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the edge a little bit and get folks to make longer term investments that will yield good benefits, not only for them financially, but also in terms of all of the rest of the renewable energy issues. So we are in support. And I also, Mr. Chairman, couldn't pass up the opportunity to be on the same side as the Nebraska Power Association and Justin Brady and Ken Winston all at the same time. (Laughter) I don't get a lot of those opportunities in my life as a lobbyist. So thank you and I'll be glad to answer any questions if you have any, if I could. [LB9]

SENATOR JANSSEN: Any questions? Don. [LB9]

SENATOR PREISTER: I'm just glad that we can bring each other all together. [LB9]

JOHN K. HANSEN: Well, thank you, Senator Preister, and thank you for your long-standing tenacity on renewable energy issues. [LB9]

SENATOR JANSSEN: Thank you, John. Any other proponents? Any opponents? Anyone in a neutral capacity? Seeing none, Senator Preister to close. Senator Preister waives closing. Next on the agenda is Senator Langemeier. He's got an idea he wants to tell us about. Go ahead, Chris, whenever you're ready. [LB9]

SENATOR LANGEMEIER: (Exhibit 8) Chairman Janssen and members of the Revenue Committee, I may be here as a lone duck on this issue. I've heard no support or opponents at this point. I bring you LB240 which, in essence, would allow a 5 percent tax credit on the capital gain realized by a taxpayer on the sale of real estate if such property is sold for the purpose of recreation. One thing I've learned in the Legislature, if you want to fill a room whether it's this hearing room or it's a town hall meeting, you talk about recreation and you will fill it with individuals that are very, very supportive of it as well as people that happen to be the landowners where this recreation will be, whether it's a trail, whether it's a lake, you name it. You can fill the room with both sides or a big dam, yeah. Anyway, so I looked at how we could try and ease that pain to allow us to get to the recreation that there is so much demand for across the state. You look at the fight over Lake McConaughy and the water levels in that, as well as a number of other projects across the state. So I brought this bill and I don't know that it's--well, I know it's not--perfect. I know it's a starting point for the discussion of creating a tax credit on the state level to add that little bit of extra incentive, as we've talked about all day today, to make people get over that hurdle of being fair in their mind-set to take their property for a recreational purpose. Hopefully, on a voluntary basis. So that is what I bring to you today. I do bring an amendment with me. In drafting, on page 5, line 27, where it says nonrefundable. That's inconsistent with the rest of the bill. It needs to be refundable. And so I bring an amendment that I will give to you on that to correct that word. And so that's my testimony for today. Is there any questions? [LB240]

SENATOR JANSSEN: Any questions? Chris, I understand what you're talking about,

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but, you know, do you really think that in one situation and I'm sure you're aware of where an NRD was proposing a dam on the Maple Creek. You know, those people that were adamantly opposed to that, I don't think that any amount of money in the world would have changed their mind. Now, because that was such a touchy situation that, you're familiar with what I'm talking about. [LB240]

SENATOR LANGEMEIER: Very familiar. [LB240]

SENATOR JANSSEN: We listened to those people talk about the generations that have watched that little trickling brook come down through their property and their kids and grandkids and great-grandkids had played in it. And I don't think any incentive in the world would have probably helped that situation whatsoever. But not to disenchant you, but you know there would be other situations I'm sure where it would lessen the burden to some extent. [LB240]

SENATOR LANGEMEIER: I think so. [LB240]

SENATOR JANSSEN: But most of those cases it's pretty fast and hard. [LB240]

SENATOR LANGEMEIER: Yes, this would not get over the emotional attachment that people have to the family farm. Don't get me wrong there, but I think the other thing you have out there is if you do sell--right now you can do a 1031 exchange--you do get extended out to a year to buy another property, but the big question is there's never usually a property nearby that you can trade for. And so I think if we can add some kind of a credit out there that would allow them to overturn this capital gains is what usually is a big issue with them, too, because it is a family farm. They bought it back when it was \$200 an acre and now it's getting taken for much more than that. I think this would be an incentive for...I really think you're going to see this more applicable and more credit for smaller projects where we're taking a little piece of your property to maybe a trail versus the total farm taking like what we saw in the Maple Creek where you have one owner that owns 1,200 acres, the main pool area of that lake. He will never be happy. [LB240]

SENATOR JANSSEN: Um-hum. Questions? [LB240]

SENATOR RAIKES: Chris, just so I understand, you sell this property to me and then you have to depend upon me to put it to a recreational use in order for you to get the credit? [LB240]

SENATOR LANGEMEIER: Correct. The final use would have to be bought, would be taken for...and that's something that we looked at putting in here... [LB240]

SENATOR RAIKES: I'll give you an idea of what the price to you is going to be for me

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to... [LB240]

SENATOR LANGEMEIER: It has no value... [LB240]

SENATOR RAIKES: Well, wouldn't that be a problem, though, is that well, you're going to get a credit on that. I'll split that with you. If we... [LB240]

SENATOR JANSSEN: Make a deal. [LB240]

SENATOR LANGEMEIER: Well, technically, government agencies are the ones doing the taking for recreational type use. I would hope our government agencies aren't out doing that. [LB240]

SENATOR RAIKES: So this then would apply just to a sale to game and parks or somebody like that? [LB240]

SENATOR LANGEMEIER: Correct. The NRD, the city for a park. Yeah, the intent would not to be for me to sell you a farm and then you let Joe Smith go hunt on it today and call it recreation so I get the credit. So that may mean we need to add some wording to make sure that's clear. The intent would be for the NRDs, the game and parks, the cities, the counties that want to put in park structures and those type of things. [LB240]

SENATOR RAIKES: Okay. Thanks. [LB240]

SENATOR JANSSEN: Any other questions? I don't see any, thank you, Chris. [LB240]

SENATOR LANGEMEIER: Okay. And I may be closing shortly, I don't know. [LB240]

SENATOR JANSSEN: That's all right. We'll take proponents, proponents of LB240? Any proponents? Any opponents? Anyone in a neutral capacity? Senator Langemeier waives closing, ends the hearing on LB240. That was short and sweet, Chris. Okay, we'll move onto Senator Hudkins, LB264. Senator Hudkins here? We'll stand at ease. She was here. We'll stand at ease until she gets here. Okay, here she is. You're up, Senator Hudkins. [LB264]

SENATOR HUDKINS: Good afternoon, Senator Janssen and members of the Revenue Committee. I am Senator Carol Hudkins, H-u-d-k-i-n-s, from District 21, and I'm here today to introduce for your consideration LB264. Living in the country near a small community and having been involved in burning pastures and the problems that wind, dry grass, and flames can cause, I am a strong believer in having a strong volunteer fire department. We know that the services of volunteer fire and rescue personnel save the communities of Nebraska, and the state, millions of dollars each year. Dollars that the taxpayers of Nebraska simply could not afford if they were to pay them. Yet, with more

