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Banking, Commerce and Insurance Committee
February 07, 2011

[LB387 LB388 LB404 LB434 LB448 LB453 LB454 LB455]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Monday, February 7, 2011, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB387, LB388, LB404, LB434, LB448, LB453, LB454, and LB455. Senators present: Rich Pahls, Chairperson; Beau McCoy, Vice Chairperson; Mike Gloor; Chris Langemeier; Dave Pankonin; Pete Pirsch; and Dennis Utter. Senators absent: Mark Christensen. []

SENATOR PAHLS: Good afternoon. I want to welcome you to the Banking, Commerce and Insurance Committee hearing. My name is Rich Pahls and I represent District 31 which is actually the Millard of Omaha. The bills will be followed as posted, and I will run through those again in a little bit. And to better facilitate today's meeting, I'd like to have you look at the small, white chart over there. Those are some of the procedures I'd like to have us follow...actually, are pretty simple. And one thing I'm going to ask you to do that may be different in some of the hearings is that we do have some chairs up here that we have reserved. It helps me focus in on how many more people are going to be coming up, and it'll move the hearing along. And just to give you an idea, the other day the opponents, nobody sat up. They all sat in the back, and I just went right past them, so keep me alert. So if you move forward, that does make sure that I do follow the procedures. One thing, since we do have a number of probably different people who have been before this committee, make sure you do spell your name correctly for the records. And, again, I'm going to ask you to be somewhat concise. If somebody has already given the information, please give us new information if at all possible. We need ten copies. If you do not have ten copies of information that you wanted to give to us, wave your hand or wave something. One of the pages can have some copies ran off for us. And just to start, the counsel is Bill Marienau--many of you know him. And Jan Foster, who keeps all of us in line. And I'm going to start with the introduction of the senators. Senator Utter is at another hearing, and he may be here later on. []

SENATOR PANKONIN: Senator Dave Pankonin, District 2. I live in Louisville. []

SENATOR LANGEMEIER: Senator Chris Langemeier, District 23. I live at Schuyler. []

SENATOR PIRSCH: Senator Pete Pirsch. I live in District 4 in Omaha. []

SENATOR McCOY: Beau McCoy, District 39, Elkhorn and west Omaha. []

SENATOR GLOOR: Mike Gloor, District 35 which is Grand Island. []

SENATOR PAHLS: Okay. I think Senator Christensen will be with us in a little bit. Also, we can have the pages over there...wave your hands. We have Tom Kelly and Matt McNally. Okay. Again, when you do testify, please fill this form out, and if you choose

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not to testify, I think we have a form over there for you to just write your name down. Okay? I think we are ready to begin with our first bill. That would be Senator Hadley, (LB)387. And you must be a very intelligent person, because you have white hair (laughter). []

SENATOR HADLEY: Well, Senator Avery doesn't like my haircut. I hope that doesn't, you know, cause problems here. Senator Pahls, members of the committee, such an august committee to be in front of, it is a real pleasure. This is my first time before the Banking, Insurance and Commerce, and I'm very happy to be here. My name is Galen Hadley. That's G-a-l-e-n H-a-d-l-e-y, represent the 37th district which is Kearney County and Kearney. And I have to start with just one quick story, because I thought it kind of ties in. I happened to go to the Family and Consumer Science lunch over in the Governor's basement, and these were students from around the state that are involved in family and consumer science programs. And the young lady sitting next to me is from Kearney, and she happens to be an officer in the state organization. We got to talking about, you know, what we were doing here. And she says, I was so proud. And I said, what? She says, I was at a national meeting last week in Chicago, and I was so proud to tell people that I come from the state of Nebraska where we balance our budget every year (laughter). And that's an absolute true story, because she said she was talking to people, you know, students from Illinois and California and such as that, and she said, it really, really did her heart well to talk about how things were going in Nebraska. So I thought I'd start with that story. Nebraska currently has little in the way of private or public business innovation activity. We found that out this summer when we had a special study station on entrepreneurship and what was happening in Nebraska. The lack of technology-based development programs oriented towards entrepreneurial development, risk capital, and the translation of promising research to discoveries into new companies and products is a glaring gap in Nebraska. Simply put, the Business Innovation Act will help to ensure that the products being produced from Nebraska's new R&D industries will be capitalized on for a new high growth, business start-ups and expansion. The title of this act is the Business Innovation Act. Its intent is to create a new fund using both new and existing resources to support research, innovation, and development. I'm going to stop for just a quick second...new funds. You know, it's so easy when we get into situations like this that we spend all our time just trying to protect the turf that we have. That's natural. We're going to be hearing a lot of that as we go through. This will require some new funds, but I think it's very important that we try to use existing resources and, at times, redirect existing resources, so that we're ready as we come out of the problems that the nation is having...we're positioned to put Nebraska to the forefront. And that's why I support the idea of using both new and existing funds for this. The key elements, the planned activities, the SBIR, Small Business Innovation Research grants for phases 0, 1, and 2, the total capped at \$1 million per year. Prototyping fund--capped at \$50,000 per project, total cap of \$1 million per year. Commercialization and support--capped at \$500,000 per project, total cap of \$2 million per year. Industry--university applied research grants \$100,000 to \$400,000

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per grant, total cap of \$3 million per year. And then microenterprise development organizational support to be used for technical assistance and financial assistance, total cap at \$1 million per year; 40 percent of the funds targeted to distressed areas, and the bill describes what is meant by distressed areas. This is not just a Lincoln and Omaha bill. This is a state of Nebraska bill. Annual action plan required to outline program priorities submitted to the Governor. The funding, \$7 million per year, \$1.5 redirected and 5.5 million in new General Funds, redirection of microenterprise development funds, Main Street (Fund), Building Entrepreneurial Communities Act, Value-Added Ag Program. I hope you take a good, long look at this, because I think it is something we need. We talked a lot about it this summer in our study program, study resolution. I think it's something that can tie in greatly with the innovation campus that we're talking about for Lincoln, that we spent a lot of tough decisions in moving the State Fair, getting that rhetoric as it goes on. The President of the United States talked about this just recently within the last week about tying university and economic development together, and I think this act will work in those ways. There are numerous people behind me that are going to testify about the details of it, but I would be happy to answer any questions you might have. [LB387]

SENATOR PAHLS: Thank you. Are you going to be here for closing? [LB387]

SENATOR HADLEY: Thank you, sir. I don't know whether I'll close, but I will be here. Can I let you know at the end? [LB387]

SENATOR PAHLS: Oh, sure, fine, fine. Just...proponents, just by a show of hands, how many proponents? One, two, three, four, five, six proponents. Opponents? One. Two. Okay. Neutral, okay, thank you. [LB387]

RICHARD BAIER: (Exhibit 1) Good afternoon, Senator Pahls, members of the committee. For the record, my name is Richard Baier. The last name is spelled B-a-i-e-r. I'm the director for the Nebraska Department of Economic Development. I'd like to thank Senators Hadley and Conrad for their leadership on the Innovation (and Entrepreneurship) Task Force that met this summer and that conducted the interim study on Nebraska's innovation economy and their interest in also carrying this proactive legislation. I'm here today to testify in support of LB387, the Business Innovation Act, and to explain the reason behind Governor Heineman's decision to make this part of the Talent and Innovation Initiative. As you all know, in December of '09, the Governor gave DED the go-ahead to work with Battelle Technology Partnership Practice out of Columbus, Ohio, to conduct a new strategic plan for the state of Nebraska as it relates to our economic development efforts. Through this process, Battelle focused their study on four key areas: Target industries and analysis and review; a DED program review; population and work force; and an innovation road map. LB387 represents a major piece of that innovation road map, and I'd like to just discuss that briefly with you. Senator Hadley did a nice job of outlining the kinds of activities we

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envision with this legislation, and so I would try and leave some time for questions. As is drafted, we again support financial assistance for small business and innovation research; prototyping; product commercialization; industry/university applied research grants; and microenterprise assistance. SBIR is an effective tool that Nebraska needs to do a better job to utilize. In their report, Battelle states, and I quote, "Nebraska lagged all of the other states with just 49 total awards from 2005 through 2009, well off the pace of surrounding states with the next fewest in Kansas at 72. This finding is manifested in Nebraska's lack of what's referred to as technology transfer. Battelle also found that Nebraska's research institutions have an above average invention disclosure rate which means that we do have faculty and professors and researchers who are coming up with new ideas and products, but that we have difficulty in translating this into new business startups. It is time to enhance our commitments to supporting these high-growth businesses. As you move through the SBIR process, the next phase is really in terms of prototyping, and that's being able to support our entrepreneurs as they take those ideas and be able to get them tested and ready for market. Following that, we move into commercialization. Again, how do we make sure that we're ready from a marketing, from a legal perspective, from all those scenarios to help with that process? We envision, again, grants to support that commercialization effort to private companies. In terms of our linkages between our existing world-class research and our state's private sector, we find that there is a void in that area. Battelle finds room for significant improvement in the way that our industries collaborate with our higher educational institutions. LB387 proposes up to \$3 million to connect our university researchers with our Nebraska private companies. We believe that the synergy between the two groups could equal profound job creation and job wealth across Nebraska. The final component of the legislation is our microenterprise assistance that we've supported since 1987 when the Legislature first decided that supporting small business was a good policy decision. We still believe that theory at DED and in our state today. DED remains a strong advocate for small business lending and financial support, and we think it fits well into our innovation strategic plan rather than a stand-alone effort. LB387 proposes up to \$1 million a year for this provision, and we believe it will be an integral part in moving Nebraska's economy forward. To finish up, LB387 reflects the Governor's steadfast commitment to Nebraska's small businesses. It is clear that small, innovative business will be a foundation of which our economy will grow in future generations. Now is the time to take a proactive stance in supporting their successes. With that, I would thank you for your time, and I'd also be happy to answer any questions. I do have some substantial testifiers behind me. In respect for your time, I've asked them all to limit and be brief in their conversations. [LB387]

SENATOR PAHLS: Senator Pirsch. [LB387]

SENATOR PIRSCH: Thank you, Director. I was wondering, is this...in coming up with this formulation for this bill, did you look at other states and how they approached this issue? Obviously, if we're in last, there's a lot of different approaches, I imagine, where

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you look. [LB387]

RICHARD BAIER: We did. We spent between Battelle and our internal research staff, we spent a couple of years looking at this issue. As we go back, we actually made our first presentation to the Governor about 3.5 years ago and had to start looking at these various issues, Senator Pirsch. And as we go through them, we try to pick and choose the things that we thought could have the most direct impact and impact outcomes most quickly. There's a lot of programs in the country that are really based on activity and busy work in the middle without a focus on those outcomes. So we really picked the things that we thought we could hit the ground with the hardest, and especially with the focus on the private sector. [LB387]

SENATOR PIRSCH: Thank you. And I understand we're dead last in this category. Is this category significant enough in terms of potential growth that we do want to emphasize the importance of it with programs like these? Can you speak to the potential for growth? [LB387]

RICHARD BAIER: It is. It's a good question. As you look at our foundation in Nebraska, we've done a really nice job. We've talked, you know, in terms of Nebraska Advantage (Act) in terms of operating costs, in terms of a variety of things, we have not done a lot of things to help us to report that entrepreneur. One of my concerns is if you look around Nebraska, and I did this the other day at the state chamber function, we have an awful lot of small business owners and entrepreneurs who are 55 and over, and we have a lot of them who are under 30. We missed an entire generation of people that left this state for opportunities outside of Nebraska, and this really is a way to help us keep that from happening, so we don't see that happen again in Nebraska. [LB387]

SENATOR PAHLS: I have a question. [LB387]

RICHARD BAIER: Sure. [LB387]

SENATOR PAHLS: Not against this concept. I'm looking...since we are going to be taking a look at other agencies, whatever, I notice that this is going to be additional to FTEs...I'm looking at the fiscal note. Normally, when I read a book, I start at the back and go forward, which I did here on the fiscal note. I see that you need two additional FTE, and you told me in the past you have...your staff has been cut back significantly over the...you know, last several years. [LB387]

RICHARD BAIER: Um-hum. [LB387]

SENATOR PAHLS: Which I understand the need perhaps, the two FTEs. But the thing that concerns me a little bit is when I read the statement. Again, I'm not against the concept, but it says, however, LB387 states that up to 5 percent of the Innovative

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Nebraska Cash Fund may be used for administrative costs. That seems like, what's the total...5 percent of what? [LB387]

RICHARD BAIER: \$7 million would be the total. [LB387]

SENATOR PAHLS: Okay, so 5 percent...10 percent would be... [LB387]

RICHARD BAIER: 700,000 [LB387]

SENATOR PAHLS: ...700,000. So half of 350... [LB387]

RICHARD BAIER: Up to 350,000. [LB387]

SENATOR PAHLS: ...see, that's a pretty wide gap. I would not run a business just saying that I'm going to allow somebody just to run that up without more structure. [LB387]

RICHARD BAIER: Okay. [LB387]

SENATOR PAHLS: Do you see what I mean? I can understand the FTEs, but 350,000...and I don't know what it's going to be used for. [LB387]

RICHARD BAIER: Right. Senator, let me give you some idea and, again, we'd be happy to work with you and talk with you about that because one of the issues that we have is, is this is kind of groundbreaking for Nebraska. Things like this, university industry partnership applied research grants. You know, if we go in and take grants, we're going to have to be looking at someone with a lot of scientific knowledge to be able to go out and look for that, so the enhanced dollar figure is really a way to help us probably go out and contract for some specialty services as we need them, because when they start talking about, you know, some of the microscopes and the things that they're doing in the chemistry process, you kind of lose me in that process. And it's difficult for me to hire staff as well with those kinds of backgrounds... [LB387]

SENATOR PAHLS: Right. And I understand that, but I also... [LB387]

RICHARD BAIER: ...so, in addition to the FTE, we would be paying for some of those costs. [LB387]

SENATOR PAHLS: Right. But I also see you calling these positions business development consultants, too, that you're requesting. [LB387]

RICHARD BAIER: Um-hum. [LB387]

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SENATOR PAHLS: Seem like those are consultants. The only thing...reason why you're having push back on this is, let's say that I happen to be one of these groups that you're going to be taking money away from to make this thing work. I want to be able to look them in the face and say, we're going to cut you out a few thousand dollars, and we're going to leave an open-ended \$300,000 plus for the agency to play with. And I use the word play with in a term that I should probably be a little bit more careful about. [LB387]

RICHARD BAIER: Sure. [LB387]

SENATOR PAHLS: But, again, I'm looking at, we want to basically...like a million dollars...I'm running these off from some of these other statutes that other senators have said, this is a needed thing. And other senators have already told me, jiminy, Pahls, take a look at this. I'm just letting you know, so maybe some of your...the people who follow you can speak to that. [LB387]

RICHARD BAIER: Right. I would also tell you that several of the programs that are being proposed for consolidation here are things that are already administered by and staffed by DED, so we're kind of working within those boundaries as well. The other thing I would tell you is that when we had Battelle here, we asked them to take a look at all of our programs from a return on investment perspective, and these happened to be a list of programs that they identified with as they kind of took a snapshot of our agency, and said, here's areas where we think there's potential for a better return. [LB387]

SENATOR PAHLS: Okay. Well, then let me ask you this since they took a snapshot of that, did they, by chance, speak to any of those people who were involved in those organizations to some detail? [LB387]

RICHARD BAIER: Yeah. I mean, we went out and they did interviews across the state. I think 100, 120 interviews with businesses and not-for-profit groups from around Nebraska. [LB387]

SENATOR PAHLS: And they came from those same people who we may be taking money away from, they apparently... [LB387]

RICHARD BAIER: Um-hum. Well, they looked at the input from those folks as well, sure. [LB387]

SENATOR PAHLS: Okay. Okay. [LB387]

RICHARD BAIER: Nobody ever goes there running, saying, please take my program or take my money. Change is never easy. [LB387]

SENATOR PAHLS: Yeah. I understand that. Seeing no more questions, thank you.

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[LB387]

RICHARD BAIER: Thank you, Senator. [LB387]

SENATOR PAHLS: Yeah. Now we are ready for proponents. [LB387]

JIM McCLURG: Senator Pahls and committee, hello. My name is Jim McClurg, M-c-C-l-u-r-g. I'm from Lincoln. I'm testifying today in support of LB387. I'm speaking on behalf of two statewide organizations...first of all, BioNebraska. I'm chairman of BioNebraska. We're a five-year-old association of more than 60 life sciences companies, universities, and government entities, and we are advocates for the life sciences industry in Nebraska. I'm also here today on behalf of the Nebraska Chamber of Commerce, an association of companies that work together to promote Nebraska economic development climate and preserve a good business climate. Nebraska Chamber is over 100 years old, and it's the voice of business community in Nebraska. I want to declare both of our organizations' strong support for this measure. It's time to move to the next generation of business innovation legislation, and I believe this is well constructed. Three reasons for our support rise to the top. First of all, this bill is well designed. It provides for the connectivity and the collaboration and the funding support to move research laboratory ideas and concepts from our universities and other sources to prototypes and then to create companies and products and jobs. The process is open to all worthy prospects. Second reason we believe rises to the top for support is the financial leverage aspect of this legislation throughout the bill. Financial provisions support matching funding sources that broaden and deepen the financial sources, supporting worthy projects and their potential to attract outside investment funding for the next stage of product development and commercialization. Thirdly, continuity. The bill provides support across the product development continuum from idea to prototype to product to commercialization, accelerating the movement of successful projects across this very challenging process to successful commercial products. Innovation that leads to new products is a very powerful creator of economic activity, so BioNebraska and the Nebraska Chamber of Commerce thank you for your leadership with this issue. We encourage your support of what we believe is well-conceived legislation and very productive legislation. Thank you. Be glad to answer your questions if there are any. [LB387]

SENATOR PAHLS: Seeing none, thank you for your testimony. [LB387]

JIM McCLURG: Thank you. [LB387]

SENATOR PAHLS: Next proponent. [LB387]

KEN MOREANO: Mr. Chairman, committee, thank you for the opportunity to speak before you. My name is Ken Moreano, M-o-r-e-a-n-o. I am the executive director of

