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Revenue Committee
February 25, 2011

[LB83 LB99 LB297 LB608 LB666]

The Committee on Revenue met at 1:30 p.m. on Friday, February 25, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB83, LB99, LB297, LB608, and LB666. Senators present: Abbie Cornett, Chairperson; Dennis Utter, Vice Chairperson; Greg Adams; Deb Fischer; LeRoy Loudon; Dave Pankonin; and Pete Pirsch. Senators absent: Galen Hadley.

SENATOR CORNETT: Good afternoon. I'm Senator Abbie Cornett from Bellevue; to my left is Vice Chair Senator Dennis Utter from Hastings; to his left is Senator Fischer from Valentine; Senator Greg Adams from York; on my far right is Senator Pankonin from Louisville; to his left is Senator Pirsch from Omaha; Senator LeRoy Loudon from Ellsworth; Senator Galen Hadley has left for the day. Our research analyst today is Steve Moore. Committee clerk is Matt Rathje, and the pages are Marilyn Buresh and Amara Meyer. Before we begin today's hearings, I would ask everyone to please turn your cell phones to either the vibrate or off positions. Sign-in sheets for testifiers need to be completed by everyone wishing to testify. They are...you can find them back by both the back doors. If you are testifying on more than one bill, a form needs to be completed for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, hand your testifier sheet to committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but wish to indicate either your support or opposition to a bill. These sheets will be included in the official record. We'll follow the agenda posted on the door today. The introducer or representative will present the bill followed by proponents, opponents, and neutral testimony. Only the introducer will be allowed closing remarks. As you begin your testimony, please state and spell your name for the record. If you have handouts, please bring ten copies and hand them to the committee clerk for distribution. If you do not have copies, pages will make them for you. With that, we will open the hearings. Senator Coash, you are recognized.

SENATOR COASH: (Exhibit 1) Thank you. Good afternoon, Chairman Cornett and members of the Revenue Committee. For the record, I'm Colby Coash, C-o-l-b-y C-o-a-s-h, and I represent the 27th District here in Lincoln. And I'm here today to introduce LB83 first, which is a bill to strengthen the economic efficacy and impact of the Local Civic, Culture and Convention Center Financing Fund. I'm going to give you a little historical perspective on this fund. The LCCCCF Fund was created in 1999 to support the development of civic, cultural, and convention centers in Nebraska municipalities, particularly those centers which attract out-of-state visitors. It is funded by 30 percent of the state sales tax revenue in the Convention Center Support Fund. With the development of the arena here in Lincoln, these funds are now expected to grow. Just to give you an idea of where the estimates are, in fiscal year 2012, the fund is projected to receive about \$1.7 million for a maximum balance of about \$6 million, and in fiscal year 2013, the fund is expected to receive an additional \$2 million for a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

maximum balance of about \$8 million. Given this increase in available funding, Nebraska has tremendous opportunity to strategically leverage the economic value of this fund by opening up eligibility to qualified tourism entities and increasing funding to qualified municipalities, and that is the intent of this bill. LB83 does several things. First, it renames the LCCCCF Fund to the Nebraska Tourism Development Advantage Fund and makes the following enhancements to the grant process that's already in there. So these are just enhancements to what we already have. Number one, it provides the Department of Economic Development two more ways of providing financial assistance to qualifying entities. In addition to grants, they can provide assistance by way of loans or interest rate assistance on loans, both of which would be made in participation with a financial institution. It extends funding...two, it extends funding eligibility to qualifying tourism entities. Qualifying means that the entity provides recreation or tourism entities as outlined on page 6, and that entity generates at least 40 percent of its revenue from out-of-state visitors. Three, it provides greater flexibility for municipalities seeking grants by way of the following: It lowers the minimum grant amount from \$20,000 to \$10,000 in order to provide for necessary but smaller lower-cost projects. For example, under the current law, a small community of 3,000 people would have to plan a \$40,000 project to be eligible for \$20,000. This allows communities to plan a \$20,000 project in order to receive a \$10,000 grant. It changes the frequency of grants per municipality from one grant every five years to one every three years. A need for this provision is illustrated in the case of Grand Island which received one of the first grants from this fund. It helped them fund their convention center and as attraction to the community grew, the city had to wait five years to apply for another grant. In addition, it increases the various grant amount maximums per municipality which are based on their populations by 50 percent. So, for example, in a municipality with a population of at least 20,000, but no more than 40,000, the maximum grant amount has changed from \$500,000 to \$750,000. And lastly, it allows for applicants to use the money for planning. In closing, I point you to the relevant portions I gather from the Nebraska Travel Impacts study based on data from 2003 to 2008 and published in 2009. You can clearly see that the revenue generated from tourism is a critical part of Nebraska's state and local revenue with lodging taxes alone accounting for 14 percent of all local and state revenues. LB83 is a targeted approach to leveraging this revenue by attracting out-of-state revenue to grow in Nebraska's economy. So that is the bill and I'll be glad to answer any questions. [LB83]