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pressures placed on volunteers' time, it has become increasingly difficult to keep trained and experienced volunteers on board and to recruit new members. LB264 has been introduced to try and offset some of the legislation that has been passed over the years that is making it harder and harder to keep volunteers on our rural fire departments, as well as having volunteers who will go through the extra training to become EMT's and paramedics. The costs and time and money that these individuals expend for the benefit of others is just remarkable. And every year or so we pass another bill that requires more training or more education in order to maintain their certificates. LB264 will provide a tax credit for those individuals who meet certain requirements over the course of a calendar year. Behind me there are a number of people whom this bill will benefit. They are the first responders who live in most of our communities. They are the ones who go out in the dead of night in January to help our elderly and to help our sick and injured obtain the necessary medical care that they need. Or to put out a fire in the heat of August or the cold of February. Or to go to a fatal traffic accident. Their testimony should provide you with a clearer understanding of the need for this piece of legislation. Thank you for your time and consideration and I would attempt to answer any questions knowing that there are others behind me who have the expertise. [LB264]

SENATOR JANSSEN: Thank you, Senator. Questions? Senator Langemeier. [LB264]

SENATOR LANGEMEIER: Thank you, Chairman Janssen and Senator Hudkins. You talked a little bit about each year we increase the requirements for the EMT's as well as the firemen. Who typically brings up those increase requirements? [LB264]

SENATOR HUDKINS: I can't give you an answer to that. [LB264]

SENATOR LANGEMEIER: Okay. And is there a board that does that or is it the firemen themselves? [LB264]

SENATOR HUDKINS: I would anticipate that it's probably the board, but in some cases it could be the firemen. [LB264]

SENATOR LANGEMEIER: I don't know. I'm curious. [LB264]

SENATOR HUDKINS: I don't know. [LB264]

SENATOR LANGEMEIER: Okay. Thank you. [LB264]

SENATOR JANSSEN: Any other questions? Seeing none. [LB264]

SENATOR HUDKINS: Okay. [LB264]

SENATOR JANSSEN: We'll take proponents, proponents to LB264. How many of you

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wishing to testify? Okay, try not to be repetitive. Tell us something we haven't heard before if you could, please. [LB264]

MICHEAL DWYER: Good afternoon. [LB264]

SENATOR JANSSEN: Good afternoon. [LB264]

MICHEAL DWYER: (Exhibit 9) My name is Micheal Dwyer and I'm a member of the Nebraska State Volunteer Firefighters Association legislative committee and a 23-year member of the Arlington Volunteer Fire Department. I'm here today to testify in support of LB264, a bill that would give a small tax credit to qualified volunteer firefighters. Currently, over 70 percent of Nebraska is covered by volunteer fire and rescue services. Whether it's a house fire in Bellevue, a car accident near Nickerson, or a prairie fire in western Nebraska the goals and the risks are the same. The men and women of Nebraska's volunteer fire service leave family, leave dinners sitting on the table, leave the comfort of a warm bed in the middle of January, and risk their lives to protect the lives and property of Nebraskans. LB264 calls for a \$500 tax credit based on a point system which, in turn, is based on the individual firefighters' participation in meetings, community fire prevention, and most importantly response to emergency calls. Each point under LB264 equates roughly to two hours of service with a minimum of 50 points needed to qualify for the credit. If you do the math, that's about \$5 an hour. Currently, our U.S. Congress is debating a minimum wage bill that would pay minimum wage of \$7.25 an hour for flipping hamburgers and sacking groceries. Now no disrespect meant to that at all, but what kind of a message would it send to the men and women that protect you and the lives and property of those in your districts that we are willing to raise the minimum wage to \$7.25, but are not willing to provide \$5 an hour in tax relief for those risking their lives to protect others. I have a friend on our department who has a t-shirt that says you couldn't pay me enough to do this, so I volunteer. As I mentioned to Senator Janssen on Wednesday, the culture in our state, particularly in rural areas, is changing with respect to voluntarism. Young people are not as willing to sacrifice countless hours with their family, with work, to risk lawsuit, injury or worse to fight fires. Your vote on LB264, positive or negative, will send a clear message to the people in Nebraska that you do or do not recognize and support the men and women that protect their lives and property. We, and they, would appreciate your support. Thank you and I would welcome any questions. [LB264]

SENATOR JANSSEN: Senator Raikes. [LB264]

SENATOR RAIKES: Question. You mentioned lawsuits and I'm just looking to be informed here. There is an incident in which a volunteer provides a service to a citizen and something goes wrong, and the citizen decides to...who do they sue and who carries the insurance? Who pays for the insurance, that sort of thing? [LB264]

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MICHEAL DWYER: I'll try to answer that as directly as I can and then I may defer to some of my colleagues that are closer to attorneys than I am. I know that there's typically two responses we have. One is EMS, or Emergency Medical Services, the other is fire service. In the EMS side, we're protected by the Good Samaritan law which essentially says as long as we stay within the bounds of our training that we're protected from any litigation as I understand it. Again, I'm not an attorney. The other side of that is that prevents any positive litigation, doesn't necessarily prevent stuff from being dragged into court. On the fire side, we are covered by insurance, but again, in a litigious society it doesn't prevent anybody from dragging us, necessarily, into the court system and asking us to defend ourselves. I can't cite any specific cases certainly in our district that that's happened, but certainly you read about it in the national press a little more. And I hope that answers your question. If not, I'll defer to some of the others that have, perhaps, a little bit more experience. [LB264]

SENATOR RAIKES: In the event that a volunteer is seriously hurt or killed. [LB264]

MICHEAL DWYER: We are, again, I can only speak for my particular department, we have a small life insurance policy. I believe it's \$5,000, but other than that it's the nature of the beast, so to speak, that we understand if you're entering a dangerous situation in a car accident or burning building or as I understand it, statistically most firefighters are killed on highways responding to accidents trying to direct traffic. Yesterday I stopped at an accident on Interstate 80 and traffic is flying by and the snow is...and I had my little tiny lights on the top of the truck, but certainly you're very concerned in that situation about whether or not somebody is paying attention or not. But in our particular situation there is a little bit of health insurance that's covered in the event of an accident, and again, the \$5,000 life insurance policy, but other than that that's it. Does that answer your question? I hope so. [LB264]

SENATOR RAIKES: Yes, thank you. [LB264]

MICHEAL DWYER: Good, thank you. [LB264]

SENATOR JANSSEN: Any other questions? Seeing none, thank you for your testimony. [LB264]

MICHEAL DWYER: Thank you. [LB264]

SENATOR JANSSEN: Next proponent, please. Yeah, be on deck here. There we go. That's the way to do it. [LB264]

WILLIAM LEE LUNDY: I apologize. I'm new at this. [LB264]

SENATOR JANSSEN: No, that's all right. [LB264]