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Scott Technology Center in Omaha, Nebraska. I also sit on the board of Invest Nebraska Corporation. Two main topics, I guess, quickly, some familiarity with the Small Business Innovation Research program that's part of LB387. There are 11 agencies that provide us SBIR grants which I'm sure you're aware. National Science Foundation was the founder of the program, I believe in the seventies, and with that, there have been a number of examples of success stories. Senator Pirsch, you asked for specifics, so I'll give you a couple of examples. Qualcomm was funded through SBIR. They have a \$90 billion market cap. They employ 13,000 people roughly. Symantec, \$14 billion market cap, 6,500 employees in that organization. Both of those, the original research, funding, and intellectual property came out of SBIR funding. We are very poor in this part of the country at winning SBIR grants. If you look on east and west coast, MIT Stanford primarily, you see somewhere between 100, 200 submittals for high growth, hypergrowth applications. Typically, here we're one, two, three, maybe a handful of applications. I'm speaking more from the standpoint of commercialization, not from the standpoint of procurement, the difference being procurement, the Department of Defense, as an example, awards SBIR. They are the customer. On the commercialization side, as an example, picking on the National Science Foundation to market is really the customer. They drive the innovation, the adoption--therefore, the hypergrowth. We find ourselves at Scott Technology in a unique public/private partnership which gives us visibility into one of the federal agencies. This is focused in the SBIR program. It's provided unique insight and access to deal flow unlike we've ever seen--the type of high growth potential companies that we see like a Qualcomm and Symantec. This agency that we work with has more Nobel prizes than India and China combined, so we have a unique opportunity to leverage this relationship at a national level with this forward thinking legislation that really sets the conditions in our state and potentially in the region for hypergrowth and high-growth technology companies. The match would set us apart from most states around the country. I'm speaking in terms of the SBIR match that's proposed in the legislation. We believe that this type of legislation would be a net importer of talent. Not only would we encourage local entrepreneurs and researchers to move through the SBIR application process, this would help educate them to the resource available, but regionally we believe that there would be a net import of talent and high academic pedigree to leverage the matching grant dollars. An example here locally, Hamid Sharif is an engineering professor at Peter Kiewit Institute underneath the engineering umbrella of college of engineering in Lincoln. Secretary Vilsack, Secretary of Agriculture came and visited. We had an opportunity to visit with him prior to his public comments. I immediately took the opportunity, presented a unique tagging mechanism for cattle, for livestock, and what he has developed is really in his lab at PKI. Not only is it a cattle identification mechanism, but also location based, and the parameters physiologically of the animal. Another unique aspect of this is that it's actually powered by the animal's heat, so the body heat powers it; it's not battery powered. So you have a local inventor with not a lot of direction as to how can he commercialize this, pitching the Secretary of Ag. I'm sitting next to him and said, you know, let's chat a minute here, and we can create a company around you, and work

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towards SBIR funding to create a company that potentially could be high growth. So that's a local example. I believe there are many in this community, but clearly, by the lack of adoption, certainly applications, and very few success stories, we either aren't educated in how to win these. We don't have the mechanism financially to trigger the match that is encouraging for local people, and I believe that we'd be able to leverage these federal relationships that we've been fortunate to encounter over the last few years to support some of this moving forward. So those are my remarks. I appreciate the opportunity if you have any questions. [LB387]

SENATOR PAHLS: Senator Pirsch. [LB387]

SENATOR PIRSCH: Thank you, and I appreciate your citing examples here of Qualcomm and Symantec. I wonder, has there been any states that we can kind of piggyback who have gone back and looked at, evaluated their return? Inventiveness is the kind of premise that there's higher, better uses for the limited dollars that we have. Has anybody really evaluated the bang for the buck? [LB387]

KEN MOREANO: I can't speak to the evaluation. Kentucky tends to be a state that many people look to. One of the challenges--we're very different than Kentucky, so our starting point is very different than other parts of the country. So I'd argue that the dynamics are very different. Therefore, it's very difficult to compare and contrast. Just looking at raw numbers, you know, I tend to lean more on the National Science Foundation again, because of the commercialization. You can point to market cap; you can point to exits, funding, follow-on funding whether it's angel venture capital, and in looking at those programs, clearly, the two identify innovation hubs Stanford and MIT. Again, their numbers speak volumes on the SBIR grant applications as well as wins. We don't have that volume; we're not close to that volume, so I can't speak to a comparison other than Kentucky has a matching program. They have a Phase Zero Program. They've seen a lot of success stimulating new applications. I think it's very early in the game to determine what that success matrix is. Again, how you determine success, whether it's capital deployed, companies created, or sustainability of those companies and ultimately may be wealth creation exits in the state. I don't know that they're yet. I don't have that data on hand. [LB387]

SENATOR PIRSCH: And although, empirically...empirically aside, what...I mean, what's your gut going to tell you? Are you here today testifying that you believe that that's true, though? [LB387]

KEN MOREANO: I guess I didn't make that clear on the front end. I am a proponent, and yeah, I believe that... [LB387]

SENATOR PIRSCH: Well, no, you did that, but I mean, is it a stark difference in terms of returns? [LB387]

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KEN MOREANO: Absolutely. [LB387]

SENATOR PIRSCH: Okay. That's my only question. [LB387]

KEN MOREANO: Oh, there's no question in my mind, and we have a technology incubator. What we're trying to do is foster these types of opportunities. Many entrepreneurs really start with friends and family; sometimes fools, the three f's as they say. The matching grant is another catalyst, and in the SBIR program and the NSF, \$150,000 grant is a Phase 1. With the match of 50, 60 percent, somewhere in that neighborhood which I believe is up to 65 percent, I think is proposed in the bill. That augments clearly the federal level, gives that company more running room. NSF basically allocates that as a three- to six-month window for prototype development, where all the other parts of the legislation clearly spell out prototype development. So now you can actually help augment some of that federal funding and move things forward, again, setting the conditions in this state to actually encourage entrepreneurial and hyper high-growth type businesses, so clearly, we are a supporter and believe that to be true. [LB387]

SENATOR PIRSCH: Okay. If I can just follow up with you. Even at the level there's caps on these...you're familiar with how the bill is structured, right? And in certain instances, when they qualify for a thousand dollars or even at that level, you think it would be helpful? [LB387]

KEN MOREANO: I think so. In particular, I think you have...in my opinion, you have to have a realistic approach in setting a cap. Because there are 11 agencies, it's difficult to discriminate between one applicant and another. We have examples in this state of companies winning more than 20, 30, 40 SBIR grants, but those again, and I know one very well, they are procurement. The net job creation, the high-growth capability, the growth of institutional research and commercialization historically is not as impactful as the high growth. So I think setting a cap across the board makes sense. So you can discriminate ultimately on who bubbles up as the most likely success story by simply capping that in the market will drive them forward. [LB387]

SENATOR PIRSCH: Thank you very much. I appreciate your testimony. [LB387]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony. [LB387]

KEN MOREANO: Thank you. [LB387]

SENATOR PAHLS: Next proponent. Like I say, I gauge my proponents up here by front seat. [LB387]

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JOHN CARPENTER: Sorry. [LB387]

SENATOR PAHLS: No. Thank you. [LB387]

JOHN CARPENTER: Good afternoon. Senators, thank you very much for your time this afternoon. First, again, I appreciate the opportunity to testify before you. My name is John Carpenter, C-a-r-p-e-n-t-e-r. I am president of BastLab, an early stage company based out of Omaha. I've prepared some very brief remarks and happily entertain some questions thereafter. BastLab is an early stage company based in Omaha, founded in 2010. We are developing several novel and integrated pieces of postharvest processing equipment. Our proprietary technology will permit us to cost effectively isolate, upgrade, and stabilize the two valuable raw material streams of bast fiber crops. Bast fiber crops would include flax, kenaf, jute, ramie. We're going to be actually growing in Nebraska this coming year several test plots of flax, and we currently have flax being grown in Texas right now at the moment. BastLab's processing framework and technology presented considerable opportunity to become the de facto processing system for a new domestic crop, a crop that offers enormous economic potential. The end applications for processed bast fiber crops are diverse: high-end linen, automotive biocomposites, building materials, geotextiles are but a few of the end applications that are possible. In short, the company will enable the bast fiber crops which are low-input, high-output crops to realize their well-recognized but unrealized potential as a sustainable source of natural raw materials. I have been asked this afternoon to specifically speak about the prototyping and commercialization challenges that we have faced during our first year of operations. Last year we prototyped our decorticator and degummer. Very, very briefly, the decorticator is a piece of equipment that separates the stalk of a bast fiber plant into two streams: the fiber stream and something called the woody core or shed stream. So you take the stalk, the plant, you put it in the decorticator, and out the back end you have these two streams that pop out. The degummer is another piece of equipment that we prototyped this past year, and the degummer takes the fiber ribbon, the fiber stream, separates the fibers, and places them in a state that then permits them to be cottonized. So think about another plant like cotton that ultimately can be cottonized to go into textiles and a host of other end markets. The degummer translates that fiber into a translatable state. We did so last year on a shoestring budget, and we were able to do so because one of my partners is a very creative bright engineer who is used to scavenging for parts from obscure places. We successfully demonstrated proof of concept, but had we the financial resources such as those contemplated in the bill, we would have been able to design any missing elements, stabilize the machines more fully with manufactured precision parts and further advanced our tech development. Last year our commercialization efforts entailed a great deal of research and thinking. To a degree, we needed time to refine our thinking that underpins our business model. At the same time, had we received support for additional market research, external industry consulting engagements, trade association participation, special marketing design firm, we would have advanced

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further and likely have been in a position before now to approach investors. Looking forward to prototype support contemplated in the bill would very well benefit BastLab. While a decorticator and our degummer will likely be scaling before the bill's programs are operational, we have already identified several other inventions that will likely be developing in the coming years, and they will need to pass through the prototype stage. I am certain also that the commercialization assistance contemplated in the bill would benefit us greatly over the next couple of years. We will not only be at the forefront of developing the processing supply chain for a new raw material that will feed into existing industries, but we will be informing the development of new products made possible by the availability of a new raw material. I'm going to comment a little bit on what Ken Moreano mentioned before on the importance of prototyping. We're going to be a heavily intensive R&D company, and so having funds that could help us prototype for obvious reasons not only help financially, but also they help us secure investors. One of the things you learn when you're going out looking for investors is they will ask you for a number of things to kind of validate what you're conveying to them. You know, one thing is to have a great idea that's cogently conveyed, it's another to have a great idea that you can prototype and show them some things; it's another thing to have something you can sell. And routinely, we've come across people who said, at the very beginning of last year, have you prototyped it, have you prototyped it? So the monies that you would be deploying for prototypes would help us not only financially but also raise capital. I'm sure that would be shared by other start-up companies as well. And I would like to finish by simply saying that having constructive government involvement and support of a company such as BastLabs is profoundly important. A commitment by the government to provide support in early stage companies like ours which is introducing novel technologies that have the potential to create new industries not only benefits us but has the potential to benefit a much broader part of society. Thank you very much for your time. I'd be happy to field any questions. [LB387]

SENATOR PAHLS: John, I just have one question. Were you born and raised in Nebraska? [LB387]

JOHN CARPENTER: I was. I was born...I moved away for about 17 years and moved back about eight years ago. [LB387]

SENATOR PAHLS: Okay. So you're one of those guys that got away, but you came back. [LB387]

JOHN CARPENTER: I've returned. Yep, yep, yep. [LB387]

SENATOR PAHLS: Okay. Thank you. Senator. [LB387]

SENATOR PANKONIN: Thank you, Senator Pahls. Thanks for coming. That's an interesting story. [LB387]

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JOHN CARPENTER: Sure. [LB387]

SENATOR PANKONIN: I'm a little curious about this particular crop. [LB387]

JOHN CARPENTER: Sure. [LB387]

SENATOR PANKONIN: If this took off, would this be lots of acres or fairly small niche type thing, or what do you think? [LB387]

JOHN CARPENTER: Lots of acres. I mean, it's going to take awhile to scale, because you have to have a supply chain in place before the acres will scale. But we're talking, you know, hundreds and thousands of acres. Right now in North Dakota, they're growing 420,000 acres of linseed which is flax planted for the seed and not for the fiber. And we envision, ultimately, hundreds and hundreds and thousands of acres being deployed. [LB387]

SENATOR PANKONIN: Is this crop to be planted, is it drilled? How is it planted and how is it harvested? [LB387]

JOHN CARPENTER: So you can...we're developing some of the harvesting equipment actually for this plant. But right now you can broadcast spread it, and it could also be drilled. One of the things we're going to be doing, Senator, in the next year or two as we prove out the agronomy is determining what's the best agronomic posture approach with this new crop. [LB387]

SENATOR PANKONIN: The machine you're talking about that separates then is a standing machine that the material will spin into after it's harvested? [LB387]

JOHN CARPENTER: It's at the point of harvest, so we're going to actually...we're building cutter heads; we're modifying a cutter head and the decorticator is going to be on the machine that runs through the field at point of harvest. [LB387]

SENATOR PANKONIN: So it's a fairly complicated machine then. [LB387]

JOHN CARPENTER: Yes. Yes, it is. Complicated and simple in design at the same time. But it will require a decent amount of research... [LB387]

SENATOR PANKONIN: And the reason I'm asking these questions is...I mean, then you start talking about the engineering required to power it,... [LB387]

JOHN CARPENTER: Yep. [LB387]

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SENATOR PANKONIN: ...and all the things that go into that. I mean, it's... [LB387]

JOHN CARPENTER: It's complicated. We're actually working with a professor at UNO who is an ag mechanical engineer, and he's helping us scale...he will help us scale the prototype which we have in place right now into, you know, an in-field power source. One of the things we're doing is bringing into our team a number of advisors, however you suggest, you know, expertise in defined areas that we don't have in order to move this forward. And that would be one of them. [LB387]

SENATOR PANKONIN: Okay. [LB387]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony. [LB387]

JOHN CARPENTER: You're welcome. [LB387]

SENATOR PAHLS: Next proponent? [LB387]

DAVID CONRAD: Hi. My name is David Conrad. That's C-o-n-r-a-d...no relation to Senator Conrad. Thank you for your time. I'm speaking in support of LB387 for two organizations--NUtech Ventures with a commercialization arm on the University of Nebraska as well as the Lincoln Chamber of Commerce. I didn't know that Ken was going to talk about ear tags, but he didn't know that I was going to bring one, so this is what a commercial ear tag for cattle looks like. It's a little bit big for me, but if I were a cow, it'd be pretty much the right size. These are just a piece of plastic that you write information about your particular cow...maybe it's a vaccination date; maybe it's a birth date, something about health conditions, temperature, but you basically just write on this piece of plastic. What people would like to be able to do is make these electronic. You'd like to be able to use a computer to store data on these devices. So people at the university, as Ken said, at PKI and at UNL, have been working on prototypes, and it might be useful to show you what a university prototype looks like. This is how far researchers can get in the laboratory before the grant funding from a federal agency that provides research funding runs out. Going beyond something like this, it's very difficult to get funds for, because NSF and NIH, in general, are providing research money, not development money. We need to get it...this an RFID tag, more of a commercial scale, so you'd like to put this tag on this device and also put solar so it would power itself, because these are the batteries here. It's way too big. This mock-up would never work commercially. It costs too much, weighs too much, but it's difficult to get the kind of funding to move from this stage to something that could compete in the market. So what happens is the student that works in the lab on this kind of project graduates, and there's no funding available for new students, so their project just stops here. What you'd like to have happen, at least we'd like to have happen would be either a company joins together with the researchers to commercialize it or the professor starts their own company and creates jobs. But it's difficult now to do that, so I thought,

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this is about, you know, this is pretty far for a university to go along that prototype development before the private sector has to get involved. And the private sector does more than just the miniaturization and decreasing the cost and looking at, you know, economies of scale. There's also marketing and distribution and getting it into the market. So I think after looking at the proposed bill, a great deal can be made with a relatively small investment to start putting the university in partnership, maybe for the first time, with the private sector to a large degree. And also government would play that partnering or matchmaking role, so I'll be glad...I'll stop there, because Ken gave you some of my background and take any questions that you might have. [LB387]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Next proponent. [LB387]

MICHAEL DIXON: Hello. My name is Michael Dixon, D-i-x-o-n. I'm representing UNeMed Corporation or the University of Nebraska Medical Center, a proponent here for LB387. Similar to David at NUtech, UNeMed is the technology commercialization arm for the Medical Center, and so what I want to do is just give you a brief...tell a few quick stories. There's a lot of people here today, about why this bill would help promote the commercialization of technologies coming out of our medical center. So as most of you know, there's about \$120 million in R&D research...high-level, biomedical, biotech, med device research going on right now at the medical center. We see anywhere from 60 to 80 new inventions, and we license many of those inventions--about 14 to 17 each year. Of that, we get about one to two start-ups. It's difficult to start new companies, especially around complex medical technologies. So I wanted to tell three very quick stories of technologies. One is a technology that we license to a company that started in Nebraska, using the Nebraska Advantage as well as a program that we started called ADVANCE-Nebraska where we gave the technology at no fee. They were able to set up a facility in Plattsmouth. The name of the company is Vireo Systems. They grew the company very quickly from two to four to six to about eight employees and starting to expand. They're not only working on our technology, starting to bring in contracts from outside the state for tablet packaging and cream formulation. So successful technology is not Johnson & Johnson or Genentech yet, but it's growing. The second story I'd like to tell is a start-up that had to go to California, because there wasn't available funds to start it here, so T Molecular, who is a very advanced nano delivery system, there wasn't the amount of funds here to start the company, so we had to take it to venture capital in California where the company started up. The third story I'd like to tell you is a newer story. It's Versalien, and it's a company that we've just started in the last year, very advanced nano delivery for arthritis and for osteoporosis. We've had it in front of many different clinicians who are very excited about it including Dr. Jim O'Dell, one of the leading rheumatologists in the world. They are currently seeking funding right now and have had some offers out of state, haven't accepted them yet, but if they do, they're going to move out of state. I think a program like this would be very advantageous, might incentivize them to stay instate and start to grow some of our own technologies

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here at Nebraska. Quickly, at the end, I'd like to just state, I think Senator Pirsch had a very good question. What's the return on investment here? The Medical Center just did analysis of the tobacco settlement funds where they found an eight to one return on investment for those funds. So I see the funds being used here would very likely be used similarly on return of investment. That's all. Any questions? [LB387]

SENATOR PAHLS: Senator Pankonin. [LB387]

SENATOR PANKONIN: Thank you, Senator Pahls. I represent the Plattsmouth area and am familiar with that company. I guess I've got two questions. Why that one was able to stick, and I think they're still doing fine as I understand it,... [LB387]

MICHAEL DIXON: Um-hum. [LB387]

SENATOR PANKONIN: ...versus these other two that may have to go out of state. Just...maybe just amplify that a little bit. By the way, Jim O'Dell was a college friend, so you have two stories there that hit. [LB387]

MICHAEL DIXON: Good (laugh). [LB387]

SENATOR PANKONIN: But you mentioned some of the other things that are developed at the Med Center. Do some of those technologies or patents or processes get picked up by existing companies as well? [LB387]

MICHAEL DIXON: To answer your last question, because it's the easiest. Yes, the bulk of our 14 to 17 licenses do go to big companies. We have relationships with Amgen and Pfizer, companies like that, and it's the ability to finance in early stage therapeutic. It's a billion dollars so. [LB387]