SENATOR UTTER: Thank you, Senator Coash. Questions? Senator Pirsch. [LB83]

SENATOR PIRSCH: Grant eligibility requirements for this Film Advantage Fund, right? [LB83]

SENATOR COASH: I'm sorry. [LB83]

SENATOR PIRSCH: You're talking about the film, right? [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: No, that's the next bill, Senator Pirsch. We're on LB83. [LB83]

SENATOR UTTER: Senator Louden. [LB83]

SENATOR LOUDEN: Yes, thank you, Senator Utter. Senator Coash, since you're renaming this thing, what are you going to use the money for? [LB83]

SENATOR COASH: Well, this money is currently used to support...statutory authority is really, is to give...is for the development of civic, cultural, and convention centers across the state. And that's what it's been used for since the inception. What this bill does is it's going to expand it to support any qualifying tourism types of opportunities that a small community may have. [LB83]

SENATOR LOUDEN: And that will be a private enterprise can apply for this grant money? [LB83]

SENATOR COASH: Municipalities. [LB83]

SENATOR LOUDEN: Okay. Just municipalities or can...I thought I read in here where a private one could take... [LB83]

SENATOR COASH: It can be a partnership. [LB83]

SENATOR LOUDEN: Yeah, okay. And then I was wondering if it takes part of that...is that part of that MECA money or whatever it is, it uses some of that, that turnback money? [LB83]

SENATOR COASH: Yes, that is the fund that has been growing. It's the 30 percent fund and it's anticipated to grow quite a bit more because of the Qwest is doing very well and when Lincoln builds its arena, it's anticipated to do well. [LB83]

SENATOR LOUDEN: Now that turnback money, some of that is used by some of these towns for municipal improvements, right? [LB83]

SENATOR COASH: That's correct. And it still is eligible for those types of projects but what we're finding is a lot of the municipalities have used the money. They've put new roofs on their local community centers, and what we want to do with this bill is expand the use to allow for some more tourism types of projects. [LB83]

SENATOR LOUDEN: Okay. But it won't cut into that money that some of these smaller communities use to improve their municipal facilities? [LB83]

SENATOR COASH: Well, that's where it's already coming from and they can still use

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

that for but this just allows another...some more opportunities to use that money. [LB83]

SENATOR LOUDEN: Yeah. Whether or not there's more money there, I guess that's my concern. Will there be enough money to go around if we do this, I guess? [LB83]

SENATOR COASH: I believe so. I mean, and this was part of the reason for bringing this bill is that the funds in this 30 percent fund have grown so much, partly because of the narrow authority for the money to be spent already. And so they are...the department and the municipalities are needing broader authority to use this money as it is intended. [LB83]

SENATOR LOUDEN: Okay. Thank you. [LB83]

SENATOR UTTER: Senator Pankonin. [LB83]

SENATOR PANKONIN: Thank you, Senator Utter. Senator Coash, just to, so I understand this correctly. Obviously, you've changed the name. There will be more funds going in. It says in the fiscal note that the maximum grant limits established from the municipalities expands, we expand the use of the fund to include grants to private tourism entities. So people are nodding, but is it just private or is it a partnership deal? [LB83]

SENATOR COASH: It's a partnership. [LB83]

SENATOR PANKONIN: It can be private? [LB83]

SENATOR COASH: It can be private. [LB83]

SENATOR PANKONIN: Okay. And so who makes the call and who gets the money? What kind of mechanism is in the bill to decide who gets it? [LB83]

SENATOR COASH: Right now, that's still within the purview of the Department of Economic Development. They administer this grant so they approve all the projects and all the money that's going out. [LB83]

SENATOR PANKONIN: I was once on the county tourism board where the lodging tax came back and we made the decisions in Cass County about what to...you know, what event in certain towns and those sort of things. But this decision is not made on the county level, it's made on the state level for where these funds go? [LB83]

SENATOR COASH: Correct. The DED is still the...they hold the funds and they administer the funds through their current grant program. Counties sometimes partner or on their own apply, but the final decision remains the same and that remains with the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

DED. [LB83]

SENATOR PANKONIN: But some private attraction then could apply to this same mechanism? [LB83]

SENATOR COASH: Yes. [LB83]

SENATOR PANKONIN: Okay. Thank you. [LB83]