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WILLIAM LEE LUNDY: (Exhibit 10) Good afternoon. My name is Bill Lundy and I've been a volunteer member of the York Fire Department for 32 years as well as served as the elected secretary-treasurer of the Nebraska State Volunteer Firefighter's Association. I'm here to speak in favor of LB264 for a number of reasons. I have reviewed the numbers from last year from our fire department which is a combination fire department including both volunteer, 30 members, and career staff, 13 members. In 2006, the York Fire Department responded to over 1,000 calls for assistance. The bulk of these calls were medical emergencies, but nonetheless required a response. York also had one of its busiest structure fire years with over 17 working fires. The York Fire Department defines a working fire as the pumper is connected to the hydrant. The records indicate that there was over 3,247 hours volunteered for these calls. The York Fire Department also continues to train with at least two training opportunities a month, and the York Fire Department volunteers spent 1,491 hours in training. Total time volunteered to serve and protect our community in 2006 was 4,738 hours. Like most fire and rescue departments, the volunteer ranks are getting smaller and smaller as the current volunteer average age increases. There are a number of factors I feel are reducing our numbers. One is the amount of time and training required. Being a member of the volunteer fire and rescue department isn't like belonging to a service club--no disrespect to any service club members that are here--because being a volunteer fire and rescue member means missing dinners and family events, getting up at 2:30 a.m. and then still being back to work at 8:00 a.m., and participating in numerous hours of training to provide professional services. Second is the economic impact. In the past, employers were willing to continue to pay employees while assisting in the protecting of their communities. Now with economic pressures as well as businesses with no ties or loyalty to the community, the results are many volunteers having to take time off without pay to respond. If you are a young person trying to make ends meet, taking time off from your job without pay is impossible. I, as well as the 7,300 members of the Nebraska State Volunteer Firefighter's Association, feel that this legislation has the power to help reduce this trend by providing recognition and economic support to volunteer fire and rescue department members. Upon reviewing the numbers from the York Fire Department, an entry level firefighter is paid \$10.17 an hour. If the 30 volunteer members were to collect this salary, without overtime, it would cost the city of York \$48,185.46. The expense of sick leave, vacation, medical insurance, and retirement added to this would increase the total by at least 20 percent, and if any of you are employers you know that that's probably an extremely low number, resulting in \$9,637 in benefits for a total cost to the taxpayers of \$57,822. If this bill is enacted into law, the total cost would be \$15,000 if all 30 members qualified under the point system. I would also like to mention that we are figuring that in order for York to support fire and rescue operations at the levels that the volunteers do with the career staff, would require over 40 career members resulting in a budget increase from \$1 million to approximately \$2 million to the city of York to provide that staff. I'm asking you to review this information provided and concerns we have and the need to continue to

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provide these vital services. Approving this legislation results in a recruitment and retention tool that can help ensure emergency services at a reasonable cost to the taxpayers of Nebraska. Thank you for your time and if you have any questions I'd be more than happy to answer them. [LB264]

SENATOR JANSSEN: Thank you. Any questions? Senator Langemeier. [LB264]

SENATOR LANGEMEIER: Chairman Janssen, thank you, and Mr. Lundy, thank you for your testimony. The qualifications to get the points--attending the meetings and coming to the community education and some of the things that are required in the bill--how much should you have to do to even stay on the fire department? [LB264]

WILLIAM LEE LUNDY: Most fire departments have minimum standards of making so many calls, so many trainings. York has those standards. We have to make so many of the monthly meetings, so many of the training sessions. There is mandatory training concerning handling hazardous materials. Everybody has to be CPR qualified, and then also one of the government regulations that's also requiring mandatory training is the HIPPA rules about privacy of patients. Those things are mandatory trainings that are required. So there's a number of things that we require from the York Fire Department that requires you to be a member of good standing. [LB264]

SENATOR LANGEMEIER: Thank you. If you attended all your mandatory requirements do you believe you would have enough points to qualify? [LB264]

WILLIAM LEE LUNDY: Yes, I believe that between mandatory requirements for calls and training and community service activities, I believe that of the 30 volunteer members more than 75 percent would qualify under the 100-point rule. [LB264]

SENATOR LANGEMEIER: Okay. And the other 25 wouldn't qualify... [LB264]

WILLIAM LEE LUNDY: Probably would not qualify. [LB264]

SENATOR LANGEMEIER: ...nor would they qualify to be on the fire department at all. [LB264]

WILLIAM LEE LUNDY: And part of that is that, you know, because of the aging of the staff, of the fire department, there's people there that probably cannot meet all the fulfillments of being a full-time firefighter, i.e. interior firefighter, because of age and health concerns, but they fill a vital role in support staff type operations making sure the phones are answered when we're out on calls, providing material and support of operations to the fire ground, watching the hydrant, watching the pump, filling air tanks. Those kinds of things where they may not meet all the requirements of being an interior firefighter, but would still provide support to the fire ground. [LB264]

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SENATOR LANGEMEIER: Okay. Thank you. [LB264]

WILLIAM LEE LUNDY: You bet. [LB264]

SENATOR JANSSEN: Senator Dierks. [LB264]

SENATOR DIERKS: The requirements that you've talked about, are those set up by statute? [LB264]

WILLIAM LEE LUNDY: No, sir, they are not, to my knowledge. [LB264]

SENATOR DIERKS: Um-hum. [LB264]

WILLIAM LEE LUNDY: So every fire department could have a different set of standards. [LB264]

SENATOR DIERKS: So who provides you with those requirements? [LB264]

WILLIAM LEE LUNDY: Our standards are self-regulated within the department on this is what we feel is the minimum necessary for you to be a firefighter for the York fire department. [LB264]

SENATOR DIERKS: Well, I've heard some people up in my district complain about the requirements for studying to be a medical technician. It's a very difficult test to take and it takes a long time, and they're having difficulty getting people to do that. Is that the way it is in your country? [LB264]

WILLIAM LEE LUNDY: Yes. Yes, it is. The EMT class, to be an emergency medical technician requires 181-hour course instruction. [LB264]

SENATOR DIERKS: Has that been set up by statute as well? [LB264]

WILLIAM LEE MUNDY: That is set up, yes, by the state statute. Plus, passing the national registry test and we encourage members of the York Fire Department to become EMT's as well as Firefighter I which is a state fire marshall instructed class. But we have not gotten to the point at the York Fire Department in order to be a member that you have to have those, because some of those like Firefighter I classes take sometimes between one and two years to complete, because of how they're spaced over the segments that are happening. And then we also encourage the EMT students, students that are interested in becoming emergency medical technicians, that 181-hour class plus taking the national registry is a major commitment of time. [LB264]

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SENATOR DIERKS: Thank you. [LB264]

SENATOR JANSSEN: Thank you. Any other questions? I might have a little here. How often, in York, how often do the volunteers get called out to assist the paid members of the city? [LB264]

WILLIAM LEE LUNDY: Currently, the York Fire Department also operates the transport service for the county which means that if you need a medical transport from hospital to hospital or from the nursing home to the hospital, they operate those calls, too. And so we currently have four career staff members, but if there's less than four there, let's say that two of them are on a transport and they have another call for a transport then they call in volunteer staff to help support that. On average, I would guess, based on 1,000 calls that York Volunteer Fire Department is activated at least once a day over a year, on average. So we are called... [LB264]

SENATOR JANSSEN: Once a day. [LB264]