SENATOR PANKONIN: So do you sell those drugs? [LB387]

MICHAEL DIXON: We do. We license those. [LB387]

SENATOR PANKONIN: ...license? Excuse me, yeah. [LB387]

MICHAEL DIXON: We returned revenue last year. We made about \$2 million. Our goal is actually to return to the university the same amount of money that the tobacco settlement funds did. To answer your other question, one of the other reasons, Vireo I think was successful, first off, the Nebraska Advantage. I want to compliment DED and the Legislature for that package. It was the reason they were able to come. The second is we gave them a very generous license. We did not charge them anything up-front to get into that, because they were going to stay in the state of Nebraska. Normally, if this would have went out of state, we would have charged up-front fees, \$50,000 to

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\$100,000 higher royalties and more milestone fees. So we back-loaded everything. We said if you're successful, we'll be successful. We'll take the risk with you. [LB387]

SENATOR PANKONIN: Okay. Thank you. [LB387]

SENATOR PAHLS: Senator Pirsch. [LB387]

SENATOR PIRSCH: We have these kind of (inaudible) Pfizer, kind of as you mentioned, they're billion dollar investments that they're putting up, so whatever you can do to help mitigate their early-on risk and for you it's a win because you just want your technology picked up and whatever you can do. Is it a pretty standard arrangement that you do in terms of deferring licensing fees till many years down the road or...? [LB387]

MICHAEL DIXON: For the Nebraska corporations or for others? [LB387]

SENATOR PIRSCH: Yeah, just for...well, do you have...do you delineate in that manner? [LB387]

MICHAEL DIXON: Yes. For Pfizer or Amgen, we would charge a fairly hefty up-front fee as well as running royalties, because our goal is to transfer the technology, see it be used. But we also want to return money from more research at the university. When we do the start-ups through our Advance Nebraska, we have a fairly stringent criteria where they have to have a qualified business plan, capital to execute the business plan in management, because we feel those are three of the keys that they need to actually successfully develop their product. And it's got to be...I'm sorry, four. It's got to be a Nebraska-based company. And if they breach the Nebraska...if they leave, there's penalties to be paid back to us that would equal that of a normal license. [LB387]

SENATOR PIRSCH: Thank you. [LB387]

SENATOR PAHLS: I have one question. You brought up tobacco fund twice, although that's not directly related. But the payback from that, from your organization has been tremendous is what you're telling me? [LB387]

MICHAEL DIXON: It's been unbelievable. There's just a report that came out on the economic impact. I think Ernie Goss from Creighton did this study, and it was an 8 to 1 return on investment. It's the reason...I think largely the reason you've seen a growth from about 35 to 40 million to 120 million over the last ten years. [LB387]

SENATOR PAHLS: Okay. I'm going to ask in the audience. Be sure you take a look at that fund, because I've questioned how we've spent that money in the past, not with you. Just an example, we were going to do something with autism with the Medical Center, but for somehow it all fell apart, because our agencies and groups couldn't get

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together. And that, again, would have caused money to multiply, but we just couldn't get past that. So I'm asking those people to take a look at that tobacco fund and see how we are as a state are spending that. Just...it's a curiosity thing. Are you from Nebraska? [LB387]

MICHAEL DIXON: I've been here 13 years. I'm originally from South Dakota. [LB387]

SENATOR PAHLS: Okay. Close enough. [LB387]

MICHAEL DIXON: I was recruited by the Medical Center. I'm a graduate of the Cancer Center. [LB387]

SENATOR PAHLS: Oh, okay, great. Thank you. Thank you for your testimony. [LB387]

MICHAEL DIXON: Thank you. [LB387]

SENATOR PAHLS: Next proponent. [LB387]

TERRI WASMOEN: Good afternoon. My name is Terri Wasmoen, W-a-s-m-o-e-n, and I'm representing the industry side of this issue. I've been asked by the Department of Economic Development and the Omaha Chamber of Commerce to give my views on this bill. So I currently work as the head of U.S. Vaccine Research for Intervet/Schering-Plough Animal Health. We are the animal health division of Merck Pharmaceuticals, so I'm part of a big mega pharma company. I have four different research organizations in four different states, and my management always asks me why Nebraska. We work a lot in food animals and food animal vaccines, and are very vested in that, and Nebraska is a perfect place for us to be for that reason. My job as the head of research and development is constant innovation, bringing new products to the market. We have our own research and discovery and technology groups, but about 50 percent of our ideas for new products come from the outside. They come from universities, and they come from start-ups. I, myself, my first two jobs out of graduate school were in small spin-out start-ups funded by SBIR, and it is a great training ground. But that's not what I'm here to talk about. Yeah, I love the small start-ups, because you have the passion of the inventor, but you have to bring in people who can find a way to make it practical. And some of the high science people have a hard time making it practical and figuring out how to turn it into a business. What we do in the pharmaceutical industry, when we go searching for ideas in universities. We...it's really hit or miss proposition, and we need ways to get our hands around what ideas are out there and how to bring them into our organizations. In the past, we might have gone in and just licensed an idea, but now with the cost of biomedical research and how much time we invest, we really tend to go after ideas that have a little more substance behind them, so we will start out by first funding some collaborative research with the university and then having an option agreement to license, so we can get some more data. It's not

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just an idea, but we know it has some practical applications. We do the same thing with start-up companies, so any tools that the state can provide to help that transfer of all these great ideas from the university out into industry is awesome. Since I came to Nebraska 15 years ago, the Nebraska operation of Intervet/Schering-Plough has tripled in size, and we've got five times more sales than we had, so it tripled in size as far as number of people we're employing. So we know how to commercialize, and we have a great work force in Nebraska, but we've got to get more of the ideas out of the university and into local industry. Thank you. [LB387]

SENATOR PAHLS: Senator Pirsch. [LB387]

SENATOR PIRSCH: I'm not sure if you've had an opportunity...have you looked at the specifics of this particular bill, or are you just here testifying in (inaudible) details? [LB387]

TERRI WASMOEN: No, I've read the bill, yes. [LB387]

SENATOR PIRSCH: Does it seem that on the order and size of the proposed bill, the dollar amounts that that would be helpful for these type of start-ups in the sphere in which you operate? [LB387]

TERRI WASMOEN: Yes. You know, we need to incentivize the university people to work with industry, the \$100,000 funding that's in the bill, \$100,000 to \$400,000 funding for these collaborative research efforts will go a long ways to encouraging that interaction to happen. Certainly, it's the tip of the iceberg for what a company like mine spends fully developing a product, but it really gets you from the idea stage to proof of concept, and you can make that jump with those amounts of funding. [LB387]

SENATOR PIRSCH: Thank you. [LB387]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony. Any more proponents? [LB387]

KARL ELM SHAUSER: (Exhibit 2) Good afternoon, Chairman Pahls, Senators. Believe the page is passing out a card which has to do with development districts. My name is Karl Elmshaeuser, K-a-r-l E-l-m-s-h-a-e-u-s-e-r. I'm the executive director for the West Central Nebraska Development District. I also sit on the Nebraska Rural Development Commission, and I'm also the chairman of the Nebraska Regional Officials Council. I'm here today testifying on behalf of the West Central Nebraska Development District as a proponent for this bill. If you'll look on the card, the particular area that I'm at on the map is the white area which encompasses 18 counties and 59 incorporated communities. I'm here today to testify specifically about the microenterprise lending portion of the bill and find support for it. Our particular institution has about \$1 million and about 50 clients that

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do microenterprise lending and continue to want to see that support for that particular portion of the bill. Kind of brief and to the point, sir, but. [LB387]

SENATOR PAHLS: Any questions? Now explain to me, Karl, what's your association with the rural commission? [LB387]

KARL ELM SHA EUSER: I am on the Nebraska Rural Development Commission. [LB387]

SENATOR PAHLS: Okay. [LB387]

KARL ELM SHA EUSER: But I'm not testifying on their behalf today, sir. [LB387]

SENATOR PAHLS: Okay, because that is one bill, one area we looked at to eliminate, you know, in one of our (LB)542...just raise something. Any other questions? [LB387]

SENATOR GLOOR: Senator Pahls. [LB387]

SENATOR PAHLS: Oh, I'm sorry. Senator. [LB387]

SENATOR GLOOR: Thank you, Senator Pahls, and thanks for your testimony. One of my concerns when I heard about the different initiatives were being proposed is that by their very nature, we may be talking about a majority of the dollars gravitating more to the eastern part of the states rather than outstate. And, obviously, you're here from a West Central speaking in favor of this, so you don't share that view. Would you mind elaborating on, or share with me ways that might alleviate my concerns that the dollars are more likely to flow into the Omaha and Lincoln areas? [LB387]

KARL ELM SHA EUSER: Well, I believe as Senator Hadley put it, this is a Nebraska bill. There are also, I believe, provisions in the bill that talk about those critical need areas. So from my perspective in reading the bill, I don't see that we will be disassociated from the rest of the state. [LB387]

SENATOR GLOOR: Okay. Thank you. [LB387]

SENATOR PAHLS: Seeing no more questions, thank you for your testimony. Proponents? Any more? Opponents? Good afternoon. Thank you. [LB387]

CHUCK HASSEBROOK: (Exhibit 3) Good afternoon. Thanks for having me. I represent the Center for Rural Affairs of Lyons, Nebraska. My name is Chuck Hassebrook, C-h-u-c-k and Hassebrook, H-a-s-s-e-b-r-o-o-k. The Business Innovation Act can be good for all of Nebraska if some modest refinements are made to ensure that it does work for small business and rural communities. We'd like to support this bill, because it

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has some positive features, but I must reluctantly speak in opposition, because as now written, it eliminates or weakens vital development services to small business in rural Nebraska. It would repeal the Building Entrepreneurial Communities Act, so small towns would no longer have a funding source for initiatives to support small business and entrepreneurial development. It would repeal the Value-Added Agriculture Program which makes grants to farmers and ranchers for value added enterprises. Though some value added projects could still be supported through the new program for commercialization of prototypes, it would very likely be less support and support for a narrower range of value-added enterprises. And finally, appropriations would end for the Nebraska Lied Main Street Program as part of the proposed funding for the Business Innovation Act, although it's not in this bill. Together these programs have ceded a wave of entrepreneurial agriculture and community development initiatives across this state. They have helped rural Nebraska to start doing the very things that it must do to thrive in the twenty-first century. My written testimony includes numerous examples from your districts of projects that have been funded that wouldn't be funded in the future. The act does include funding for development of microenterprises in businesses with up to five or ten employees, but we have some serious concerns with the details. Microenterprise development would be greatly reduced by language dedicating 80 percent of the funding to loan capital, thereby exacting a several-fold cut for business training and technical assistance such as helping businesses put together business plans which is critical for securing loans and business training in critical areas like internet marketing, recordkeeping, business fiscal analysis, etcetera. Ironically, dedicating more of the funds to loan capital would actually diminish microenterprise lending. The Center for Rural Affairs REAP Program is Nebraska's leading microenterprise lender. We have four times as many loans as the number two micro lender in this state. We have \$6 million in loans and by providing technical assistance, we've enabled microenterprises to borrow twice that much, over \$13 million from other lenders. We have plenty of capital to make more loans, but the key to making more loans is developing more qualified borrowers and that requires training and technical assistance. Let me show you an example that demonstrates the impact that such assistance can have. In spite of the fact that we can only lend to borrowers who cannot get private loans, our default and loan loss rates, depending on the year, are about the same where it was slightly higher than private lenders. We accomplish that by providing trained and technical assistance that a bank could never afford to provide without going in the red. State support makes that possible--for us, finding business specialists across Nebraska from the Panhandle to the Missouri River. Your decision on this issue is doubly critical or I might say quadruply critical, because for every dollar of state training and technical assistance funding we lose, we lose \$4 of federal funding that state funding leverages. And with less funding for training and technical assistance, there will be fewer business development staff, fewer microenterprise loans, and fewer microenterprise start-ups and expansion in Nebraska. Nebraska has been a leader in investing state funds in microenterprise development and it has paid dividends. In the last two years, state-funded microenterprise development organizations have helped create or retain

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nearly 5,000 jobs. Technical assistance and training accounted for the lion's share of those jobs. It's time to close. We respectfully request that you either remove from this legislation provisions affecting microenterprise, entrepreneurial communities, and value-added grants, or you make other refinements to the legislation. Among the alternative changes we propose, it could allow value-added grants that don't involve prototypes under the commercialization section. You could eliminate the requirement that 80 percent of microenterprise funding be used for loan capital. Instead, I would ask that you expand the technical assistance funded through the program, so that we could use it to help provide technical assistance to communities to launch local development efforts, take the place of the building entrepreneurial communities grants, and use that technical assistance funding to help farmers and ranchers launch value-added agriculture enterprises to maybe make up for some of the loss of value-added funds. And then finally, we ask that you make the \$1 million funding level for microenterprise a minimum rather than a maximum to accommodate these expanded purposes I proposed and ensure that support for small town and rural development is not diminished. We request the opportunity to work with you, the Department of Economic Development, and the bill sponsors in making this legislation something we can all support. Thank you. [LB387]

SENATOR PAHLS: Okay. Have you been contacted at all to help with the ideas in this bill? [LB387]

CHUCK HASSEBROOK: You mean in putting it together? No. I mean, we were contacted and informed when the bill, the day the bill came out about what was in it, things like that. So there has been communication, but we have not been asked to help put it together. [LB387]

SENATOR PAHLS: Okay. So you're asking now to be involved in any changes if there are changes made. [LB387]

CHUCK HASSEBROOK: Correct. [LB387]

SENATOR PAHLS: Okay. Just a ballpark figure...in your estimation, if we can eliminate building enterprise community act and Agriculture Opportunities and Value-Added (Partnerships) Act, do you have an idea how much that would be? [LB387]

CHUCK HASSEBROOK: It's a million bucks. [LB387]

SENATOR PAHLS: Okay. I'm just seeing...making sure my figures... [LB387]

CHUCK HASSEBROOK: Out of 7 or 7.5, I think, yeah. [LB387]

SENATOR PAHLS: Yeah, right close. And eliminate the main street program? [LB387]

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CHUCK HASSEBROOK: That's \$93,000... [LB387]

SENATOR PAHLS: Okay. [LB387]

CHUCK HASSEBROOK: ...which is, you know, less than the cost of say the...it's, yeah, \$93,000. Yeah. [LB387]

SENATOR PAHLS: Yeah. I'm just...and eliminating the Microenterprise Development Act? [LB387]

CHUCK HASSEBROOK: Well, that doesn't necessarily...I mean, that funding is transferred to a new microenterprise program, so there's really not a funding impact there. There are concerns primarily with how it's structured. [LB387]

SENATOR PAHLS: Well, it does tell on my sheet that there is savings, but I can't read it because when they punched the hole in it, I can't see the number, you know (laughter). [LB387]

CHUCK HASSEBROOK: Yeah. Yes, okay (laughter). [LB387]

SENATOR PAHLS: It's one of those, where did the money go? Well, it went through the hole (laugh). [LB387]

CHUCK HASSEBROOK: I think they would say something like \$475,000,... [LB387]

SENATOR PAHLS: Yeah, yeah, and I understand. [LB387]

CHUCK HASSEBROOK: ...but then it's spent over on the other side of microenterprises. [LB387]

SENATOR PAHLS: Yeah, yeah. I'm just looking at...I'm looking...the concept behind all this, you can't argue with. I mean, there's some unbelievable proposals. I mean, what's happening is great. I just want to make sure that when you do the money realignment... [LB387]

CHUCH HASSEBROOK: Yeah. [LB387]

SENATOR PAHLS: ...that we are fair. Okay. Senator Pirsch. [LB387]

SENATOR PIRSCH: Just kind of towards the line that I was speaking about before. Now, these are existing programs of which you are here saying we're getting good value out of. [LB387]

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CHUCH HASSEBROOK: Yeah. [LB387]

SENATOR PIRSCH: Is there any type of objective studies where we've stopped, turned around, and looked at the investment of state dollars and the return of bang for the buck with these programs? It's...I guess one of our jobs, there's existing uses of scarce resources, and we're being asked to look at possibly replace those uses with different uses, and, you know, as a manager then it would...I guess what we want to do is just look at what the bang for the buck we're getting for those. So, I mean, has such studies or any empirical looks been taken at any of these programs? [LB387]

CHUCK HASSEBROOK: Well, there are a number of studies. I mean, you know, if you look at just the jobs that, for example microenterprise, the jobs that it helps save or create. It's less than the jobs that...it's less than the cost of saving or adding a job that we've calculated for our business taxes in the state of Nebraska. So it's...you know, it's a good...it does well that way. We've done very careful analysis of our loan recipients through surveys and found that as people participate in our program with loans, training and that sort of thing, that they show very significant and real gains in income and assets, so we're helping people move up the ladder of economic success and have documented that. [LB387]

SENATOR PIRSCH: Well, I appreciate your testimony here today. [LB387]

CHUCK HASSEBROOK: Yeah, thank you. [LB387]

SENATOR PAHLS: Seeing no more...thank you for your testimony. [LB387]

CHUCK HASSEBROOK: Thank you. [LB387]

SENATOR PAHLS: Next opponent. Good seeing you, Senator. [LB387]

JOHN SYNOWIECKI: Good afternoon, Senator Pahls, members of the committee. My name is John Synowiecki. That's J-o-h-n S-y-n-o-w-i-e-c-k-i. And given the individual that's providing this testimony, you're probably thinking I've wandered into the wrong hearing room representing Catholic Charities of the Archdiocese of Omaha. We have, since 1994,...well, first of all, I want to back up and say that Catholic Charities supports progressive agenda for our business community. We just have one particular problem with one component of the bill, and I'll get to that a little bit later. And just to let you know that since 1994, we have ran a microenterprise development and training program in south Omaha. This program grew out of a demonstrated need for such training. The business and banking community approached Catholic Charities back then to mitigate some of the problems that were surfacing in the small business community in south Omaha at that time. We accepted that role, recognizing that the availability and

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accessibility of viable microenterprise development and training for those with low and moderate income is an important component in our community's response to poverty. We believe that talents and abilities are of value to the community, and that they should appropriately be made available through the marketplace. While micro lending is, indeed, a component of our program and our services, it's not a major focus, and it's not a major part of our role in economic development in the small business community in south Omaha. What we do, what we essentially serve is a population that is fundamentally not qualified to receive a bank loan, to receive capital in the private sector. And we essentially transform that population of aspiring entrepreneurs through targeted, through substantive technical training and formal assistance. We move that population to being qualified for bank capital in south Omaha specifically. This is done through the implementation of sound business planning, and we have been very successful in the small business community. In 2010 alone, Catholic Charities clients qualified for over \$103,000 in business start-up and expansion capital from just one bank. You could be assured that this activity would likely not have taken place if not for that formal training and assistance. Now, I understand that that's not a huge amount of money in the business world...some of the previous testifiers, where you're talking about millions of dollars, but I can assure you, that in an underserved area that's got disproportionate poverty, this economic activity is quite, quite valuable to that local community. In 2010, we played a role in establishing 33 new businesses that added 62 jobs in the community, and we're quite proud of that record. The current language in page 10 beginning in line 6 that the previous testifier alluded to, prevents us from continuing that activity. And with that, Senator Pahls, I would be available to answer any questions. It's the language that mandates 80 percent be returned in loans. [LB387]

SENATOR PAHLS: You got everybody reading. Seeing no questions, thank you. [LB387]

JOHN SYNOWIECKI: Thank you. [LB387]

SENATOR PAHLS: Thank you for your testimony. Opponents. Good afternoon. [LB387]

ROSE JASPERSEN: (Exhibit 4) Good afternoon, Senator. I just need a bit higher chair when I sit here (laugh). Chairman Pahls and distinguished members of the committee, thank you for the opportunity to speak to you this afternoon. My name is Rose Jaspersen, J-a-s-p-e-r-s-e-n. I'm the executive director of the Nebraska Enterprise Fund. For the record, I'm here in opposition to the Business Innovation Act, but I need to point out up-front that I'm not opposed to this bill in its entirety. It's just a specific section that I want to address some possible changes to. My particular interest is in section 9, and the two previous testifiers addressed that section, so I'll abbreviate my testimony that I gave you there and touch on the points that may not have been covered. Much of that section was drawn from the 14-year-old Microenterprise Development Act that we have had here in the state of Nebraska. And just very briefly, I want to state that under

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that act, thank you to the governors and the legislators in the past and the present who have been supportive of that, over 25,000 individuals have received training or technical assistance or loans in the development of businesses or looking into possible business ownership. In that, over \$14 million has been leveraged from other sources, primarily from private banking institutions as a result of the technical assistance that comes from these programs. On average, asking about return, Senator Pirsch, what we're finding is in the last two years with the jobs created and/or retained, that the programs report to us, that there was like .45 job per training or technical assistance individual, and 1.8 jobs per loan. As an example, I put in a business profile there of a young man from Cuming County, Nebraska. He's a graduate of our university who has come back and has started an ag manufacturing and design company. One of his really popular designs and products right now is a scraper that is designed for scraping cattle yards for manure, but has found an alternative market to cities. They're using it to clear snow from parking lots, so he's a good example of someone who was born and raised in Nebraska, came back from the university, has designed his own job. His father has come in to work with him on this business, so we have good generational expertise there. And we helped him...the local bank came to us and said, we'd like to work with this young man, but he is a recent grad. He doesn't have an asset base. He's a little light on the collateral side of it. You know, can you help in some way? We connected him with one of our microprograms who did part of a loan, and then they asked us to put up a CD guarantee, and I'll talk just briefly about that to kind of give you some idea of what that's about. So in looking at this bill here today, in microenterprise, you know, this is work that now is, you know, 14 years old, really 20 years old, started in 1990 here in the state. And over that time, we've been very open to change, and we've made lots of changes and evolved as we've gone. And so we see (LB)387 as an opportunity for making some changes, but we want to build on the base that we have also. I mentioned there, with Mr. Rief, that we had done this CD product, and a couple of years ago, there were additional funds that were appropriated for microenterprise development work. I put in a little two-page summary, I think, in your handout there that explains the results that have come from that. And as part of that, at the encouragement from the Department of Economic Development, the Nebraska Enterprise Fund developed a CD loan product whereby if the individual is at the bank, the bank would like to see the deal done, but collateralwise it's missing something. They come to us and potentially, we can put up a CD guarantee. We're not in the deal forever. We look at that every year and decide whether our money should be taken out and moved to another individual who may need that kind of assistance. But it's panning out to be a really good product where the banks are really liking the opportunity to be able to do the loan and to have this person as a customer long-term. As far as (LB)387 is concerned, some key points in it, I guess my read on it. One is that it's very much...the front end of it is very much about technology businesses, and when you get to section 9 with microenterprise, it's not clear if it's all microenterprises or if it's technology also. And so I think we just need to be sure in that, that it's available for all microenterprises. The act refers throughout to micro loan and I think John addressed this in talking about his organizations. We do

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have a couple of microprograms that have done a lot of work here in the state that are just training, TA, and because they're not micro loan organizations, they wouldn't be available for that technical assistance. So I think a microenterprise development organization might be a better term there. Another area is on the national level. The trend of the national industry standards have changed, so the definition of a micro business is now one that has ten or fewer employees rather than five or fewer. And so I think that definition would be nice in the front end of the bill to describe the micro business. And then the last point that I would have would be as far as match is concerned. Under the Microenterprise Development Act, there's a required match of 25 percent for the entity that administers the funds. So any funds that my organization received to disburse out, we match that 25 percent. The programs that we disburse that to also matched it 25 percent. In addition, my organization raised other capital that we lend to the programs that they can relend, and when they borrow from us they match that money one to one. So there's 100 percent match there. The language in (LB)387 mentions a single match of 35 percent for the microprograms and none for the administering entity. That really is a net loss of leverage dollars as far as the state is concerned, so I think that's something that we would want to look at also in the bill. In closing this, I just want to point out that the micro businesses really are the base of our economy here in the state. The Edward Lowe Foundation reported that in 2008, 92 percent of Nebraska's businesses had nine or fewer employees. These businesses are important because of the contribution they make to the community, leading to a more vibrant economy. Continued support for loans, technical assistance and training for these businesses is important. NEF appreciates the inclusion of funding for microenterprise work in this bill and with some minor enhancements to (LB)387, we can maintain valuable services to the smallest businesses in the state. Thank you. Questions? [LB387]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Thank you. Opponents? How many more...I just see one more? Okay. Thank you. [LB387]

RICK WALLACE: Senators, good afternoon. My name is Rick Wallace. I'm executive director of Community Development Resources located here in Lincoln, Nebraska. We've existed since 1995, making micro and small business loans to businesses up until 2003, and now we're a statewide organization. We provide private funds... [LB387]

SENATOR PAHLS: Mr. Wallace, could you just spell your name just for the record? [LB387]

RICK WALLACE: Okay. W-a-l-l-a-c-e. [LB387]

SENATOR PAHLS: Okay. Thank you. [LB387]

RICK WALLACE: Okay. We provide private and public funds across the state since

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2003. We're a certified community development financial institution, a small business 504 Program recently, and then a SBA micro lender for some time. I really don't have a big issue with the bill the way it stands except for the one provision on the percentages of cuts of the 80/20. If you look at that model, no business could operate at that model. It just takes a little bit more than that to make it happen. No business succeeds without really some technical assistance, and technical assistance really is, how did they do that? Somebody has to help them get that accomplished; the plan has to be done. There's the back room work, the boiler work that has to be done. That's really the piece, I think, is very viable to the building. There's no doubt Nebraska is in last place. All statistics point to that, and we should do everything we can to get Nebraska out of that position. However, to gamble and throw away, I think, all the great achievements that have been done in the state, I think is probably not a very prudent way of looking at that. Somehow or another, we need to make sure that microenterprise and any other small businesses are brought along with that. And would go short of saying we need to come with more funding, because I think that's your challenge here (laugh) is to find ways to do that efficiently. But I do think that maybe this whole microenterprise small business perspective needs to be revamped, relooked at. I think there's a great need and great opportunity for both entities to really succeed in what needs to be accomplished. But to push one 80/20...we say all money is in good money, and it takes money to make money, so we have to invest money in making sure those businesses are sustainable and that they are viable. And I'll just quickly say, our organization, and I think was mentioned earlier that we had just a little bit slighter loan default rate than a private institution. We're a risk-based kind of operation, but our successes, I think, has been very viable to Nebraska from the fact that we've helped over 300 businesses. We've put over \$4 million out there on the street that otherwise wouldn't happen. And I could sit here for a couple of hours and tell you about successful businesses that started with \$1,000. So this is an important entity in Nebraska. I've always said, you know, small business is big business to Nebraska, so with that I'll close. Questions? [LB387]

SENATOR PAHLS: Senator Langemeier. [LB387]

SENATOR LANGEMEIER: Thank you, Chairman Pahls and Mr. Wallace, thank you for your testimony. It's been brought up now by four people, they don't like the 80/20. What should that percent be? [LB387]

RICK WALLACE: Really. You want me to tell you? (Laugh) Probably more of a 60/40. I think that as programs become viable, and they really are effective, then I think funding could be really eliminated for some. And I need to say, too, that programs that have...really are not effective in delivering what they should...should not be funded. And, you know, I don't want to be the one that says how you do that, but I think that needs to be looked at in all fairness too. But I think that 80/20 model, it's just a little tough. It's a little tough to survive, because some of these small businesses have a great need for this technical assistance. That is the piece that makes the difference. How much of that

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do you do? I guess it becomes a judgment call for people like myself and others to provide technical assistance and training. Is that business going to be viable? Well, you know, right now, for example, I'm working with the businesses I think is going to have national attention. Well, it already has, but none of us would know about it. But in time, that business will probably come to light to a few people, and we will have spent a considerable amount of time working with them. But the return on investment will be worth it in the end. [LB387]

SENATOR LANGEMEIER: Very good. Thank you. [LB387]

RICK WALLACE: Yeah. [LB387]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Opponents, neutral? Closing. The good senator waives closing. That will close the hearing on LB387. [LB387]

BILL MARIENAU: Senator Pahls. [LB387]

SENATOR PAHLS: Oh, I forgot to read that in the record? [LB387]

BILL MARIENAU: You can just reopen it and announce it. [LB387]

SENATOR PAHLS: (Exhibit 5) I'm going to make a fast reopening of (LB)387. I do need to read into the record that the NBA supports LB387. Thank you. Senator, I'll let you sit down in just a second. Just to report information, last time I was told that it would be three minutes basically per person. I'm trying not to use the lights, so if we can make it to a point and, like I say, bring up new information, if at all possible, that would make the thing go much...and I'm just...before you start, how many proponents do we have? Okay, one, two, three, four, five, six, seven. So keep that in mind...seven proponents. How many opponents? One, two, three, four, five, six, seven, eight, nine. How many neutral? Do this for me. Do not have me put on the lights if you will keep it to...you know, like three minutes. Otherwise, I will turn them on; I don't want to do that. Okay, (LB)388. We are ready, Senator. [LB387]

SENATOR WIGHTMAN: Thank you, Chairman Pahls, members of the Banking Committee. LB388 would adopt the Site and Building Development Act and change provisions relating to the Affordable Housing Trust Fund. For the record, my name is John Wightman spelled J-o-h-n W-i-g-h-t-m-a-n. I've introduced LB388 on behalf of Governor Heineman to promote economic development in the state of Nebraska. LB388 will offer state funded financial assistance to stimulate the development of quality industrial sites and buildings on which to build businesses and create jobs. In addition, the Affordable Housing Trust Fund is authorized to provide financial assistance for the demolition of dilapidated housing and industrial buildings. LB388 establishes the Site

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and Building Development Fund. The fund is authorized to receive revenue from legislative appropriations, grants, private contributions, repayment of loans, and other sources. LB388 provides for the one time transfer of \$3 million from the Affordable Housing Trust Fund. Approximately \$1.5 million of continuing funding per year will be provided by using 30 cents or 25 percent of the annual collections from the real estate documentary stamp fee directed to the Department of Economic Development. Activities eligible for assistance are grants or zero interest loans to municipalities or counties to acquire land, provide infrastructure or make large sites for buildings ready for industrial development; matching funds for new construction, rehabilitation, or acquisition of land and buildings; technical assistance, design, and finance services, and consulting for the creation of industrial sites and buildings, loan guarantees for eligible projects, projects making industrial sites more accessible, and infrastructure projects for the development of industry-ready sites and buildings. Only public and not-for-profit entities are eligible for financial assistance with state financial state support focused on land and infrastructure costs. Any entity receiving assistance must provide at least 100 percent matching funds for the project and no less than 40 percent of the funds shall go to nonmetropolitan areas or counties with fewer than 100,000 inhabitants. By January 1 of each even number year, the Department of Economic Development in consultation with the Economic Development Commission is required to submit an action plan to the Governor for approval. The plan will set criteria to determine priorities for allocation of the funds with the first priority going to financially viable projects that have a business that will locate within 90 days of a signed agreement. To provide the ongoing accountability, the Department of Economic Development is required to submit an annual report to the Legislature regarding allocation from the fund no later than July 1 of each year, beginning in July 1, 2012. I would be happy to answer any questions, and I will be followed by Richard Baier, director of the Department of Economic Development who will provide you with additional information and probably can give you better information than I can about how this will affect the Affordable Housing Fund that presently receives these funds. [LB388]

SENATOR PAHLS: See no questions. Thank you. Are you going to be around for closing? [LB388]

SENATOR WIGHTMAN: I intend to stay. [LB388]

SENATOR PAHLS: Okay. [LB388]

SENATOR WIGHTMAN: I might leave and come back. [LB388]

SENATOR PAHLS: Okay. [LB388]

RICHARD BAIER: (Exhibits 1, 2) Senator Pahls, members of the committee, for the record my name is Richard Baier. The last name is spelled B-a-i-e-r, director for the

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Nebraska Department of Economic Development. I'm here to testify in support of LB388, the Site and Building Development Act and also explain why this legislation is part of the Governor's Talent and Innovation Initiative. I will also outline a proposed enhancement to the Nebraska Affordable Housing Trust Fund contained in this legislation. For background, the real estate doc stamp tax was enacted by the Legislature in 1996. The goal at the time was to increase the supply of and improve the quality of affordable housing across Nebraska. Since its inception, the doc stamp priorities have been amended several times. Most recently, funds are now being used to address homelessness and behavioral health solutions. Again, I would reference the Battelle report as it serves as a catalyst for LB388. They found in their report that Nebraska has little capacity in terms of industrial ready sites and assets. This critical shortage is a serious threat to creating jobs and attracting investment from Omaha to Chadron. Our numbers within DED support this conclusion. In 2009, Nebraska was eliminated from consideration for six wind manufacturing projects solely because we lacked an acceptable site with the necessary rail capacity. In the last two years, we've received 170 requests for proposals from expanding companies and most of those began with the question of, do you have available buildings and sites? Of the two largest projects we lost, both of them to Kansas, because of lack of buildings and technical capabilities, such as basic infrastructure. Currently, the doc stamp tax is \$2.25 per \$1,000 of each real estate transaction. A sheet showing the current and proposed breakdown of the doc stamp fee is attached for your reference. LB388 would make a one-time transfer from the Nebraska Affordable Housing Trust Fund of \$3 million to establish the Site and Building (Development) Fund. It would also direct 30 cents from the trust fund to the Sites and Building Fund on an ongoing basis. It is worth noting that DED and Governor Heineman's administration remain committed to effective affordable housing development across the state. Unfortunately, today is difficult for me, because many of my friends from the housing community will be testifying following me in an opposition position. The current balance of the Affordable Housing Trust Fund is almost \$11 million, and while we have current project commitments exceeding this fund balance, please understand that these projects are typically paid out over an extended period, thus providing cash flow to support housing and the Site and Building (Development) Fund into the future. I would also note that DED and the Nebraska Investment Finance Authority have additional funding tools to support our state's housing efforts. DED, for example, administers the Federal Community Development Block Grant and HOME programs which provide dollars to support affordable housing across our state. In addition, new federal dollars contained within the American Recovery and Reinvestment Act or stimulus bill, were also used extensively over the past two years to support housing development. I would note, for example, that we are in the process of receiving funding through the Nebraska Neighborhood Stabilization Program third round which will be an additional \$5 million to the state of Nebraska. As part of this proposed bill, we also suggest amending the Affordable Housing Trust Fund statutes to allow for demolition of unsafe residential and industrial sites. This change has been a long-term request of the affordable housing community. Demolition would

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be a very valuable tool for communities that have old, dilapidated housing and industrial buildings that are no longer safe for renting or buying. This provision will help make our Nebraska communities safer and more attractive places to live and work. To summarize, DED looks at both of these funds, both the Affordable Housing Trust Fund and the Site and Building (Development) Fund as necessary community development strategies. We believe the time is now to start making strategic building and site investments across the state so as business and industry begin making new investment decisions, they make Nebraska their first choice. I would reference you a couple of things that I did pass out. I sent you around a letter from Mark Sweeney. Mark is with McCallum Sweeney Consulting in South Carolina. Mark's firm is one of the largest site selection firms in the country, and they've had an opportunity to be in Nebraska several times over the last few years. You will see there his concerns about Nebraska and our inability to provide adequate sites and buildings. I have also provided for you a cash flow analysis, both with LB388 and without that would indicate kind of where the balances are in terms of the trust fund and what it would do to the cash flow of the trust fund. And I'd be happy to take questions about that as well as a breakdown of where we're at in terms of the trust fund dollars and how they're distributed at this point in time. Finally, there are some analyses in there and charts that we use on an ongoing basis to monitor the status of the trust fund in terms of dollars. With that, I would be happy to take any questions that you might have. [LB388]

SENATOR PAHLS: Senator Langemeier. [LB388]

SENATOR LANGEMEIER: Chairman Pahls and Director, thanks for coming before us. [LB388]

RICHARD BAIER: Quite good. [LB388]

SENATOR LANGEMEIER: I have a number of questions. [LB388]

RICHARD BAIER: Great. [LB388]

SENATOR LANGEMEIER: When we talked about sites, and you said that people come, and they look for sites, how are...first of all, how do local economic development groups know what they should be developing for sites? I mean, should they be 10 acres, 20 acres, 40 acres, 300 acres, 1,000 acres? Do they have to have highways and rails and, how do they know that? [LB388]

RICHARD BAIER: Well, it varies by community, and one of the jobs that our field staff is tasked with is to help the communities walk through where's your...sort of your line in the sand? And much of that is driven by labor force, for example. You know, we're not going to see a huge automotive plant wind up in Valentine or Ainsworth, because first and foremost, we don't have a labor supply to fill that kind of a need. What we do see is

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regional opportunities and whether it's things like food or it's things like data centers, or it's things like manufacturing. We try and analyze what kinds of assets are available in the community. And I'll give you an example. We're working with a community right now that wanted to build a new industrial site, and we actually took their information to McCallum Sweeney and had them evaluate that proposal. What came back was, there's not enough power in Falls City to accommodate a major user. And so that's an issue that the community has to address as an on-term strategy, so they've kind of backed off on going after a site until they can deal with some of those challenging infrastructure issues. We would also look at, if there is a makeup of existing industry that might be looking at expansions that would also drive site decisions as part of that, because that's really first and foremost who your forced target is. [LB388]