WILLIAM LEE LUNDY: There are days that we may get seven calls and, you know, which makes it real hard to be productive at work if your boss lets you go. And sometimes it makes your boss very unhappy that you're gone that much. But we've done, I think the most calls we did last year in 2006 we had one day where we did 13 calls. [LB264]

SENATOR JANSSEN: That's quite a few. [LB264]

WILLIAM LEE LUNDY: Yes. And 30 volunteers and 13 career staff, 43 people it does stretch the resources to the limit. In October we had a massive fire in York and there was over 16 fire departments from throughout the state at that fire. All 43 members, I think there was only one or two members of the whole fire department that didn't participate in that fire, because they were out of state. And that started at 1:00 in the afternoon and we were still there at 6:00 the next morning. [LB264]

SENATOR JANSSEN: Um-hum. Okay. Senator Langemeier. [LB264]

SENATOR LANGEMEIER: One more question. You're doing such a great job. I'm going to ask you one more question here. You said you were nervous, but you're doing a great job. What do you do currently in York to get new members to join? What kind of activities? What goes on to... [LB264]

WILLIAM LEE LUNDY: We've been actively trying to recruit new members. The newspaper has been very helpful in expressing our plight and concern about new members, and we've been very fortunate. Last year we had some academy classes, we call them. We had some academy classes where we brought in new firefighters and did

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a six month orientation of hard learning... [LB264]

SENATOR JANSSEN: Excuse me. Why don't you stop and take that phone out and shut it off. And if anybody else has one on, please shut them off. [LB264]

_____: Is it a fire? [LB264]

SENATOR LANGEMEIER: Could be a fire. [LB264]

WILLIAM LEE LUNDY: I thought I had it on vibrate. [LB264]

SENATOR JANSSEN: You may lose all your backup here. [LB264]

WILLIAM LEE LUNDY: The phone has too many buttons. We've done, and the newspaper has assisted in identifying that need and we've had a number of people step forward. The Nebraska State Volunteer Firemens Association has filed and received a grant from the federal government for recruitment and retention of \$23,000. And we are assisting, right now, all the fire departments in the state of Nebraska, whether you're an association member or not, in recruitment and retention seminars. We are producing posters as well as brochures that can be handed out at county fairs and other activities where you might have a large group of people. We're working on that. As well as we've established an 800 line and posters to indicate that you can call this 800 line through the NSVFA office and we'll try to direct you to a fire department. If you called from, I think you're from Schuyler, Senator Langemeier... [LB264]

SENATOR LANGEMEIER: You bet. [LB264]

WILLIAM LEE LUNDY: ...didn't know how to join the volunteer fire department or wanted to participate in the volunteer fire department, they'd call that 800 number and we'd direct them to Todd Parsons up there in Schuyler and try to meet the two together. So we have been actively recruiting and trying to do retention. In our annual conference in October we had an outside speaker talk about retention and recruitment for trying to recruit and retain members and train those departments on how to do that. [LB264]

SENATOR LANGEMEIER: I know my local firemen pretty well and I think flashing lights on the top of their pickup would make them more happy. [LB264]

WILLIAM LEE LUNDY: Pardon? I'm sorry. [LB264]

SENATOR LANGEMEIER: They would all like to have flashing lights on the top of their vehicles, I think, would make them more happy. So thank you. [LB264]

WILLIAM LEE LUNDY: Okay. [LB264]

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SENATOR JANSSEN: Any other questions? Just a comment or two, Bill. I remember 50 years ago the particular town that I live in you almost had to be asked to be on the volunteer firemen. It was a pretty unique bunch of people. Kind of a close-knit group. And you just couldn't say, oh, I want to join your fire department. You had to be asked. But that's gone. Those days are over with, especially in the smaller towns and villages. You just don't have enough people to have the time and want to make that commitment to do those kind of things. So my hat is off to the volunteers, all volunteers in this state. So any other questions? [LB264]

WILLIAM LEE LUNDY: And one other comment... [LB264]

SENATOR JANSSEN: Sure. [LB264]

WILLIAM LEE LUNDY: ...you know, so many smaller communities now don't have the economic base because, you know, as farming as changed. Now a lot of the smaller communities have become bedroom communities and we're seeing, around York especially, you know we're seeing especially during the daytime it is really hard and we get called lots of times to help support those smaller departments where a large percentage of them drive to York or some other community to have an economic stance. They like that small town living, that friendliness and knowing their neighbors, and everybody willing to help themselves. But the problem is that really makes a bigger burden on those volunteers that may be remaining in that small community. Thank you for your time. [LB264]

SENATOR JANSSEN: Okay. Thank you. Next proponent, please. [LB264]

BOB ROSE: My name is Bob Rose. I'm from Edgar, Nebraska. I'm the president of the Edgar Fire and Rescue. I'm the Clay County emergency manager and I also have a statement from NACO today. [LB264]

SENATOR JANSSEN: Would you please spell your last name? [LB264]

BOB ROSE: R-o-s-e. [LB264]

SENATOR JANSSEN: Okay. Thank you. [LB264]

BOB ROSE: Honorable Senator Janssen and other members of the committee and my friend, Don. I listened a little while ago of all the people you got to be on the same side of. You and I have never been on the other side so I hope that don't start today. I ask you to give serious consideration to this bill. Recruiting and retaining qualifications and getting workers willing to work is a very serious problem which was already alluded to. The catch-22 in our society is the smaller we get in numbers and the more we want

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somebody to be trained, the harder it is to get that done. For instance, if we take the Firefighter I class it takes 75 hours. If you ask somebody to do that, most of our small communities don't have enough people to hold the class themselves so it has to be done at a neighboring community. If you drove 30 miles to that neighboring community to take that class, and they're usually at night, three hours a night. That's 25 times you drive that 30 miles one way, that's 60 miles. If your car got 20 miles to the gallon, you're talking three gallons of gas, roughly \$7.50, \$8 just for gas. That class would cost the individual taking it \$200. If we go to the EMT class and it doubles that, that's \$400 out of their pocket. We live in an age where both time and money are a problem for the younger generation and we heard earlier that we've got an older trend. It's hard to get those young people involved. I know that our neighbors in Edgar to the east, the Ong Fire Department and their rural board are holding a meeting next Tuesday with all the citizens of the Ong district and the question is do we keep our fire department because they don't have enough members to run it. How do we get those people? Somehow we've got to find a way. For years we've heard that fire is a local problem. I don't believe that's true anymore. We're a mobile society. When the storms hit the other day and we had the ice storm, the Edgar Fire Department opened their fire hall. They had heat and they actually moved the people in the nursing home over to the fire hall to keep them warm. With the "mobileness" of our population we don't usually have family around like we used to to take care of our people. With homeland security the way it is, even the federal government has recognized this and they're starting to give equipment to locals. It's a state problem. We have people more mobile, they're on the road. That means our ambulance is handling people from out of the area. All of these things need to be addressed. On Wednesday, I was out at Madonna talking to Jim Schafer. Jim Schafer is a young man from Doniphan, Nebraska, that three months ago was fighting a cornfield fire. He went through the fire one time. He found out it was too difficult to breathe so he pulled into an area where it wasn't burning to put on a respirator to breathe. While he was doing that, he took off his coat to do that, the fire switched directions and burned him seriously. For three months he's been in the hospital. Since January 1 he was moved to Madonna. As I was there on Wednesday, the therapist was taking his fingers one at a time and stretching them back. This is three and almost a half months later. One by one she's stretching his muscles to make them work. As I was about to leave she put gloves on him and those gloves had rubber bands with velcro. And when she did that she stretched the hand down to, again, bring the other side of the muscles back to play. She said to him, Jim, how many people quit your department because of what happened to you? He said none. I said Jim, would you go back and do the fire department again. Jim says I'd love to. She says no you wouldn't, because you won't be able to tolerate the heat. He said then I'll run the pump and I'll become an EMT. These are the kind of people we have that are representing us. In Edgar, a year ago we looked and we said our department is not going where we want it to go. What do we need to do? We decided that there was only two things that we agreed on. One, our job there was to help the people. And secondly, the only way the department could do that job was with active people. The great part about LB264 is it defines what activeness is to a