SENATOR LANGEMEIER: So, before a community decides to develop a site, they need to come talk to you? [LB388]

RICHARD BAIER: We would spend significant amounts of time with them, talking through the pros and cons of their alternatives. Ultimately, it's a community decision. We would offer as much assistance as we could in the planning process. [LB388]

SENATOR LANGEMEIER: Okay. Now let's move on to this money. How is it going to be determined where that goes, whether that goes to Ainsworth or Omaha or Kearney or...? [LB388]

RICHARD BAIER: Right. The way it's structured now, Senator, there are really two components. One, we would do an annual action plan that would sort of outline priorities, much like we do now with our housing dollars. So we would start there, and then we would go through an application cycle and take applications from communities and not-for-profits, looking at development opportunities. The bill actually dictates that we put 40 percent of those dollars in nonurban areas as part of that as well, so we would actually have two pools, and say, look, here's what we have for urban; here's what we have for rural, and then we would work through and see if there are dollars left at the bottom as well to go through a competitive process. I don't know if we would internally rank them, or if we would bring someone in from the outside and do that like a McCallum Sweeney who might look and find things we might not. [LB388]

SENATOR LANGEMEIER: So what defines urban and rural? [LB388]

RICHARD BAIER: In this bill, (laugh)... [LB388]

SENATOR LANGEMEIER: In your mind. I read...I know what the words say. [LB388]

RICHARD BAIER: Yeah. In my...well, the challenge is each of these bills is a little bit different. This one actually is \$100,000 or less in terms of, as how they define as metro

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and nonmetro in this particular piece of legislation. That doesn't mean that...at some point, I'm hoping to harmonize some of the provisions in these, because it is a challenge for us even internally to manage the different definitions. [LB388]

SENATOR LANGEMEIER: Okay. Thank you. [LB388]

RICHARD BAIER: You bet. [LB388]

SENATOR PAHLS: Seeing no more questions, thank you. [LB388]

RICHARD BAIER: You bet. [LB388]

SENATOR PAHLS: Proponents. Again, I'm asking new information, please. [LB388]

DEE HAUSSLER: (Exhibit 3) Good afternoon, Senator Pahls, members of the committee. My name is Dee Haussler. I'm with the Hastings Economic Development Corporation. The spelling of my name is H-a-u-s-s-l-e-r. I'm here today and speaking on behalf of the Hastings Economic Development Corporation as well the Nebraska Economic Developers Association which is made up of membership of most of the communities across the state of Nebraska as well service vendors for economic development. Most of us...and I happen to be of age that I can remember when we had 30 and 40 members in this organization and now have over 200, 250 members. And the whole effort there is to stabilize their communities, especially in the rural areas and have potential to have some growth and provide some essential services to those communities. But as has been noted previously, the Battelle study was conducted in an effort to identify weaknesses that are needed to be corrected and are opportunities for Nebraska to become more competitive in the creation of jobs for our citizens and the creation of tax base for our communities and counties. I've been employed with the Hastings Economic Development Corporation for the past 32 years. I've been in the economic development field for 38 years. I was with the Department of Economic Development for six years. During my career, I've witnessed firsthand the many challenges of our communities facing the different financing basic requirements demanded by business and industry. The majority of business and industry today utilize consultants such as McCallum Sweeney as you just heard from, utilize consultants to help in their site selection process, and today it is a given that a community must have a fully developed site or available building before a consultant will take time to consider your community. Land prices, utility extensions, and street improvement costs all have skyrocketed. Our communities and our development organizations are under more financial stress, so our ability to fund these efforts has become more difficult. But, nonetheless, the bottom line is that without a fully developed property, your community will most likely not be considered. Hastings Economic Development Corporation has been one of the more progressive communities in outstate Nebraska. We've developed two beautiful industrial parks. Our first industrial park was financed with industrial

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revenue bonds in 1976. Today there's little appetite for those revenue bonds. In addition, Hastings Economic Development Corporation along with some private investors, has constructed nine speculative buildings since 1978. Some of the industry names that have used those buildings and currently using those buildings are Dana Corporation, Thermo King Corporation, Flowserve, Eaton Corporation, Centennial Plastics, Pioneer Hi-Bred seed company, Five Star Molding, Hastings Economic Development Corporation, and we currently have a 97,5000 square foot building, spec building, that is standard. It is competitively priced and available for sale, so if any of you know of anyone needing a building, we certainly have one available. Building site ready industrial parks and making buildings available do not ensure success, but not investing in them will certainly reduce our potential to create jobs and sustain growth, something that is so badly needed in our communities, our counties, and our state. I know that we're asking to reduce the Affordable Housing Trust Fund group's bucket to help prepare those same communities to give chances to create jobs. People follow opportunities, and we need to help to create those opportunities. A commitment to invest is a mandate. A fully-developed site or available building is expensive, but without those investments in our communities, our communities and our state Department of Economic Development have nothing to offer our potential clients. Perhaps more important than attracting new business is the ability to help protect and grow our existing industry. As companies continue to look to consolidate manufacturing facilities, we must be able to assist those companies that are already invested in Nebraska. Over the last couple of years, Nebraska has lost a number of manufacturers due to corporate consolidation, one being Smithfield there in Hastings. Our ability to provide growth opportunities for our existing manufacturers is imperative. The Battelle study identified a major weakness in our ability to compete on a regional and national basis, highlighting a lack of available construction ready sites and available building options in Nebraska communities. Does LB388 guarantee success? Certainly not, but it is a much more viable alternative with far greater potential than the alternative. Thank you for your consideration. I'd try to answer any questions that any of you might have. [LB388]

SENATOR PAHLS: Do I see any questions? Thank you for your testimony. [LB388]

DEE HAUSSLER: Thank you. [LB388]

SENATOR PAHLS: Next proponent. [LB388]

ROGER CHRISTIANSON: Chairman Pahls, members of the committee, my name is Roger Christianson. It's R-o-g-e-r C-h-r-i-s-t-i-a-n-s-o-n. I'm testifying in support of LB388 today on behalf of the Omaha Chamber of Commerce and the Nebraska State Chamber of Commerce. The economic development arm of the Omaha Chamber is the GO--Greater Omaha Economic Development Partnership--GO for short which is the Omaha Chamber, Sarpy County Economic Development Corporation, Cass County Development Corporation, and Gateway Development which is Blair and Washington

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County. In 2009, GO undertook a strategic plan to look at the next five-year period from 2010 to 2015. There were a number of discussions, a number of focus groups that took place as part of that strategic planning process. And one of the issues or one of the challenges that came out of that was the fact that we don't have large industrial sites for new companies that are looking at the Omaha metropolitan area. As Richard mentioned, we've lost some of those. We know some that we have lost, because we didn't have an appropriate site. We also know that we probably lost some, because a lot of searches today are done on the Internet, and companies are doing their searches prior to ever contacting you or looking at the information that's available. And in our case, we didn't have large sites for some of those companies who are looking. Also, McCallum Sweeney, one of the consulting firms, has also told us that compared to a lot of other metropolitan areas, we don't have sites available. So, as part of the move to correct that, the Omaha Chamber created what's called a Site Investigation and Development Target Advisory Group which is a long-winded handle--Site Tag for short. I was asked to chair that. Our role in the last year has been to look at sites in that four-county area to try to identify suitable sites, do the technical analysis to see what shortcomings those sites might have, and our next step will be to prioritize those and then acquisition and development of those properties. Senator Langemeier asked the question of what we're looking at in terms of those sites. We have a number of engineering companies who have volunteered to help us in that technical analysis; we're looking at the environmental concerns, all of the infrastructure, transportation, water, sewer, electricity, fiber, waters of the U.S., drainage, all of the kind of components that go into those sites that we see on some of the requests for proposal we get for major companies. We'll then prioritize those and pick one or two that will be going forward for acquisition and development. This plan works right in tandem, hand in glove, with what we're trying to accomplish in the metropolitan area. We'll identify those priorities. This will be one of the funding sources. We know we're going to have to raise some private money to help acquire and develop those sites, but this will be an important component and important piece of that acquisition and development. And with that, I'd be happy to respond to any questions you might have. [LB388]

SENATOR PAHLS: I notice that around...and I'm familiar with the area, around Topeka, Kansas, for a hundred miles, you can find 30 sites. So if I had a choice, I would probably go to Topeka, Kansas before I'd go to the Omaha area. [LB388]

ROGER CHRISTIANSON: Well, it comes...we looked, you know, really any sites above 20 acres, we're just woefully short of those. And the...of course, the private money has been difficult to come by in the last couple of years. Any dues organization, chambers of commerce, development corporations, everybody has been struggling a little bit the last couple of years. And private investors with kind of a slow market are kind of hesitant to put money in large pieces of property where it may have a slow absorption rate so. [LB388]

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SENATOR PAHLS: Okay. Thank you for your testimony. Thank you, Roger. [LB388]

ROGER CHRISTIANSON: Thank you very much. [LB388]

SENATOR PAHLS: Next proponent. I like that when both of you get up because (laugh)...yes. [LB388]

RICK CUNNINGHAM: (Laugh) We're anxious. [LB388]

SENATOR PAHLS: Yes. [LB388]

RICK CUNNINGHAM: Good afternoon. My name is Rick Cunningham. I'm the planning director for the city of Omaha. Last name is spelled C-u-n-n-i-n-g-h-a-m. I find myself in an interesting dilemma. The planning department is engaged in economic development in the city of Omaha, but my housing community development group is engaged in revitalization of challenged and strategic areas within our city, "low and moderate income housing." So I'm going to give you...I am a proponent...let me just go ahead and put that out there, okay? But we do have some concerns. This is kind of like six in one hand, half a dozen in the other. The administration and the planning department understands the tie between jobs and housing as we move forward. We really need to have both. And we have certain strategic revitalization areas in the city of Omaha, notably, the northeast area of Omaha and the southeast Omaha, so basically east Omaha. And we are concentrating on jobs and homes and quality homes for moderate- and low-income people. We are partnered with the Chamber of Commerce on that Site Tag. We have a unique perspective in that with the city of Omaha, we don't have 200 acres sitting around to develop as large sites. So, what we have decided is to try to concentrate on those medium sites, those sites 40, 20, 15 acres. We feel that's a sweet spot for us. One of our endeavors is to retain the industry in Omaha that's there now to help those industries create new jobs, to move to the area where there's a lot of people that need jobs like in our north Omaha area. So that's where we use these programs. Now, the six on this side. We also use the funds from the (Affordable) Housing Trust Fund quite a bit. In fact, in the last three years, we've used that to leverage funds, a total of \$3.1 million of Affordable Housing (Trust) Funds that have leveraged over \$20 million. That's 6.7 to 1. So, we do believe in leverage, and that is provided as a leverage point to leverage other public and private funds. Therefore, it is a very successful program as far as we are concerned, as far as providing quality housing and technical assistance for people to get that housing and maintain that housing, both rental and owner-occupied houses in both north and south Omaha. So the caution that we would give you is, as we move these funds and then take some of the long-term cash flow for the Affordable Housing Trust (Fund), that we monitor that because it is a successful program. Let's not punish that program in order to fill this need on this side. And if I can finish up by saying on the half dozen side, we are focusing on two areas in the city of Omaha, particularly our airport business park number one. We are with the chamber

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looking at expanding that and in some way, form, or fashion to develop anywhere up to ten or more sites, varying in size up to about 40 acres. That is going to cost a pretty penny and so we would welcome the funds that might be available here. We would ask that we do, indeed, can come up to the table and not be the last hog at the trough. Excuse the technology there. Sir, I was born and raised in Nebraska. I did leave for 16 years and now I'm back so. [LB388]

SENATOR PAHLS: Okay. Good to have you back. [LB388]

RICK CUNNINGHAM: Okay. Again, a proponent, we just urge caution as we move forward. We do need both sides of this equation in order to really make things work, especially in Omaha, and I feel across the state of Nebraska. So we can't have one without the other, and I think affordable housing...a stock of people ready to take jobs is also necessary, so we're working, and the mayor's program is (From) Poverty to Prosperity through jobs, jobs, and jobs. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Proponents? How many more proponents do we have? Okay, thank you. Two. [LB388]

TODD LORENZ: Good afternoon. My name is Todd Lorenz, L-o-r-e-n-z. I'm a professional engineer, and I'm here today on behalf of the Lincoln Chamber of Commerce. I am supportive of the idea of job growth and corporate investment in Nebraska. With my job, I'm often on that site tour when that new user comes to Nebraska looking for a site. And whenever we're on that tour, it's usually the same thing. We always talk about the same factors we need to evaluate--infrastructure and site readiness. Items included within that site readiness are site acquisition cost, site preparation, access, sanitary sewer, water main service, electric service, natural gas service, sometimes rail, sometimes fiber. Oftentimes the most preferred site may be lacking or deficient in one of these items, at which point the community has some real decisions to make. Finding a home for a major employer is a very competitive environment. These potential employers often search for the best location in a multi-state region, so when we are competing for an employment prospect, we are often competing against South Dakota, Iowa, Kansas, and others. Site readiness is the new buzzword. Can you have a building permit within 60 days? Can your user be open for business within one year? Those are questions they need to know. If a site is not ready to go, meaning that all of the infrastructure is not in place or the cost to deliver the site either takes too long or is too expensive for the user, then that site or that community will be eliminated. In my opinion, LB388 could assist our Nebraska communities to become more competitive and could prepare to accommodate that employer when they surface. It is a mechanism that could be used to close the gap when needed. It could fund that one piece of infrastructure that is lacking. I'm in favor of supplying our economic developers in our communities with another tool in their toolbox. Again, this is a very competitive environment in today's marketplace. Nebraska has a lot to offer to

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potential employers. Let's equip our communities with another mechanism to close that deal when we can. Thank you for your support of LB388. I could answer any questions if there is some. [LB388]

SENATOR PAHLS: Senator Langemeier. [LB388]

SENATOR LANGEMEIER: Chairman Pahls, thank you, and thank you for your testimony. You brought up an interesting point there. You talked about either the project site not being ready--it needs some infrastructure, or the cost to get it developed is somewhat prohibitive. So are we looking at this program as a way to give away sites to get over the cost or is it a way to say, we're ready for business when you come to town? [LB388]

TODD LORENZ: Well, in my view, I mean there is other states and other places that are doing exactly that--giving away sites free. In my personal opinion, I don't think that's what I would do. Now, what I'm referring to is, when we are competing against those other communities that can do that or other states that can do that, you know, there's a gap there. It's theirs versus ours, and there's a gap there. I think this legislation could help close that gap a bit, at least, and make the other factors, such as labor pool, education, other resources we have here in Nebraska, that much more available. [LB388]

SENATOR LANGEMEIER: Okay, thank you. [LB388]

SENATOR PAHLS: See no more questions, thank you for your testimony. Proponents? [LB388]

KARL ELM SHAEUSER: Good afternoon, Chairman Pahls, committee members. My name is Karl Elmshaeuser, K-a-r-l E-l-m-s-h-a-e-u-s-e-r. I'm the executive director for the West Central Nebraska Development District, and to honor Chairman Pahls's request, try to keep brief, and a new point, the point being specifically the demolition portion of this bill. By the way, one of my colleagues e-mailed me the other day, and he said, but Karl, I want both. I want the housing and the development, and we're in a unique position where we have to make some choices, and so do you. In the demolition, in the last year, our particular agency took down 19 different structures through the neighborhood stabilization program. It was a unique program; it was very restrictive. There weren't any other funds available to do that. This takes some of those funds and makes it available, and I will give you another specific case, one that talks about innovation. Senator Langemeier talked about giving things away. In the bill, it says it could be a grant and/or a loan to a community. But specifically, in the case of the city of Cozad, where a Tenneco facility had announced that they would close and lay off 500 people. And as we were working through the community to find other businesses that would come into that community, it became an extreme challenge to find either existing

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sites and/or businesses or buildings that they could bring in innovation and retool it, so that you wouldn't lose the labor force as they start laying off those members. So being able to have access to those things to provide innovation to either existing structures or to bring them up to speed, the time factor was so short, this would be a tool that would allow some of those things to happen to make those types of transitions, so we don't lose the labor force, and then also have excessive housing that's not available in those communities as well. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. Proponent? [LB388]

KORBY GILBERTSON: Good afternoon, Chairman Pahls, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association and also the Nebraska State Homebuilders Association in support of LB388. For some of you who have been around for years, you would find that rather surprising since we have typically always been very strong opponents of anything that would happen to the Affordable Housing Trust Fund, and because of that, you can imagine that the debate in both of these groups was very lively and full of information. For most, the discussion was...this is kind of a chicken and an egg thing. We need to have housing for workers that are going to work at new businesses, but then you also need to have businesses in those communities for those workers to be there. And I think that based on the lengthy discussions that both groups had, the final line was that as long as the funding can be maintained for the affordable housing projects that are outgoing, that there will be a continued watch over what these funds do, that this is a good use of these monies to help get rid of some of the dilapidated housing and industrial buildings, and then also to help with infrastructure and other industries, so that we can continue to have jobs come to Nebraska. I'd be happy to answer any questions. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB388]

KORBY GILBERTSON: Thank you. [LB388]

SENATOR PAHLS: I think that ends all of the proponents. Now, we have...I see about nine opponents, so I'll have you come forth. Let's move up a little bit. Again, I'm going to ask you to provide us with new information, if possible. And if we...again, if I can remind you, keep it to about three minutes. That would really be beneficial to all of us. Thank you. [LB388]

JIM RIEKER: (Exhibit 4) Chairman Pahls and the rest of the committee, thank you very much. My name is Jim Rieker, R-i-e-k-e-r, and I'm here pretty much to say a lot of the same things you've already heard, only they were proponents. I'm going to be an opponent, if that makes any sense. It's really not the bill of (LB)388 and what it

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accomplishes, because I think a lot of us really like the idea of what LB388 will accomplish. It's just strictly the funding source, taking money from the Nebraska (Affordable) Housing Trust Fund. You know, economic development is more than just building housing or building industrial sites. I liken it to a three-legged milking stool for those of you that know what that is. You take away one leg, the whole stool just falls down. Well, economic development is much like that. You've got the developer or the business; you got the site, and you got housing--a place to house your workers. You take one of those components, you can't do the other two pieces. What you've proposed with the (Affordable) Housing Trust Fund is taking money from that. You've heard testimony that there's money available in there. Well, we can all do math any way you want it to be done. Unfortunately, the old days of doing simple math have gone, and we can all fudge numbers any way we want. The bottom line is those dollars, as Richard said, have been committed. The state of Nebraska has made a commitment to use those dollars, and if you take away money from that fund, either those projects are going to be delayed or stalled indefinitely. And if you take that indefinite money away, you're going to lose jobs, taxes, income, and people will go without decent, and safe, affordable housing. The trust fund is not just something you can just take money away from. Unfortunately, Senator Gloor walked out of the room here, but he spoke to the state chamber last week. He had the quote of quotes that deals with the trust fund. He likened it to an old car. He says, you can take parts off the car, but pretty soon you have a piece of junk. By taking money out of the trust fund, pretty soon we're going to have nothing that we can use, and we won't be able to build affordable housing. Midtown Omaha was a great redevelopment area, but it was all for upper-income people. We have a potential of doing a \$12 million project in midtown Omaha, and Mutual of Omaha has actually had to turn away people, because they couldn't afford to live in the units that they've created. The project we're talking about is one that would be for affordable housing and get to use all the same amenities that are being used. Unfortunately, there's a \$400,000 gap with that project. The trust fund would be used to fill that gap. You short the trust fund, this project doesn't go forward. Using the national homebuilders' calculation on what that means if that project, a \$12 million project doesn't go forward, lost income to the city of Omaha of \$790,000 for just general services; loss of sales tax, \$83,000 annually; a loss of \$97,000 of property taxes; and then lastly, 12.2 full-time jobs are lost. Housing is a driver of the economy as we've all seen here in the last few years. What has happened when the housing market failed? The economy failed. So by touching housing, you're touching the lives of many. In a recent report to the President of the United States called State of the Nation's Housing 2010, it said, 46 percent of all housing is cost burdened, meaning people are paying more than 30 percent of their income. In 1960, that was 12 percent. We also have had an experience, not that terribly long ago in the nineties, when we wanted to rehab or retrofit a building in Lexington, Nebraska. IBP came in and retrofitted that building--great use of the building; nobody can deny that. The problem was, nobody bothered to look at the housing situation before we went forward. As a result, it took us over three years to get housing built, and during that time, you had people doubling, tripling, quadrupling

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up, and we even had people living in the back of semitrailers with no water, no sewer, no heat, no air. And as a result, IBP had a terrible time attracting workers or quality workers, and then when they did get workers, they couldn't keep them. So do we really want to go down that road, because when we take away one of those legs from the milking stool, we're not going to be able to provide the housing for the jobs that are going to be created. Keep in mind, we have a 4.4 percent unemployment rate, so the jobs we are creating are going to have to come from outside. One of the ways we'll attract people is to have adequate housing. I heard several times that, on testimony before, one of the reasons we lost industry is because we didn't have building sites. We also lost because we did not have jobs, and the reason we didn't have jobs is because we could not house those people. So I thank you for the time, and I'm actually willing to answer any questions you may have. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB388]

JIM RIEKER: Thank you. [LB388]

SENATOR PAHLS: Next opponent. [LB388]

DARREN McCARTY: (Exhibit 5) Good afternoon. My name is Darren McCarty, D-a-r-r-e-n M-c-C-a-r-t-y. I'm here as an opponent to LB388. I'm speaking on behalf as I'm a citizen who actually uses the affordable housing funds. First, let me give you some background about myself. I acquired an illness in 1985, and I was declared disabled back in 1990 in which I was given very little chance of survival. Since 1990, I have been struck with many other small illnesses related to my overall disability. Along with this, last year I had several back surgeries to take care of a disk injury which has caused permanent leg damage. I see five different doctors, take 12 different medications daily, with Medicare being the only way being taken care of medically. I do not qualify for Medicaid, food stamps, or many other services offered by DHHS. My SSDI and what I make doing a little part-time work does not allow me to qualify for housing either, and when I did qualify for housing, it only gave me about \$25 a month to put towards rent. After living in a hostile situation with a roommate at one time, I decided to move out and make a goal of buying a house. I went to one of my realtor friends, and he said I would only get approved for about \$45,000 and after looking at houses that was in that price range here in Lincoln, I was left thinking I would be paying rent for the rest of my life. My realtor suggested I get in touch with a program called NeighborWorks and see if they could help me get a better house, and all I would have to do is take an 8-hour class. This class taught me how to buy a house, budget, set priorities, learn about insurance, and mortgages. Then they helped me look for a house and try to figure out what was affordable for me once I had completed the class. I honestly never thought I would be a homeowner after I went on disability in 1990, and renting in Lincoln was not something I could afford. NeighborWorks helped me find a house, budget for the house, helped me find other organizations that could help me also, since I was disabled to make the house

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more livable, helped me with getting the right financing for it and even was there on the day that I closed to make sure it all went well. With my health issues, I needed a single level house in a quiet and safe neighborhood, not too big to take care of and easy to get around town from. NeighborWorks made all this happen for me. Also, they made a house more affordable than rent for me for which helps me with my budget for my health needs. My house is 1,100 square feet on a corner lot in a well-established Witherbee neighborhood. I can't remember when I have ever been happier with my housing situation. I have recommended many people to NeighborWorks because it does work. One of my best friends just closed on a house here about four months ago after taking the program, and he has never been happier. A female friend with two boys I just recommended to NeighborWorks too, because she wants to start investing in a home for her children. With all the negative issues about foreclosures out there, it's nice to have someone look after people to make sure they do not get in over their heads financially, but they live in a safe and secure home, that they help people build equity in something, and they also help keep our neighborhoods strong and vibrant. Thanks for hearing me out. Please keep these types of programs funded. I think they're extremely valuable. They help many, many people make housing affordable. Thank you. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB388]

DARREN McCARTY: Thank you. [LB388]

CLIFF MESNER: Senator Pahls, members of the committee, thank you for your time. My name is Cliff Mesner spelled M-e-s-n-e-r. I'm an attorney in Central City, Nebraska. I have also been involved in economic development for 30 years, most of that time as a staff member, as an economic development director for the city of Central City. I have developed industrial sites, and I have recruited businesses to those industrial sites, so I understand that half the bill. But I'm also in practice with my wife, Kathy Mesner, who is currently vice president of the Nebraska Commission on Housing and Homelessness, and together we own Mesner Development Company which does real estate development across Nebraska and Kansas. So I think we're in kind of a unique position to look at both sides of this legislation, having worked both sides of it. Ironically, I got involved in housing through my economic development work. Department of Economic Development did a recruitment call on Atlantic Homes in their home office of Wisconsin. Atlantic Homes was the largest employer in Central City at the time, and they indicated that they wanted to expand their business in Central City, but they were unable to do that because they couldn't get adequate housing for new employees. So they couldn't recruit new employees, so they couldn't add people. So I was charged by the city to develop work force housing in Central City. Now, this, unfortunately, was before the creation of the Affordable Housing Trust Fund. The jobs at Atlantic were paying at that time, \$12.50 an hour, about \$25,000 a year. That was the highest going wage in the area at the time, but it wasn't sufficient to build new construction. So we had to go out and find ways to build new construction. To make a long story short, we did a

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low-income housing tax credit project and a subdivision. We used tax credits at the federal level. We used community development block grant. We used tax increment financing. We used city utility money. We used private developer funds, and we used a NIFA super targeted fund in order to bring all the funds together that we needed to get housing built in Central City. We built 25 homes, but here's the kicker. Those funds that we used all came restricted with a 60 percent of area median income. We built 25 homes; we did not put a single target employee in those homes, because the people who worked at Atlantic Homes, by definition, did not qualify for those programs. So we basically spent your money on something that was a round about way of getting where we needed to be. As we go around the state, we are constantly asked, how do you develop work force housing? There is not an easy answer, particularly in the rural communities. In most of our rural communities the cost of construction has risen faster than the prevailing wage, so there is a gap. Moreover, we have a problem in our rural towns because new construction won't appraise out, so we can't get loans on it, so that we have to go in and find some way to buy that down. And people who are buying starter homes usually don't have the ability to do that. I think maybe the prime example in the state right now for this is Sidney, Nebraska. Cabela's is hiring more people than that community can house. The employees, as a group of Cabela's, commute 19,000 miles a day into Sidney. A lot of them are coming in from Colorado. They have a starting wage of about \$36,000. They make \$40,000 when they're off their probationary period. Those are good jobs by Nebraska standards, but they don't support new construction. Sidney is not able to go out and find a way to build new homes out there and make that program work. They have tried in the past to use the same programs that we used in Central City, but those were all tied to a 60 percent of area median income. As a result, they now have more affordable housing in Sidney than they can handle, but they don't have any work force housing, and they're losing jobs in Sidney because they can't find places for people to live. We started there a couple of years ago with the New Neighborhoods Initiative with the Department of Economic Development, and we have been able to build 11 homes with that new program. Those programs, because we aren't saddled with the same restrictions, we've actually filled those with new employees that have come to Sidney and gotten jobs there. So we finally found a program through the use of the Affordable Housing Trust Fund that allows us to directly attack work force housing. And that's a critical issue, because, yes, there is other money out there for housing, but the Affordable Housing Trust Fund is really unique in its ability to fill that gap. I believe in this legislation. The money that you give to the Department of Economic Development is an investment. It's not an expense. You will get that money back. We have a great deal of faith in Richard Baier and DED and their ability to invest that money wisely. We can see many examples of where that's happened. But if you cripple work force housing, you're going to have a problem that is going to hurt other communities like Sidney, so we urge you to find another funding source for this, and leave that Affordable Housing Trust Fund in place. Thank you. Be happy to answer any questions. [LB388]

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SENATOR PAHLS: Seeing none, thank you for your testimony. I do know it's hard to think in terms of three minutes, but I'm going to ask you to help us out. [LB388]

ROGER NADRCHAL: (Exhibit 6) Good afternoon, Chairman Pahls and senators. My name is Roger Nadrchal, spelled N-a-d-r-c-h-a-l. I'm the executive director of NeighborWorks Northeast Nebraska based in Norfolk, and also have an office in Columbus. And also just a point of interest or point of information here, I am also a commissioner on the Nebraska Commission on Housing and Homelessness. Our organization started 16 years ago, and since then, we've been able to develop single-family homes in excess of \$43 million which is 500 units. Over these years, obviously, housing is an economic development tool, and we oppose LB388 not only because of the bill itself, but as far as some components in it. Overall, we do support economic development. We know there is a need for additional jobs in these communities in Nebraska; just concerned about the funding mechanism of moving funds from the Nebraska Affordable Housing Trust Fund to help fund that source. The Nebraska Affordable Housing Trust Fund is a very important grant source for us to use. It's very flexible; it's not only used for new construction of homes. It's also used for rehabilitation of homes which is a major program of our organization; also could be used for capacity building as well as for rental projects and many other activities as well, so the flexibility of the trust fund is very important, and housing developers such as our organization appreciate that flexibility to be used for a variety of sources. To date, our organization received over \$2 million. With those \$2 million that have gone into various single homes, we were able to leverage that six times in excess of \$12 million. We look at the economic impact of that \$2 million over the time that we received these dollars. It is an economic impact at our service area of \$24,500 and supports 134 jobs. I have access to a spreadsheet available through NeighborWorks America and the computation of those numbers have come from that source. I want to share a little bit about a specific project similar to what Cliff has mentioned, the New Neighborhood Initiative that he's worked in Sidney. We also have been a recipient of funds to help with the New Neighborhood Initiative in Columbus. Columbus has had a housing shortage for many years. Therefore, we were welcomed back in 2006 to establish our office there and help with some of the housing needs there. At the same time, was the initiative from DED called the New Neighborhood Initiative. The overall development budget of that project was \$1.6 million. It allowed us to acquire 15 acres of land and divide into 43 individual lots for new homes to be constructed on that property. We were able to sell the lots within 13 months to builders in that area to build new homes. That construction, once it's all complete, which right now is about 28 homes built, will have a value of \$8 million or more. We were able to acquire that land for \$255,000 and turn it into a housing development in excess of \$8 million. So taxes generated from just that parcel of land, 15 acres in northwest Columbus, will generate a lot of taxes as far as from the real estate value. Originally, was about \$5,000 of annual taxes generated from that vacant piece of land, and now it will be in excess of \$150,000 on an annual basis there they're going. We realize that everybody should be willing to work with the reductions. We're

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just concerned that the current available funds of the trust fund are short to meet the demand that's already out there. You've heard that the projections are adequate to support the current projects that are under contract or committed. However, we want you to take into consideration what new projects that are not getting funded already, because of the need versus the source that's available, and as far as future projects to be funded down the road. So, we really feel that the reduction of \$3 million taken out of the current Cash Fund and reducing it by 25 percent for future projects will be a huge concern and an issue for us as housing developers across the state. So, on behalf of NeighborWorks Northeast Nebraska, thank you for your time and your leadership, and be willing to answer any questions you might have. [LB388]

SENATOR PAHLS: Seeing no questions, thank you, Roger. [LB388]

ROGER NADRCHAL: Thank you. [LB388]

SENATOR PAHLS: Next opponent. [LB388]

ROB WOODLING: Mr. Chairman and members of the committee, thank you. My name is Rob Woodling. That's W-o-o-d-l-i-n-g. I am president and founder of Foundations Development in Omaha, Nebraska, actually in Senator Pirsch's district. I wanted to thank you for the opportunity to speak today regarding the Nebraska Affordable Housing Trust Fund. I've had the opportunity to use these funds four times over the last five years, and I wanted to talk to you about why I feel this is such an important resource, mainly for three reasons. One, it's highly leveraged; it's flexible; and its ability to provide measurable, definitive results as opposed to speculative. Just wanted to briefly touch on the four projects I've used this funding with. The first would be a project I did in Gretna which was 15 homes, single-family homes, that were for moderate income folks to earn home ownership. This actually...these 15 single-family homes were in a foreclosed subdivision that we purchased the 15 lots out of the 52. We initially were the first homes built in this neighborhood, creating \$1.9 million of valuation. Shortly after we were finished with our houses, Celebrity Homes, the first or second largest homebuilder in Omaha, came in and bought the rest of the subdivision, and we were catalysts for them and their purchase of those 37 lots. They currently have homes on 20 of those, and have added \$2.4 million of valuation to the city of Gretna and other taxing jurisdictions. In this project, we leveraged the trust funds 5 to 1. And the important part of the trust fund in this project was its flexibility. No other funding source that I'm aware of, would have met this gap except for the trust funds due to its location. Over the next 20 years, roughly \$810,000 in taxes will be paid to different jurisdictions because of this funding, and that's assuming no inflation of valuation of the homes. I estimate we paid \$840,000 of subcontractor wages in the year 2009 when a lot of subcontractor work was hard to find. I had at least four subcontractors say to me, we would not be in business today except for this project. We paid approximately \$82,000 of sales tax on this project and an estimated almost \$60,000 of income taxes were paid by subcontractors and

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laborers. I also used this funding in a project in Valley, Nebraska. In Valley, we leveraged the trust funds 4 to 1 to create a needed moderate income home ownership training opportunities. We took tax-exempt county-owned land, owned by the Douglas County Housing Authority, and put it on the tax roles creating property taxes and income taxes for the subcontractors and contractors that worked on that project. Also worked as a consultant on a project in north Omaha called Salem One, Salem Village at Miami Heights. In this project, we leveraged the trust funds 28 to 1, but without this one funding source that project would not have moved forward, and \$8 million worth of development would not have occurred in north Omaha to create 51 units of senior housing. That project was so successful, we're currently working on Salem Two next door. That project is leveraging the trust funds 13 to 1, and creating 27 units of housing and a \$5 million project in north Omaha. So all of these projects significantly leverage other resources to create housing. They increase real estate valuations and create subsequent taxes. They also create projects that pay sales and create income tax through subcontractors. The trust fund creates definitive results that maximize these dollars through leveraging. I would recommend that this resource continue at its current level. The proposed reduction of this resource for site development fund misses out on one very important fact-jobs need a place to sleep at night. I would respectfully ask this committee to highly scrutinize the proposal and really look at what the trust fund does, not just for housing, but for economic development for the state. The trust fund, through housing, is economic development. Thank you for your time, and I'd be more than willing to answer any questions you might have. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB388]

ROB WOODLING: Thank you. [LB388]

SENATOR PAHLS: How many more opponents? Two? Okay, thank you. [LB388]

JANET LATIMER: (Exhibit 7) Good afternoon. My name is Janet Latimer, and I am glad to be here, Mr. Chairman and committee members. My last name is spelled L-a-t-i-m-e-r. I come with a different perspective as I am a banker. I have been a president and CEO at Horizon Bank, and I'm in my 33rd year of banking. I also have had a great opportunity to work with economic development in housing since 1993 when some of the new things came out. I have two areas I'd like to present on behalf of Horizon Bank, my bank, and also that I think are important to some other bankers across the state. First of all, Horizon Bank has provided a lot of this financing for the individuals such as Rob Woodling. Three of those four projects, we provided financing for, but I can tell you that this type of financing is very, very unique. It is so unique, that because of all of the alternative soft funding sources such as the Nebraska (Affordable) Housing Trust Fund, without these funds, bankers are not going to be able to make the loans to help make these projects become what they are now. The second thing that I think is very important on that is we also have done some of the term loans on the

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banking side. Because these are low and moderate-income, obviously, the rents on these are low, and everyone in here can do simple math. Low rents can't afford a high payment. So as we look at these things, the way to cure that is to keep those permanent loans low, so the permanent loans I have on these projects at this time are somewhere between 13 and 25 percent, because soft funding and equity has played the big role on the rest of this funding. So that is an extremely important reason why this bill is so essential to oppose as far as its funding source. Then I look at just my bankers around the state, and this committee has two bankers on this committee. Right now, I find two big concerns in that area. Number one is many banks in this state have financed buildings that are out there in the neighborhoods now. Some of those are vacant; some of them are very good buildings. But what happens when oh, let's build a new building over here, and the one that the current bank has...one of your community banks, says my bank has this loan; it continues to be nonperforming. We have a problem. I think that is huge. Secondly, I think that it will have a negative impact, but the other thing I would like to tell is just one short story. I have branches in Waverly, Superior, and McCook. In Superior, my branch manager has been very, very active in economic development. She is also a lifelong resident of Superior. In 2003, the Superior Development Corporation received a grant from the state to build a spec building. One of the requirements was that grant had to create 48 new jobs. There was a tenant that was supposed to come into that. They went ahead, accepted the grant, built the facility. The tenant failed. He never ever got started. We looked to try to help with credit. It was a bad deal. Superior had to repay the funds, and the building remained vacant. Just now in 2010, has it been leased plus the city of Superior had to pay that grant back. The build it and they will come theory doesn't always work. In closing, I really truly believe in economic development. Jay Dunlap, my owner of the bank and our staff have committed to economic development through low-income housing. As others have said, though, it's a rare balance. We have to have many things to make this all work together. The Nebraska (Affordable) Housing Trust Funds, yes, there is a balance in that account today, and a good balance because they have handled that very well and used it very carefully. I commend them on what a good job they have done. It's been leveraged, but the existing funds are committed, and they are essential for affordable housing. As any banker or, hopefully, most people will say, if you take away committed funds and write that check on that same bank account, something bad is going to happen. With an increase in the gap in financing, I believe strongly that while the economic development intent of this bill is excellent, the sources of funding will be devastating to many people across Nebraska, and I respectfully ask that you consider opposing the bill as written or finding alternative funding sources. I would entertain any questions. [LB388]