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level that is probably great for all of us. Thank you. [LB264]

SENATOR JANSSEN: Any questions? Seeing none, thank you, Bob. Next proponent, please. [LB264]

TOM HAMERNIK: (Exhibit 11) Good afternoon. My name is Tom Hamernik, H-a-m-e-r-n-i-k, and I'm here to testify in support of LB264. I'm a member of the Clarkson Volunteer Fire and Rescue Department and also a member of the NSVFA legislation committee. Good afternoon, Senator Janssen and members of the Revenue Committee. I've been a firefighter/EMT for the past 28 years in Clarkson. The issue of recruitment and retention is very near and dear to my heart. My father, brothers, and I have a combined 115 years of volunteer service to our community as EMT squadsmen and firefighters. Many times this responsibility has taken precedent over our family and business concerns. Since we work in Clarkson, one of us, sometimes two, respond to almost every daytime rescue call. The situation that was described earlier about people working out of the community in a bedroom community happens in Clarkson every week, and since we're in town we make the calls. That's two hours out of each of our work days, everyday, regardless of your plans for that day. Why do we do it? Because we feel a very deep responsibility to our community to provide timely emergency services and we're very, very proud of what we do. We're committed to our fellow team members and our organization. And number three, there simply aren't enough people and businesses in our community that are willing to make the sacrifices without more reward for their time. It's just not about calls either. It's about organizing a department of 40 individuals with different personalities, maintaining facilities, equipment, and vehicles. It's fire prevention programs during the school day, state mandated EMS/Mutual Aid/Department training, recordkeeping, meetings with city councils and rural fire boards. It's fundraising for community projects and don't forget all the storm watches. In our community we're responsible for tornado watches during the spring and summer, and when you have a dozen people out for hours at a time it really gobbles up people. Unless you're a part of this, you haven't much idea of the thousands of hours donated every year in communities across Nebraska. I think Bill had a great example. We work very hard at recruitment in our community. Pickings are very slim. Potential volunteers know the commitment that we make and they feel that they are either too busy or simply cannot justify the effort for the potential rewards. The camaraderie of an excellent organization and the ability of helping friends and family during an emergency situation and simply being the right thing to do only goes so far. LB264 puts a value on what an active volunteer's time means. The schedule for determining who qualifies is realistic and it's comprehensive and enforceable. Our department has always tracked attendance at department functions, associated organizations, and external training sessions for continuing education and our membership requirements. Our department bylaws have strict attendance and training requirements to retain membership. As hard as it is, we enforce them. And every time I bring it up, somebody asks me how can you kick somebody out of a volunteer organization. Well, you can. And it's very important

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that our volunteers understand how dangerous the situation is and work together and communicate with each other. We don't want to put each other's lives at risk and we certainly don't want to do that to any of our community members. We honestly and truly need your help to provide us with a meaningful tool to use when recruiting individuals to continue to provide these vital services in our communities. And I ask you to move LB264 out of committee and onto the floor for debate. [LB264]

SENATOR JANSSEN: Thank you, Tom. Any questions? Senator Langemeier. [LB264]

SENATOR LANGEMEIER: Mr. Hamernik, thanks for coming down. You touched on one thing they were talking about, just not a lot of people in Clarkson is a good example of that. They either work for you or they drive out of town. (Laughter) Am I not true? Yeah. [LB264]

TOM HAMERNIK: Not always. [LB264]

SENATOR LANGEMEIER: For the most part, the co-op, there's a few things downtown. [LB264]

TOM HAMERNIK: The co-op, the equipment dealership, there's other businesses. [LB264]

SENATOR LANGEMEIER: Yeah, I like Clarkson. Do you have any idea how many people that may be in town that you may be able to tap into that just said no, we don't want to do...do you have any idea? I mean, do you have a list of 20 guys out there or gals out there that you think, yeah, we can grab them and bring them in. [LB264]

TOM HAMERNIK: Thank you for asking that question. Last fall, we put together a committee to look at a recruitment function. And in the past we've hosted a dinner, brought in a speaker, and brought our department together, and given people an opportunity to talk about it, and exposed people in the community to what it would be like and the group. And it's worked for us in the past. And this year the committee got together and we put together a list of 40 names, and our fire chief who's sitting back here, and our rescue captain contacted them all. We set the date and we contacted them a second time, and when we got right down to it we had two people that would have come to that dinner. And in the end we cancelled it because it was not a wise use of our funds. And in the end we got one of those two. And we were talking on the way down here today of what we can try. And we've talked about many, many things and as I said, I think people know the commitment it is and unfortunately, very few people really retire from our department. They die or they stay on reserve, but they're always around because they know we're always going to need the help. And they man the radio, they help us around the fire scene, they watch traffic or something, but if we blow the whistle a second time they come. [LB264]

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SENATOR LANGEMEIER: Right. And we appreciate that. And that was my question, is there a pool out there that we could maybe tap for this, even in these little communities? [LB264]

TOM HAMERNIK: There's some young people, but I don't think they understand the community commitment part of it and the rewards that you receive from being able to help people in your community and taking the responsibility for emergency medical care for all your community. [LB264]

SENATOR LANGEMEIER: Right. Thank you. [LB264]

SENATOR JANSSEN: Any other questions? Carroll. [LB264]

SENATOR BURLING: Thank you, Tom. I come from a small, rural community and I'm wondering...I don't think this is a big concern, but I'd be interested in your response...getting a local person to do the bookkeeping for the point system to ensure credibility and integrity. Do you think that would be a problem? [LB264]

TOM HAMERNIK: I don't think so. We have a secretary that keeps track of all of our fire attendants and a secretary in our rescue squad that does the same thing. And in Clarkson, we have a combined...we're a Clarkson Fire and Rescue, and so you have to be a fireman to be a squadsman, and that was a decision made years ago, because we have to function as a unit. But we do have good records, and I think it would just be a matter of maybe the rescue captain and the secretaries certifying the records so that you made sure that everything was accurate. And if you did that every month you would not have a problem with accurate recordkeeping. [LB264]