SENATOR PAHLS: Seeing no questions, thank you for your testimony. [LB388]

JANET LATIMER: Thank you. [LB388]

DANIELLE HILL: (Exhibit 8) Thank you, Chairman Pahls and other committee

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members. My name is Danielle Hill. Danielle is spelled D-a-n-i-e-l-l-e. Last name Hill, H-i-l-l. And I just have a one-page testimony that you're being provided right now. Most importantly, what I want to do is just let you know that I have submitted some sheets that you can refer to, to further educate yourself on why affordable housing is needed, and the economic impact it has in Nebraska, so just some light reading. One thing we heard today is in previous bills is, what is the return on investment? Why would we want to spend public money to invest in that? And in housing, generally, it's 10 to 1. Well, that's better than what I heard an investor say earlier that 8 to 1 was spectacular, and he was really pleased with that. Well, affordable housing development is generally 10 to 1, and when they talk about that return on investment, part of it is leveraged funds, so the Nebraska Affordable Housing Trust Fund helps you get those other resources to the table from federal or private sources. So part of it is leverage, and part of it is the economic impact that it has through increased property taxes, sale of goods, employment taxes, and those kind of things equal that 10 to 1 balance. I also heard you ask earlier, how other programs felt that were being redirected to fund a new initiative, and I can tell you that it doesn't feel well to continually fight the affordable housing battle. It's shown good outcomes; it stimulates the economy; it supports the economy; it creates jobs; and I, for one, and several behind me just are not in favor of taking funds away from the Affordable Housing Trust Fund to support a new initiative, especially in these times of budget shortfalls even though we support any economic development effort that creates jobs that pay enough, so that people don't need affordable housing assistance, and also, are hand in hand with housing to make sure that people aren't forced to live in substandard or unsafe housing. The Nebraska Affordable Housing Act has been amended several times, but never to do anything other than housing activities. It was amended once to include the Behavior(al) Health Reform Act which provided housing for adults with serious mental illness, but it was about housing. It's been redirected several times, but always to cover budget shortfalls, never to fund a new program or an existing program. And so, it has been changed; we've evolved. It was created in 1996, and we do support including demolition of substandard housing as an eligible activity, because we heard from hundreds of people in communities throughout Nebraska, Lincoln and Omaha included, that that is a challenge of communities to get rid of those eyesores, so their community isn't judged by how those houses look, and that they can use that lot then that already has the infrastructure to build another housing unit. And the other thing, I would just draw your attention to, I provided to you this thing, it looks like a checkbook register of sorts. And we...I developed that based on information that the Department of Economic Development provided two weeks ago from today to the Nebraska Commission on Housing and Homelessness in one of their committees. And the numbers are extremely different in a few short weeks. As of January 6, they had 16.7 million under contract, and now they report to only have a little less than 10 million under contract. So in two weeks, \$5 million has changed, and they aren't taking into consideration some of the commitments, and those were contractual obligations. There's also commitments, they refer to the plans that are created to say this is how we're going to use this money, and this is what we're going to use it for. And

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there's set-asides in those, so they're making the commitment to fund this program, 2011-2012, and some of those aren't showing up, so I would just encourage you to really scrutinize some of the numbers. The figures that we came up with, based on the numbers DED provided just two short weeks ago, as you can see all the red, we start out in the red, and we end up in the red two years from now. So that there's any perception that we have money that can be taken away to support another activity, it just doesn't flush itself out. And the other resources that were referred to such as the home program, the neighborhood stabilization program, community development block grant like well, we already have all this other housing money, why do we need this? And the NSP program which is the stimulus money coming from the federal government...it's very inflexible. It's for specific activities, and generally, can't be used throughout the state. There's just certain pockets that it can be used in. And so, to compare that to the trust...that can't replace the trust fund, I guess is what I'm saying. The trust fund also...the home program has a 25 percent match requirement, and our trust fund is used for that. And the less amount of trust fund we have to meet that 25 percent match, the other trust fund money we have then has those federal strings tied to it, because they have to follow the same rules and regulations, and it takes away from the flexibility we have with the trust fund. And then the most important thing of all is wages just simply, in the last 10 to 15 years, according to the Federal Reserve Bank of Kansas City and others that have done research on this, have just not kept up with the rising cost of housing. And I don't think we want any of our citizens to live in substandard, unsafe, indecent, you know, housing where they don't have enough money left over for clothing and healthcare and take their kid to a ball game or let them play sports once in a while. So, with that, I'll conclude, and I appreciate your time. [LB388]

SENATOR PAHLS: See no questions, thank you for your testimony. People in the neutral? Senator, I think we're ready. [LB388]

SENATOR WIGHTMAN: Thank you, Senator Pahls, members of the committee for your attention. As you can and as you can hear from the testimony, it's a serious balancing problem that we have, and we're faced with it much of the way through this legislative session. At the same time, I would ask that you review closely the information...these three sheets, graph sheets, that were handed to you by, I think, Director Baier, that shows the expenditures by month, the deposits by month into the Affordable Housing Trust Fund, and then the balance by months. On the balance, I would remind you that we did transfer \$1.6 million out of that fund last year, and I can't tell exactly when that occurred, but probably pretty close to the beginning of the year, just from looking at it, although it could have been the last month, so I can't tell you. But that's part of the reason this went down from...the major reason it went down from in excess of \$12 million to \$10 million. So there have been a number of times that funds have been transferred out of this to the Cash Fund. I can't tell you the exact amount or the total number of years, but there is \$10 million on hand. That's after having taken \$1.6 million out a year ago. Obviously, if we took...transferred funds as suggested by LB388, we're

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going to reduce that fund. But when you look at the amount of deposits per month, the amount of expenditures per month, there's going to be a substantial length of time that this fund is going to be imbalanced, or at least, we will not have depleted all of the balances. So I would ask you to look carefully at these in making your decision as to whether the bill is going to be advanced, and we would urge you to go ahead and advance the bill. Thank you. [LB388]

SENATOR PAHLS: (Exhibits 9 and 10) Okay. Thank you. Before I do close the hearing on it, LB388 has been endorsed by the city of Lincoln. Thank you, Senator. That does close the hearing on LB388. We're going to take a short break before we hit (LB)404. If you're involved in LB404, be back, though, shortly. [LB388]

BREAK []

SENATOR PAHLS: This will open the hearing on LB404. Senator Pirsch. [LB388]

SENATOR PIRSCH: Thank you, Chairman Pahls. I am State Senator Pete Pirsch, representing Legislative District 4 in Douglas County and parts of Omaha. The purpose of LB404 is to augment the statutory reporting requirements for the Department of Economic Development. Currently, the department is statutorily required to submit nine separate reports to the Legislature. And while this LB404 will not eliminate any one of these reports, it will allow the department the flexibility to submit one report which will provide information on each individual program. I am sure that there will be some questions that you'll have for the director of the department, who will testify after me. And if you have any other questions at this time, be happy to answer. [LB404]

SENATOR PAHLS: No questions, Senator. Limited to three minutes. [LB404]

SENATOR PIRSCH: Thank you. [LB404]

RICHARD BAIER: (Exhibit 1) Chairman Pahls, members of the committee, for the record, my name is Richard Baier. The last name is B-a-i-e-r. I would like to thank Senator Pahls (sic: Pirsch) for introducing this bill at our request. I think he did a nice job outlining kind of the statutory requirements that we have. I will tell you this is simply an efficiency issue. I have a fairly small marketing division, and one of our challenges is to make sure that we are doing more and more on the Web, Facebook, Twitter, those kinds of things. And at this point, we're having to stop periodically and generate the next report, the next map, the next cover, and so this would be a way to help facilitate some of that. So, with that, I would be happy to take any questions. We believe it's one step in an efficiency process that we continue to look at. [LB404]

SENATOR PAHLS: Any...oh, Senator. [LB404]

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SENATOR GLOOR: Thank you, Senator Pahls. Rich, I live by the philosophy that things happen for a reason. [LB404]

RICHARD BAIER: Um-hum. [LB404]

SENATOR GLOOR: And that we get individual reports, because somewhere many moons ago, somebody decided it made sense that each one of these reports... [LB404]

RICHARD BAIER: Sure. [LB404]

SENATOR GLOOR: ...be submitted individually. I mean, is there a history here that's worth knowing? And I don't have any objection to the efficiency effort here. I just want to make sure we're not overlooking something that might be obvious. [LB404]

RICHARD BAIER: Right. Most of these came as separate distinct pieces of legislation, and as we get those, the next introducer, the next bill drafter came up with a different date, kind of where the funding cycle was tied to those kinds of activities. And so, each one sort of got its own unique date. [LB404]

SENATOR GLOOR: Okay. Thank you. [LB404]

SENATOR PAHLS: Seeing no more questions, thank you. Proponents? Opponents? Neutral? Senator. [LB404]

SENATOR PIRSCH: Waive. [LB404]

SENATOR PAHLS: The senator has waived. Okay. [LB404]

SENATOR McCOY: Senator Pahls. [LB404]

SENATOR PAHLS: Thank you, Senator McCoy and members of the body. I'm going to cut to the chase on this as LB434 focuses on the business development service program created pursuant to the Business Development Partnership Act. The bill will do a couple of things. First, the bill would provide that beginning with the fiscal year 2011-12, no general funds may be appropriated to carry out this act. Second, the bill would sunset the Business Development Partnership Act on January 1, 2015. The Business Development Partnership Act was enacted in 1987. Its purpose was to provide business development services through a network of small business development centers at state colleges and universities. Over the years, funds associated with this program have continued to be appropriated. However, those funds have been reallocated within the department to other purposes not originally specified in the act by the Legislature. There is currently \$240,000 a year appropriated to the department in connection with this particular act. In that regard, the bill would do

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another thing. The bill states in its intent that a budget reduction of \$240,000 a year be made as a result of its enactment. These funds are not being used for the purpose originally prescribed by the Legislature. This will make them an outstanding candidate for the obligation in order to help address the General Fund shortfall which the state is facing. [LB434]

SENATOR McCOY: Thank you, Senator Pahls. Any questions? Seeing none, hear proponents for LB434? Opponents? Please come forward. [LB434]

TERRY McMULLEN: Mr. Chairman and committee members. For the record, my name is Terry McMullen. That's M-c-M-u-l-l-e-n. I'm from Omaha, and I've been in the transportation industry for over 30 years. And in 1991, my wife, Lori, and I opened up our own small business here in Nebraska, logistics company, providing import, export, and domestic transportation services for hundreds of Nebraska companies. We've been blessed with success and after starting with just the two of us, and we now employ over 30 people, and in fact, we celebrate 20 years in business this summer. I also have the honor of representing the Nebraska Diplomats as the president this year. And most of you know, the Diplomats' mission is to help build the state's economy by supporting the business recruitment efforts of the DED and working to improve the Nebraska business climate and competitiveness. So I can speak directly to the point of the Nebraska Department of Economic Development's critical role in supporting existing small and medium-size companies in Nebraska, providing phenomenal support to many public, private partnerships, programs that provide education and training to help these companies expand as well as the great hard work that is bringing new jobs and investment here right now. You're all aware of the explosion of international trade in the past 20 years, and how uniquely important it is to every small and medium-size business to have the ability to get their products into the global marketplace just like the large companies. And I've seen firsthand personally over 15 years, the DED has taken the lead in education and training. Not only does Richard's team have personnel in the front lines, like Susan Rouch from working with the Department of Commerce to educate folks and provide export workshops and take the intimidation out of exporting, but they are deeply involved with public, private partnerships that are important in this area, the Midwest International Trade Association and the Nebraska Logistics Council as well. In both of these small and large Nebraska companies, manufacturing companies share training and experience to build their business overseas, and the DED is lending great support on a daily basis. I had the pleasure of traveling to...on joining former Governor Johanns on two trade missions in 2003 and 2004, one to Japan, and one to China. The DED provides all the front-line support to make arrangements for a vast number of people, a wide array of companies, services, and products to make each opportunity a potential success. Some of the best salespeople I've ever met in my business career worked for the state of Nebraska like Phil Michel, Stan Garbacz, and Terry McAuliffe. Their support and interaction is key to many Nebraska businesses and our success as a state. Just two years ago, I watched the support personnel at the DED

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put together a reverse trade mission, bringing 150 potential investors to Nebraska from 14 countries. The hard work of Richard Baier, Joe Chapuran, Lori Shaal, and Patty Wood, just to name a few, is still paying off this year with two new companies opening up in Nebraska, and the jobs that come with those new opportunities. As the president of Cargo Zone which is the foreign trade zone operator for the Greater Omaha Chamber of Commerce, I've learned how deeply important imports and exports are to our Nebraska economy. The DED has been out in front of this curve for many years and helped to position us in front of many other states. They were very helpful in getting the Omaha chamber off the...moving them forward to help me open up and reactivate the foreign trade zone in Omaha as well. With the U.S. economy was shrinking, U.S. exports were growing, and the DED was helping us enjoy that surge. Recently, as a board member of the Metropolitan Community College Foundation, I have seen another highly productive role that the DED plays. In assisting with supportive education, leading our young people into the important key industries that are driving our growth here in Nebraska, and as we come out of the recession, I would agree that we want to be...watch increased spending closely and wisely invest in talent and innovation. With that being said, we can't cut back on spending, but it's helped to keep us out in front either. Thank you. Do you have any questions? [LB434]

SENATOR McCOY: Any questions? Seeing none, thank you for your testimony. [LB434]

TERRY McMULLEN: Thank you. [LB434]

SENATOR McCOY: Further opponents for LB434? Good afternoon. [LB434]

ASHLEA MILLSAP: Good afternoon, Senators. It's a pleasure to be here with you. My name is Ashlea Millsap, spelled A-s-h-l-e-a M-i-l-l-s-a-p, and I'm here representing Xpanxion. We are a global software development company with a hub in Kearney and Loup City, Nebraska. Many of you have probably heard of us. In 2006...our story goes back to 2006, where we had about two employees and one client. To date, we're over 50 employees and about 13 clients that we're serving in Nebraska alone. You know, the DED support of our organization has been simply irreplaceable. We've worked with over five people at the DED, and really the process has been pretty seamless. I'm representing our entire executive team at Xpanxion, and we wholeheartedly believe in that. You know, in the last 18 months, our rapid growth has caused us to, you know, need resources that have been very valuable to us. Training grant funds that we've heavily utilized as well as CDBG funds. There are a lot of people that are behind us in that effort. Our challenge is more so finding the people to fill those roles. Without those funds, I actually had a conversation with our controller of our company this morning. He wholeheartedly believes that in 2006, we would not have started in Nebraska without those CDBG funds. So, from idea and proof of concept to today, a growing organization with no signs of stopping, the funds have been, like I said, irreplaceable. We've had a lot

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of success in the last two years also. We've brought major Fortune 500 companies to Nebraska. Many more want to come visit, and actually in May, we have several that are coming. They come here; they love it; they love our people that are working for us, and they just want more of it. So, these funds...without them, the funds that we've received, that growth potential would not be as existent as it is today. With that being said, I guess I will open it up to any questions. [LB434]

SENATOR McCOY: Any questions? Seeing none, thank you. [LB434]

ASHLEA MILLSAP: Thanks. [LB434]

SENATOR McCOY: Further opponents? [LB434]

MARLAN FERGUSON: (Exhibit 1) Thank you, Senator McCoy and members of the committee. It's a pleasure for me to be here today to talk about LB434 in an opposition mode. I think...again, I'm Marlan Ferguson. That's spelled M-a-r-l-a-n F-e-r-g-u-s-o-n. I'm the president of the Grand Island Area Economic Development Corporation. I'm also the chairman of the Legislative Committee of the Nebraska Economic Developers Association. And on behalf of both those organizations as well as the Omaha Chamber of Commerce and the Lincoln Chamber of Commerce, I would certainly like to voice my...and our opposition to LB434. I think it's critical to the continuing success of economic development across Nebraska to maintain the funding of Nebraska Department of Economic Development. This bill would significantly reduce funding for the department, but more specifically, reduce funding for the international business development efforts. The Nebraska Economic Developers Association believes that for the state to remain competitive, we must be more active in the global market, not less active. Most communities and economic development organizations cannot afford to recruit on an international level and, thus, must rely on a joint effort in partnerships with the state of Nebraska and others. Several of the communities help assist the DED in the funding of the Japan office which, I think you've heard today already has been very fruitful for economic development in Nebraska. In Grand Island, we have Case New Holland which is a global company with offices in Europe, manufacturing businesses in Brazil as well as Russia, and they're currently now working very closely with Brazil in their agriculture expansions of that country. We also have global industries, that I think does business with almost every country in the globe. They are a company that is a manufacturer of farm equipment, grain handling equipment, and they, too, rely heavily on the global marketing and the folks that they deal with, with the DED for their assistance. Kawasaki here in Lincoln, we have a vendor that actually does work with Kawasaki, and they help build the subway trains. So I think Nebraska, as a whole, has a lot of companies that do business all across the globe and certainly, as you know, marketing and the global economy is very important for Nebraska, particularly in the area of agriculture development which we are really focused in on, on central Nebraska. So with that, I would close. Thank you for your effort, and will take any questions.

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[LB434]

SENATOR McCOY: Any questions for Mr. Ferguson? Seeing none, thank you. [LB434]

MARLAN FERGUSON: Thanks. [LB434]

SENATOR McCOY: Any additional opponents for LB434? [LB434]

RON SEDLACEK: Thank you, Senator McCoy. My name is Ron Sedlacek. That's R-o-n S-e-d-l-a-c-e-k. I'm here on behalf of the Nebraska Chamber of Commerce, and would also like to be on the record in opposition to LB434. I really don't have a lot more to add that otherwise would be repetitive for the committee. But we certainly are supportive of the international program that puts a face on Nebraska at the international level, and would appreciate the continued support of this program. And with that, I'll close my testimony. [LB434]

SENATOR McCOY: Thank you. Questions for Mr. Sedlacek? Seeing none, thank you. [LB434]

RON SEDLACEK: Thank you. [LB434]

SENATOR McCOY: Thank you. Any additional opponents? Neutral testimony? [LB434]

RICHARD BAIER: Senator McCoy, members of the committee, again, for the record, my name is Richard Baier, B-a-i-e-r. And I'm here just to give you a quick background. I want to thank Senator Pahls for his dialogue on this issue and also for his encouragement and dialogue on LR542. It is always important to have that dialogue about where our budget is at, where our programs are, and I appreciate the chance to do that. I would tell you, as a result of that dialogue, we did come up with a sizable proposed budget cut through the Governor's budget, so it's been part of our ongoing process. Just briefly, I wanted to share with you that the Business Development Partnership Act goes back to 1987. At the time, DED contracted with the Nebraska Business Development Centers and others to offer small business support. Eventually, funding for that was moved to the University of Nebraska at Omaha, and it continues to reside there while some of the more limited funding stayed at DED to support programs around small business and business retention. Funding levels for the actual partnership program of approximately \$115,000 remain in DED's business development budget. The other \$125,000 noted in the fiscal bill was moved from the surety program several years ago by the Legislature's Appropriations Committee in our budget. In our discussion at that time, it was agreed that DED would continue to use these dollars to counsel small business on start-up issues, and then we would also increase our level effort on business retention and international development. With that, I would be happy to take any questions that you might have. I just wanted to share a little background for

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you. As I told Senator Pahls, some of this goes back to when I was in high school, so it's a bit of a challenge to recreate a little history, but clearly, we're open to working with you to clean that process up. [LB434]

SENATOR McCOY: Thank you. Senator Gloor. [LB434]

SENATOR GLOOR: Senator McCoy, thank you. So reassure me that our efforts to do international business development aren't going to dry up and blow away. [LB434]

RICHARD BAIER: Well, what I'll tell you, Senator, is not because of the bill itself, but because of the funding that goes with it. As you might imagine, \$240,000 is a pretty sizable chunk of our effort. It would impact the way we deliver service in Japan, China, Brazil, as well as some of our front-line business retention expansion staff. I mean, we'd have to sit down and evaluate where we could make those cuts at, but, again, you know, I'm down to the place after the last few years of budget cuts, that, you know, again, this year I'm raising two more FTEs this year. I'm going to be at a place pretty quick. I'm either talking about cutting business recruiters or recruiting other outside programs, and some of those would include our international efforts. [LB434]

SENATOR GLOOR: Okay. Thank you. [LB434]

SENATOR McCOY: Any additional questions for the director? Seeing none, thank you. [LB434]

RICHARD BAIER: Thank you. [LB434]

SENATOR McCOY: Any additional neutral testifiers? Seeing none, Senator Pahls. [LB434]

SENATOR PAHLS: You know, of course, I'm against international trade (laughter). No. To me, this is a good reason why we're doing all this. Realize, (LR)542, that's what we're supposed to do, take a look at, and see if we can't find money, so that's one of the things we do. And this is a result of this particular bill. As I look at, and by doing some investigation, the act--this Business Development Partnership Act has nothing...it says nowhere at all, anything to do with international trade. As I recall, in my investigation, it was set up for state colleges and universities to use this money. Now, over the years, I'm sure there's been some movement around. I think you ought to go Appropriations and say, what were you doing? You know what I mean? If they're saying the money is going here, and right now they're sort of hard balling us on some other issues, so to me, this seems like it's something that more investigation needs to occur, because remember, one of our duties was to find over \$600,000 in this department. That was one of our duties, and that's what this was all about. So this has created some curiosity on my part, not to do harm with international trade, but to see over the years, if this

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money was supposed to be, at one time, appropriated to this particular act, if the Appropriations Committee has been appropriating money for perhaps the wrong thing. Thank you. [LB434]

SENATOR McCOY: Thank you, Senator Pahls, and that closes the hearing on LB434. We'll open the hearing on LB448. Senator Pahls. [LB434]

SENATOR PAHLS: Okay. Again, I'm not against tourism either (laugh), but this was one of our causes in (LR)542. When we were looking at all expenditures and seeing how we could help the state get out of, perhaps, the hole. LB448 focuses on the Nebraska Visitors Development Act, and how it is funded. Of course, this act has very laudable purposes. Those are to generally promote, encourage, and attract visitors to and within Nebraska and enhance the use of travel in tourism facilities within the state. When the state Visitors Development Act was enacted in 1980, it included a specific means of support. That would be a 1 percent hotel occupancy tax collected similar to what we would do our sales tax. This rate of tax has remained unchanged since its beginning in 1980. The bill would provide that beginning with fiscal year 2011-12, no general funds may be appropriated to carry out the Nebraska Visitors Development Act. There is currently \$500,000 a year appropriated to the Department of Economic Development to carry out the Nebraska Visitors Development Act. The bill states its intent that a budget reduction of \$500,000 a year be made as a result of its enactment. Numbers received by my office tells us that for fiscal year 2011-12, the department's Division of Travel and Tourism has a budget of \$4,918,786. Of that, cash funds are \$3,458,971 and federal funds are \$959,815. Since 2005, the Appropriations Committee has added General Fund support. That support is currently \$500,000 a year, and is used to pay for an out-of-state advertising campaign. I've also been told that lodging tax receipts are at a historic high. Also, we heard the same thing from the Director of the Department of Economic Development at a committee briefing this summer. The annual \$500,000 of General Funds is out of keeping with the original intent of the act which was to operate on the lodging tax, and that has been further supplemented with federal funds. So, again, remember the original intent? We've gone past that, and we've been supplemented basically with an add-on of \$500,000, and that is the part that we are taking a look at. Thank you. [LB448]

SENATOR McCOY: Thank you, Senator Pahls. Are there proponents for LB448? Opponents? [LB448]

JULIA PLUCKER: Good afternoon, Chairman, members of the Banking Committee. My name is Julia Plucker. It's spelled P-l-u-c-k-e-r. I am here today representing the Nebraska Travel Association, otherwise known as NETA. And NETA is a representative membership from across the state including state attractions, Convention Visitors Bureaus, hotels, county visitor boards, outfitters, guides, events, and other state tourism related businesses. We certainly understand the difficult position that your committee

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and every other committee faces when balancing the state budget which is why we support the Governor's recommendation to decrease tourism General Fund dollars from \$500,000 as it's been in past years to DED for 2011 and 2012. This was an issue that we discussed and talked to DED about, and they took the lead on that. However, as we look to find budget solutions, the significant return on tourism investment cannot be ignored, and I've got some facts and figures here that I'd be happy to share via e-mail or written testimony. I won't prolong the testimony here, but tourism grants provided by the General Fund are distributed throughout the state to ensure that Nebraska develops its tourism resources which, in turn, increases our revenues. And, again, these facts and figures show that for every tourism dollar spent, there is a return to the state, and so it is...we think tourism equals economic development. So protecting this fund in the Nebraska Visitor Development Act will allow the state to continue growing this kind of revenue. And I won't take up any more of your time unless you have questions, and I'll provide those figures at a later time. [LB448]

SENATOR McCOY: Thank you. Senator Langemeier. [LB448]

SENATOR LANGEMEIER: Senator McCoy, Ms. Plucker, did I hear you say you agreed to taking the \$500,000 away for the next two years? [LB448]

JULIA PLUCKER: We agree to...it was...I think it was \$250,000 was a Governor's recommendation. Yeah. So that's what I meant to say. I'm sorry if I said 500. I meant we agreed with his recommendation to take \$250,000 away because...I mean, certainly, we'd rather have none, but we understand the budget crisis and every department is taking its hits. But we feel strongly that it should be \$250,000 instead of \$500,000. [LB448]

SENATOR LANGEMEIER: And so if this bill was at 250, you'd support it. [LB448]

JULIA PLUCKER: I think we are on record as saying that we understand that that was the original plan, that they would get decreased by that amount. [LB448]

SENATOR LANGEMEIER: Okay. Thank you. [LB448]

SENATOR McCOY: Thank you. Any other questions? Seeing none, thank you for your testimony. [LB448]

JULIA PLUCKER: Thank you. [LB448]

SENATOR McCOY: Additional opponents for LB448? [LB448]

RON SEDLACEK: Senator McCoy and members of the Banking, Commerce and Insurance Committee, for the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k.

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I'm here on behalf of the Nebraska Chamber of Commerce. Our Economic Development Council met last week, and we were asked to take a look at this particular legislative bill by those who are involved in tourism industry and discussed the ramifications of being either 49th or 50th right now in the states as far as this type of promotion. Considering that there may be a reduction that has been discussed in the previous witness, we still...that is up to the Legislature and the Governor, of course, to make that decision. We would like to see some support of an area where we believe does end up generating some revenue in a positive way for Nebraska. And that's why we took our position, at least conceptually in opposition to total reduction of support. [LB448]

SENATOR McCOY: Thank you. Any questions for Mr. Sedlacek? Senator Langemeier. [LB448]

SENATOR LANGEMEIER: You just got to be the lucky one sitting there when I thought about it, but Senator Pahls said there was a surplus in the motel...the occupation tax, whatever it is. Do you know what that is? I should have asked that to the previous testifier but... [LB448]

RON SEDLACEK: I don't. Possibly or perhaps if there's a testifier following from the Department of Economic Development. I believe there was a...I'm not sure if it was a surplus, but I thought I heard perhaps that there was more revenue being generated at this time. [LB448]

SENATOR LANGEMEIER: I'll just throw it out there. Maybe somebody will answer it in the future. [LB448]

RON SEDLACEK: Okay. Thank you. [LB448]

SENATOR LANGEMEIER: Thank you. [LB448]

SENATOR McCOY: Thank you. Any additional questions? Seeing none, thank you. Any additional opponents to LB448? Neutral testimony? [LB448]

RICHARD BAIER: Senator McCoy, members of the committee, Richard Baier, R-i-c-h-a-r-d, last name is B-a-i-e-r. Just thought I would touch base briefly on two things. In terms of this proposal, it is indeed, as suggested by the previous testifiers, this line item was suggested for a 50 percent reduction in the Governor's proposed budget from \$500,000 per year to \$250,000 per year. I can also tell you that we have utilized this \$500,000 in funding to initiate significant new e-branding and e-activities as it relates to our tourism effort. We'd be happy to share that data with you. We actually work with a company called eBrains. It sort of tracks results, and where people are coming from and that kind of stuff. Be something we'd be happy to share with the

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committee. In terms of Senator Langemeier, your question about increased lodging taxes, so we also in corresponding to the budget, we showed a reduction of \$250,000 in this line item. We also showed then in a corresponding authorization matter in appropriations, an increase of \$500,000 to be able to utilize the new tourism dollars that are coming in. [LB448]

SENATOR McCOY: Questions for the Director? Senator Langemeier. [LB448]

SENATOR LANGEMEIER: Senator McCoy, thank you. Director, let's talk about those funds that are coming in. What are we expecting, and where can they be expensed and? [LB448]

RICHARD BAIER: There are a variety of activities. We actually used them for operation and marketing are the two big activities. So we staff things like the visitors guides, whether you're talking about NOTIC in Omaha or up at Yankton. We actually partner with up on the Sioux City side, bring Nebraska information and that kind of thing. We have staffing that helps with planning and facility development, and then the rest of it mostly goes into a marketing component, both in terms of print marketing, radio, TV, those kinds of things as well as our Internet activity. [LB448]

SENATOR LANGEMEIER: Do you know how much money is coming in annually into that? [LB448]

RICHARD BAIER: It's about \$4 million. [LB448]

SENATOR LANGEMEIER: \$4 million a year? [LB448]

RICHARD BAIER: Into that total lodging tax collections, yes. [LB448]

SENATOR LANGEMEIER: And we currently...you said you increased the spending cap \$500,000? [LB448]

RICHARD BAIER: Yeah. [LB448]

SENATOR LANGEMEIER: What was it before? Do you know? [LB448]

RICHARD BAIER: We were down in that...I'll have to check, but it's in the 3.5 range, and we've just seen collections escalate over the last 12 months even though Omaha and Lincoln are fairly flat. The rest of the state is up significantly. So I'll get you the exact numbers. [LB448]

SENATOR LANGEMEIER: Tourist spending...so we're spending 3.5 and... [LB448]

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RICHARD BAIER: 3.5, 3.6--I think it's 4, 4.1, but I'll double-check those numbers and get them to the committee. I didn't bring that with me. I didn't think about bringing that along. [LB448]

SENATOR LANGEMEIER: Could you use...so if we're...okay. So if we're spending 3.5 million,... [LB448]

RICHARD BAIER: Um-hum. [LB448]

SENATOR LANGEMEIER: ...and now we're going to spend 4,...if we got rid of this 500,000, we're still where we were before, what you spent last year. [LB448]

RICHARD BAIER: In terms of total spending, that would be correct. [LB448]

SENATOR LANGEMEIER: So really, no loss other than we're seeing a bump up in the ability to do this. [LB448]

RICHARD BAIER: Right. And we would hope that those lodging tax collections remain strong. We just don't know that. Several years ago, when this component was started, it was really a result of sort of this fluctuation. The tourism collections are a little bit like the housing trust fund dollars. They're kind of all over the place, and so it was kind of that impetus where we're originally putting some stabilization in there for special projects. [LB448]

SENATOR LANGEMEIER: Okay. Thank you. [LB448]

RICHARD BAIER: You bet. [LB448]

SENATOR McCOY: Senator Pankonin. [LB448]

SENATOR PANKONIN: Thank you, Senator McCoy. Richard, just to verify that I think this is correct, and we've talked a little bit about it in Natural Resources. I had a bill about the park fees. Don't the state parks...they remit this lodging tax as well if I...or do they? I don't... [LB448]

RICHARD BAIER: I believe that they do, yeah, anything that's less than 30 days. If you've got a long, extended stay then you don't collect it. [LB448]

SENATOR PANKONIN: I'm pretty sure in Cass County... [LB448]

RICHARD BAIER: Yeah, yep. [LB448]

SENATOR PANKONIN: ...that that was always a significant part, between Platte River

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and Mahoney, that the... [LB448]

RICHARD BAIER: That's an (inaudible) issue...funds a big chunk of your tourism effort. [LB448]

SENATOR PANKONIN: Right. But even statewide would be significant. [LB448]

RICHARD BAIER: Um-hum. It is significant. [LB448]

SENATOR PANKONIN: Yeah, okay. Thank you. [LB448]

SENATOR McCOY: Any additional questions for the director? [LB448]

SENATOR LANGEMEIER: Okay, one more question. [LB448]

SENATOR McCOY: Senator Langemeier. [LB448]

SENATOR LANGEMEIER: Sorry, I'm dragging this on. So, how far does this lodging tax go back? Does somebody paid \$15 for a camper spot,...is some of that \$15 lodging? [LB448]

RICHARD BAIER: Senator, I'm going to get... [LB448]

SENATOR LANGEMEIER: You can get back to me on that. I'm just curious. [LB448]

RICHARD BAIER: ...I'll let you...I'm going to go back and double-check on my statute. I'll get you an exact... [LB448]

SENATOR LANGEMEIER: Senator Pankonin maybe think... [LB448]

RICHARD BAIER: ...it's been a long afternoon, and my facts are starting to get a little fuzzy. [LB448]

SENATOR LANGEMEIER: Okay. Thanks. [LB448]

RICHARD BAIER: But I'll double-check. But the real restriction is that 30-day window. If somebody's there on an extended stay, then we don't collect it. [LB448]

SENATOR McCOY: Any additional questions? Seeing none, thank you, Director Baier. Additional neutral testifiers? Seeing none, Senator Pahls. [LB448]

SENATOR PAHLS: Just to sort of get the money thing together, the 2011-12 Division of Travel and Tourism has a budget of \$4,918,786. Of that, Cash Funds are almost \$3.5

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million, and federal dollars are almost a million. We have added the \$500,000 from General Funds since 2005, so just to put everything in...I mean, that was added. That was sort of, you know, gravy, you might say. And I know that's used for outstate, because my sister in Kansas made a comment, what was happening up here in Nebraska? [LB448]

SENATOR McCOY: Thank you, Senator Pahls. That concludes the hearing on LB448, and we'll open the hearing on LB453. As I understand, Senator Pahls, you're also going to open on LB454 and LB455 at the same time. Is that correct? [LB448]

SENATOR PAHLS: Yes, yes. [LB453 LB454 LB455]

SENATOR McCOY: Senator Pahls, thank you. [LB453 LB454 LB455]

SENATOR PAHLS: Again, I should...my name is Rich Pahls, P-a-h-l-s, represent District 31, and my intent is to wrap all three of these bills together, and you'll see why in a little bit. LB453, LB454, and LB455 could be heard together, because all three of these bills would do only one thing. They would repeal obsolete sections from our statutes. As part of our work pursuant to LB542 (sic: LR542) last interim, I asked our committee legal counsel and our fiscal office to pull together and examine all of the statutes which provide for duties and responsibilities for the Department of Economic Development. Of course, that work provided the basis for the committee's review of possible General Fund de-obligations. The staff also isolated a small number of sections of statutes which are now obsolete, and they are: LB453 would outright repeal section 81-1211. That section establishes a Cash Fund called the Tourist Promotion Fund. The Cash Fund is no longer used. In fact, there has been no funds in it since fiscal 1997-98. Also, the fund has absolutely nothing whatever to do with the Nebraska Visitors Development Act and the State Visitors Promotion Cash Fund. The section does nothing but take up space in the books. I urge you to repeal this. LB454 would outright repeal sections 81-1222 to 81-1222.01 and 81-1222.03. These sections have all property no longer owned or controlled by the Department of Economic Development, so these sections no longer serve any purpose. I'll just give you an idea what they were. They were the SAC Museum when it was in Sarpy County and the Wild West Arena in Lincoln County. Like with the previous bill, these sections do nothing but take up space. They should probably also be repealed. LB455 would outright repeal sections 81-1265 to 81-1271. These sections are called the Venture Capital Network Act. They were enacted in 1987. According to our fiscal officers, no funding specified to this program in the Department of Economic Development's budget. Venture Capital Network Activities are not ignored, however. These activities are carried on in the Operation Assistant Act which was enacted in 2007. These sections no longer serve any purpose other than taking up space in the books. I urge you to repeal these also. Thank you. [LB453 LB454 LB455]

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SENATOR McCOY: (Exhibit 1) Thank you, Senator Pahls. Any proponents for LB453, (LB)454, or (LB)455? I have, for the record, a letter from Director Richard Baier, Department of Economic Development in support of LB453, (LB)454, and LB455. Any opponents? Neutral testifiers? Senator Pahls, for closing? Senator Pahls waives closing. That closes the hearing on LB453, (LB)454, and (LB)455. Senator Pahls. [LB453 LB454 LB455]

SENATOR PAHLS: Believe it or not, the goal was to get out by 5:00, and I think we are. [LB453 LB454 LB455]

SENATOR GLOOR: It's a miracle. [LB453 LB454 LB455]

SENATIR PAHLS: It's a miracle. (laugh) The miracle almost didn't happen, though. That closes... [LB453 LB454 LB455]