SENATOR BURLING: Thank you. I sense that maybe Clarkson is not a typical small town fire department and I was just wondering about some people are not as well organized as you are and that's where my question comes from, but thank you very much. [LB264]

TOM HAMERNIK: I think it might be a concern, but I think there are...unknowingly, our patrons put a lot of responsibility on those individuals that operate the fire departments and rescue squads, and I don't think this would be any different than any of the other things that we already have to do. [LB264]

SENATOR BURLING: Okay. [LB264]

SENATOR JANSSEN: Tom, is your community growing? [LB264]

TOM HAMERNIK: Our community is pretty stagnant. Maybe 20 years ago we were

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about 850, and we've dropped to about 700, and I think we've remained there for the last 10 years. [LB264]

SENATOR JANSSEN: How about your rural community within your fire district? Are there less dwellings or... [LB264]

TOM HAMERNIK: Absolutely. [LB264]

SENATOR JANSSEN: All right. [LB264]

TOM HAMERNIK: Many less dwellings in the past 20 years. [LB264]

SENATOR JANSSEN: You haven't seen any new buildings or new homes being built in the country within your district? [LB264]

TOM HAMERNIK: We have. I believe we've got four new homes on the edge of our community in a new development, five new homes. And two within our community in, say, the last five years or so. All of the farm places in our fire district are full. They fill up. And we actually have some rural members to our fire department that live a couple miles out of town. [LB264]

SENATOR JANSSEN: Um-hum. [LB264]

TOM HAMERNIK: We had to do that many, many years ago in order to maintain our ranks. [LB264]

SENATOR JANSSEN: Well, I know my legislative district isn't too far from Clarkson and, of course, we're east a little bit further and we're seeing more sites where they're putting up a dozen, two dozen homes, you know, in an area. They're developing some rural areas. And this is starting to put a burden. You've got more exposure and a distance from the fire station so I'm looking for, you know, that to be a problem with some of the rural fire protection districts, especially a little further east from you. [LB264]

TOM HAMERNIK: Um-hum. I wanted to mention something to the previous speaker. If the Ong fire department dissolves, which departments are going to pick that up? [LB264]

SENATOR JANSSEN: Um-hum. Um-hum. [LB264]

TOM HAMERNIK: You know? That's going to be an additional burden on Edgar and what other communities? [LB264]

SENATOR JANSSEN: Sure. I can understand that. Any other questions? Chris. [LB264]

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SENATOR LANGEMEIER: One more quick question and you may not have the answer to this, because just Senator Janssen's thought brought me to this. In your house fires, what's kind of your typical source? Is it heaters, stoves, external things that are put in the homes starting the fires? Or do you see the majority of old wiring in old houses? I mean, what do you see as kind of the... [LB264]

TOM HAMERNIK: I'm not sure there is one cause more than another. It's old wiring, it's careless smoking, it's sometimes the wood stove or just carelessness dealing with fuels. [LB264]

SENATOR LANGEMEIER: Okay. Thank you. [LB264]

TOM HAMERNIK: Okay. [LB264]

SENATOR JANSSEN: Okay. I don't see any further questions. [LB264]

TOM HAMERNIK: Thank you. [LB264]

SENATOR JANSSEN: Thank you very much. Your testimony was very good. Next proponent. How many other testifiers do we have? Couple more? Okay. [LB264]

DALE TEDDER: Senator Janssen, committee members, I'm very proud to be here today sitting in front of your committee and being able to call myself a volunteer. [LB264]

SENATOR JANSSEN: Would you state your name, please? [LB264]

DALE TEDDER: (Exhibit 12) Oh, I'm sorry. Yes, my name is Dale Tedder, T-e-d-d-e-r. I'm very glad to be a part of the group that's behind us today, the volunteers. My name is Dale Tedder, chief of the Bellevue Volunteer Fire Department, serving myself 33 years, Bellevue having 146 members answering thousands of calls a year. Here today I am speaking not just for the Bellevue Volunteer Fire Department, but three other departments in Sarpy County. Hundreds of hours spent on calls, training fire prevention, equipment maintenance, and many, many other things that are all done by volunteers, nights, weekends, and holidays, now operating our own training facility. All Bellevue members and members of our fire department are, at a minimum, an EMT standard. If they decide to go on from there, they will all take their Firefighter I. LB264 will provide a tax increase credit and adopt the Volunteer Emergency Response Act. The members of the Bellevue Volunteer Fire Department and other departments in Sarpy County would like to show their support for this bill. We are hopeful that the committee will be able to advance this bill to the floor. An income tax credit would be beneficial to the volunteers of Nebraska and show they appreciated the effort. I'd like to thank you today and ask for

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your support, and move this bill, LB264, to the floor as it is a valuable piece of equipment for us to use for recruitment and retention. Thank you. [LB264]

SENATOR JANSSEN: Thank you. Any questions? Senator Langemeier, go ahead. [LB264]

SENATOR LANGEMEIER: Okay. One question and maybe I just missed it. Are there other states that do this? Do you know of any other states that are doing this and has it been successful? [LB264]

DALE TEDDER: I'd have to ask somebody behind me. [LB264]

SENATOR LANGEMEIER: And maybe somebody behind you will bring it up. Just posing it now to think about. [LB264]

DALE TEDDER: Can ask where we are from there, so... [LB264]

SENATOR LANGEMEIER: Okay. Thank you. [LB264]

SENATOR JANSSEN: Thank you. Next proponent. [LB264]

JAMES TEMPLAR: (Exhibits 13 and 14) Thank you. James Templar, T-e-m-p-l-a-r. I'm the fire chief out at Gering. I'd like to thank the Senators... [LB264]

SENATOR JANSSEN: Ewing? [LB264]

JAY TEMPLAR: Gering Fire Department. [LB264]

SENATOR JANSSEN: Ewing. [LB264]

JAY TEMPLAR: Gering. [LB264]

SENATOR JANSSEN: Oh, Gering. I thought you said Ewing. [LB264]

JAY TEMPLAR: I'm sorry. Clear out west. [LB264]

SENATOR JANSSEN: Okay. [LB264]

JAY TEMPLAR: But thank you, Senators, for letting us come down to talk today. I'd like to thank Senator Hudkins for introducing this bill. I'm going to try and give you a little bit different information, because of all the other stuff you already received. A lot of the things I would have liked to have said were already said. I had the pleasure, a few years ago when they adopted this volunteer incentive program and did the point system that

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time, I sat on the committee for the state and helped design and set up the point system that you have in front of you today. We, in Gering, have used this point system since it was first adopted, although the state at that time we were asking for some funding, I think the biggest thing we heard about that they weren't opposed to making a system trying to help out the volunteers, but felt that there wasn't any state money because it generally should be funded locally for fire departments. And we took that as a great piece of tool that we could use and the city of Gering and our Gering rural fire district did adopt that point system. And some of the stuff I'm handing out there gives you an idea of what our people are doing, a couple of them, and gives you some of the points and how it's calculated and how it's done. We took that incentive, went back to the city council, and says it's a great idea, but we didn't get any money from the state, but we still think it's a great idea for us to maintain our volunteer force. And they adopted that and did institute an incentive program that in December of each year, each one of the members that meets those requirements does get an incentive check in a reimbursement category, not a length of service or a tax credit or anything else, but basically trying to say the stuff that they put forth throughout the year--their driving, their clothes they lost, everything else--it reimburses them \$365, basically a dollar a day. It has made a huge difference in our department. The first year we did that, 19 of our 37 members is all that qualified to meet that requirement. From that point forward, this year we have 40 members in the department, 33 members have made that. Probably the biggest reason the other 7 haven't made it, because most of them are 65 or older and we certainly have kept them around. A lot of history and a lot of information that can be used to be passed on, but also to help out on some things that are non-emergency related. So it is certainly a tool that we have used to make sure that we maintain a competent group of people, but also I think it has been important because each year they understand what they have to do and want to be there. Now we come to the fact that you're going to have a chance to maybe do an income tax credit which is really going to help, I think also, because it is not a local issue. Each fire department is funded locally. They purchase equipment, they maintain the equipment, and they put the equipment out there, but we are ready at a moment's notice anywhere in the state. And this year was a prime example of what went on across the state of Nebraska. From the fire at Halsey about this time last year, to the fires in Valentine, Chadron, Harrison, the tornadoes we've had in the past, the ice storms and everything else these fire departments are coming from all over the state. Our department was at Harrison. We tried to go to Valentine. We called up and asked. They said they had enough help at that time. It's 250 miles for us to respond from Gering to Valentine. We had people that are willing and ready to go. Harrison, we spent four days up there helping out there until the emergency management team out of Phoenix, Arizona showed up. They had more resources at that time. Of course, most of our people have to get back to work, too. But I guess I want to say that it is not just a local issue and I think there is some need from the state to help support the volunteer group of firemen, because they are there and ready to respond to anything we have in the state of Nebraska. To provide those resources that are funded locally to be dispersed and do whatever is necessary and I

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think that's really important. So I think maybe to answer Senator Burling's question about can it be done. I think you put that carrot out there and make sure that those people know that there's going to be some money involved to keep track of those records. There will be some that will have to change some things they have not done in the past. I will agree with that. And administering this thing for five years there is some paperwork involved, but it's not out of the question. And that carrot that you would provide with having that incentive will certainly make it easy for somebody to make sure it's done and it certainly would be no problem for the city which you ask in there to verify and make sure that's a valid point that these people are meeting that requirement. So I would hope that we get this passed through and at least moved to more debate. I would try to answer any questions you might have. [LB264]

SENATOR JANSSEN: Senator Dierks. [LB264]

SENATOR DIERKS: Jay, do you have access to forest service fire protection out there? [LB264]

JAMES TEMPLER: No, we do not. We actually, we respond, Chadron has forest service, people out there...I shouldn't say that, because we do because the forest service people have people for training. They come out and do training stuff with us, but no forest service personnel with any equipment or anything else. We would be responding taking care of all the state property, we help the Game and Parks on different occasions as far as doing some prescribe burns. We do protect a lot of area and our area out there has a lot of state property. It's involved in our fire district, the Game and Parks people out there. And they have no equipment in Scotts Bluff County. All their equipment is an Alliance and Chadron if that's what you were talking about. [LB264]

SENATOR DIERKS: That's what I wondered, yeah. I just wondered if you had full-time not volunteer service, but... [LB264]

JAMES TEMPLER: No, we do not. Nobody from the...Game and Parks has some equipment in Alliance and Chadron, forest service has nobody out there, one representative in Chadron and he's basically an administrative person, but he doesn't have any equipment out there through the Nebraska Forest Service, if you're talking about the Nebraska Forest Service. National Forest Service, there are some people in Chadron. [LB264]

SENATOR DIERKS: Do they put fire protection devices out in some of the rural places like on the ranches and farms on occasion? [LB264]

JAMES TEMPLER: Not in our district and I'm not sure of anything in Scotts Bluff County or western Nebraska anyway, no. [LB264]

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SENATOR DIERKS: You said something that caught my attention. You talked about prescribed burns. [LB264]

JAY TEMPLAR: Yes. [LB264]

SENATOR DIERKS: You do that in conjunction with soil conservation people or do you do that yourself? [LB264]

JAMES TEMPLER: No, it's through Game and Parks and Nebraska Forest Service; also, U.S. Fish and Wildlife National Park, we have a national park. Scotts Bluff National Monument is out there. We do that as it's for to prevent these catastrophic type of wildfires. They are now doing more things and we've assisted them in those events simply for the training tool for us, also, because it's a preventive measure to prevent from having a catastrophic fire, but also give our people on-scene training, hands-on firefighting training, yes. [LB264]

SENATOR DIERKS: Thank you. [LB264]

JAY TEMPLAR: You bet. [LB264]

SENATOR JANSSEN: Other questions? Seeing none, thank you. [LB264]

JAY TEMPLAR: Thank you very much. [LB264]

BRUCE BEINS: Good afternoon, Senator Janssen. My name is Bruce Beins, it's B-e-i-n-s. I'm from Republican City, Nebraska, which is Senator Carlson's district about 50 miles as the crow flies straight south of Kearney. I'm here representing my department, but more that I'm here I'm representing the Nebraska EMS Association which is a membership organization of the EMT's and paramedics and so forth. We have about 2,000 members and about 90 services that belong to our organization. And then also maybe to answer a question here in a little bit, I'm also the chair of the state board of EMS so I could definitely answer any questions that would have to do with EMS standards and so forth. My department is a very small department. I'm maybe the other end of the scale from some of them you've seen testify. Our town has 190 people. We have 18 on our fire department and six EMT's. So we don't make the huge number of runs that some of these other departments do. Yes, we're funded locally, but very minimally. We have our newest truck is a 1980 model truck. So that just kind of gives you an idea of what we're talking about here. Our problem isn't so much recruitment, because I guess you could say we've moved beyond recruitment because we have went so far as to take maps of our whole fire district and consider every single residence and look for people that would get onto our department. The requirements to be on our department is you have to have a pulse. (Laughter) That's it. We will find

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something for you to do whether it is to take minutes, you know, at the meeting, to help us clean things up. We have people that strictly just drive the ambulance, because we are so desperate for people. This is really a retention thing for us. There is no industry down through those lower counties other than agriculture so most of the people we do have are farmers, the sons of farmers, that are going to stay and farm the land. Other than that, we're pretty much a retirement, recreation, agriculture community. It really hit home here three weeks ago just how important these volunteer services are when the ice storm hit. We were right in the ice storm. We lost all communications during that ice storm--no phones, no cell phones, no power, no water. The fire department literally went door to door checking on people, a lot of who are elderly people that didn't have any way of getting out. So, you know, I hadn't really thought about it. I've been on the department for 23 years and hadn't really thought of how vital this was, because if we weren't there who was going to do it? There was nobody else to do it. Like somebody else said, we don't tend to live as close to our families as we used to, neighbors aren't necessarily as close as we used to, we don't have as strong of civic groups, church groups, anything as we used to because of the evolution of society. So it was so important that we were there to be able to do that. This bill isn't really about the money to me. It's not about the money. In my area, median income is very low. Five hundred dollars would mean a lot to any of these people that are providing this service, but it is not necessarily about the money. It's about the recognition. We're all pretty conservative. As Nebraska as a whole and especially in the rural areas and there's, you know, we want to be able to do things for ourselves, but there are some things that we want our government to help us with. You know, of course, roads, schools, and those essential services--hospitals, fire, EMS--that are so very important to us, because we know our citizens need those. It is a big burden that is put on us. We put that burden on ourselves and we take it on gladly, but that burden of laying awake the night before when the power first went out, wondering what the people up town, the older people with no power, whether they had heat. You know, what they were going to do. I mean, that's a burden we took on ourselves. There's no law that says we have to do that. And there is those rural areas that can no longer keep this up, because they can't retain the needed people to do this. So I think the biggest thing this bill would do would be to help with retention. Sure it's an incentive for those we may recruit if we have somebody we can recruit, but it's an even bigger thing for those that we are out there doing this that the state recognizes that it's such a valuable thing for the citizens of the state to be able to have that safety net for them. And I think storms like this, while it may be a lifetime event for some of us, it really drove home to a lot of us how important that safety net is out in the rural communities. With that, I guess, if anybody has any questions I'd be more than happy to answer them. [LB264]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB264]

SENATOR LANGEMEIER: I do have a question. Thank you for your testimony and again, we appreciate everything you do. Today in the testimony we've heard from York

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and how they keep track and qualify their members, and we've just from you that they need a pulse. Maybe I could qualify for that one. [LB264]

BRUCE BEINS: Yeah. [LB264]

SENATOR LANGEMEIER: How do we ensure that this point system has any relevance? You need people, you're going to fill them out if that's what it takes to keep your people in the fire department. How do we monitor that this point system isn't just a form that gets filled out in some fire department across the state to make sure they keep their guys and gals active and receiving the benefit? [LB264]

BRUCE BEINS: I don't know. I can't answer that other than I can tell you that the character of most of these people that are in fire and rescue is above and beyond what you would think. I mean, these people literally risk their lives and leave their family functions and so forth to serve their fellow man. So other than saying that these people are above and beyond a fantastic moral character, there is, other than that you're going to have to take somebody's word for it. The same could be true of the villages, communities, whatever that are going to have to certify that and send it on. I don't know how else you'll be able to do that. [LB264]

SENATOR LANGEMEIER: Thank you. [LB264]

BRUCE BEINS: One other thing I'd like to correct. I think Mr. Lundy spoke in error. He said that the EMS training was 181 hours and that's not true. The EMT training varies across the state a little bit, because of the difference in training agencies, mostly community colleges. The DOT/EMT curriculum that Nebraska has adopted is 130 hours. There's additional training that you can take above and beyond that if you want to become more advanced in your knowledge and training and it is possible that if you took all of the different modules along with that, that you could get up as high as 150 to 170 hours. But the base class is 130 hours to be an EMT in Nebraska. [LB264]

SENATOR JANSSEN: Okay. Any other questions? Seeing none, thank you. [LB264]

BRUCE BEINS: Thank you. [LB264]

SENATOR JANSSEN: Jerry, are you the last testifier? [LB264]

JERRY STILMOCK: I believe. Yes, sir. [LB264]

SENATOR JANSSEN: Okay. [LB264]

JERRY STILMOCK: My name is Jerry Stilmock, S-t-i-l-m-o-c-k, lobbyist for the Nebraska State Volunteer Firefighters Association. I come just to try to answer a couple

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of questions. Other incentives offered by other states. Connecticut authorizes the local political subdivisions to authorize a tax credit, if you will, a tax allowance for property taxes. Maryland, South Carolina, and New York use a deduction method. The two first--Maryland and South Carolina--are on a state basis. It comes above the line deduction. And New York is, again, back at a local level that allows a property tax deduction. Delaware allows a credit. As far as I know those are the states that have actually passed laws. Interestingly enough, Iowa attempted legislation that, to my knowledge, that law was not passed and that took the form of a deduction. But the thing that drew my attention to Iowa was that it was a deduction for stipends paid to volunteers in Iowa that amounted to \$15,000. In other words, Iowa obviously is paying or somehow has authorized stipends to be paid to the extent that when that volunteer was performing service, they were receiving a stipend up to the tune of \$15,000 because the state of Iowa wanted to allow a tax deduction from income so that those volunteers weren't being taxed on that stipend. If, I won't, but if I were to call the people that testified prior to me back up here, I would bet the dollar in my pocket that none of those folks receive any type of stipend from their departments. I'd just like to add one final note. You've heard testimony, you're going to hear testimony on other items. Teachers have come before the Legislature before asking for an income tax credit. If you saw fit to advance this measure to the floor, what about teachers coming back in? What about national guards coming back in? What about paid firefighters coming in? What about police? And the one true thing that I'd ask you to please consider, the one true thing that will always separate those categories from the volunteers is it simply is that--they are volunteers. Thank you. [LB264]

SENATOR JANSSEN: Any questions? Cap. [LB264]

SENATOR DIERKS: Well, Jerry, I just wanted to tell you before you leave and while the gentlemen are still here that we've had a fire at our house twice, in Ewing, and all we have is a volunteer fire department. One was a lightning strike and the other one was a tree that went down on a power line and sent a surge through our house. And the service is wonderful. So I appreciate what they do. [LB264]

JERRY STILMOCK: Thank you for that comment, Senator. I'd be remiss, the state of Nebraska, though it does own property and we enjoy to the extent we can the Omaha, Lincoln people we have in Ashland's Mahoney State Park serviced by volunteers. The wildfires out in northwest, start with Valentine and move west, Sioux County and Dawes County this past summer. The state of Nebraska does not have any fire suppression force. The reference we talked about earlier, the Nebraska Forest Service. Nebraska Forest Service though may have personnel stationed in different parts of the state. They are there serving other functions, but they don't serve any function at all in fire suppression. So when the call comes, the call is answered by volunteers. [LB264]

SENATOR JANSSEN: Other questions? Seeing none, thank you. [LB264]

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JERRY STILMOCK: Thank you, Senators. [LB264]

SENATOR JANSSEN: Okay. Any opponents? Seeing none. Anyone in a neutral capacity? Seeing none, Senator Hudkins to close. Senator Hudkins waives closing and that ends the hearing on this bill and the hearings for today. [LB264]

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Disposition of Bills:

LB4 - Indefinitely postponed.
LB9 - Held in committee.
LB240 - Indefinitely postponed.
LB264 - Indefinitely postponed.

Chairperson

Committee Clerk