SENATOR UTTER: Questions for Senator Coash? Senator Pirsch. [LB83]

SENATOR PIRSCH: The 40 percent threshold where did...did that come from a different state or did you develop that just organically? [LB83]

SENATOR COASH: The 40...I'm sorry. [LB83]

SENATOR PIRSCH: Well, I'm sorry. I thought that it said eligible tourism entities defined as operations which provide recreation and/or tourism activities and generate at least 40 percent of the revenues from outside the state. [LB83]

SENATOR COASH: Okay. Where does the 40 percent come from? [LB83]

SENATOR PIRSCH: Yeah, I mean as opposed to 30 percent or 50 percent, is that borrowed...? [LB83]

SENATOR COASH: Well, it needs to be...we've got attractions in our state that focus on in-state visitors and we have other ones that attract out-of-state visitors, and we really want projects that will bring in money from out of state to be a big beneficiary of these projects. And so, that's why we want to put that limit there so that the initiatives that will attract the out-of-state visitors will be the ones that, hopefully, will benefit from some increased grant eligibility. [LB83]

SENATOR PIRSCH: Yeah, and I think that's wise. If you're talking about tourism, the idea...I mean, you don't want to pick winners and losers just internally within the same pot. You want to bring in new dollars from outside is the idea. I guess the question isn't so much...I mean, I think that's a wise idea, but why 40 percent as...I mean, did we borrow this trigger, do we know, from another state? Why not 30 percent, why not 50 percent? [LB83]

SENATOR COASH: Lots of states put a threshold there. I can't remember the state that we pulled that from but the committee, you know, could move that around if they so choose but I felt 40 was a...not quite half but a reasonable way to start. [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR PIRSCH: And you think at that level there will still be enough, tourist? [LB83]

SENATOR COASH: Yes. [LB83]

SENATOR PIRSCH: Okay. [LB83]

SENATOR CORNETT: Further questions from the committee? [LB83]

SENATOR UTTER: Senator Coash, the word "qualifying" is a little troubling to me. I don't know exactly what that means. [LB83]

SENATOR COASH: As far as what, qualifying the entity that provides the recreation, or...? [LB83]

SENATOR UTTER: What all is that going to refer to? What are going to be the...what's going to be the rules of the game? [LB83]

SENATOR COASH: Sure. Well, first of all, the rules of the game are going to stay within the Department of Economic Development. And with this bill as a guide to say, hey, what the intent of LB83, should it be enacted is, first of all, they seem to be recreation and tourism related which means attractions. And those are things that they're already used to doing and so they have that, they have a lot of that guidance as well. But at the end of...they're going to...the DED is going to put those parameters around. And then on page 7, you'll see that we've given them quite a bit of guidance as to what we intend these qualifying events to be. For example, if I can...I'll let you know. That include, but are not limited to, outfitting, hunting, fishing, horseback riding, boating, farm and ranch tours, camping, hiking, those types of things are what we've put in this bill to be qualifying. [LB83]

SENATOR UTTER: So the...in the past this fund has been used primarily for facilities. [LB83]

SENATOR COASH: Yes. [LB83]

SENATOR UTTER: And so what guarantee is there in this bill that there still will be a portion of the monies available for facilities should communities wish to apply for the facilities? [LB83]

SENATOR COASH: Well, the facilities...we're not removing the ability for this to be spent on facilities. We're just expanding...given the expanded revenue, we wanted to give more availability so there's...facilities are still within the scope of what they can spend money on. We're giving them more... [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR UTTER: But they have to be tourism related? [LB83]

SENATOR COASH: Not the facilities, but additional things that they would qualify under this bill would be. [LB83]

SENATOR UTTER: Thank you. [LB83]

SENATOR CORNETT: Senator Pirsch. [LB83]

SENATOR PIRSCH: Is it...with respect to the discretion that's in the department, obviously, these are going to be a large amount of funds at some near point in the future, I think you said, 2013, \$8 million. Is it your intent that the department must distribute...it's their discretion to whom to distribute but must they...to the extent that there are applications that otherwise are consistent meet the requirements, and is it your intent to distribute every year the entirety of that? Or is there a lot of discretion with the department to say, even though you are technically tourism, over 40 percent, we're not going to fund it? [LB83]

SENATOR COASH: No, to be clear, my intent is not to have the DED spend this money down to zero. My intent is to give them some other projects that they could not approve for without this bill. The department, DED still has, I believe, a great responsibility to valuate. And that's why this is a grant process, you know, the folks who want to access this money are going to have to prove to the DED these are worthy projects, and that they will bring in extra...you know, stimulate the economy as the DED is supposed to do. So I don't see any lowering of a standard. I just see expanded latitude to approve the monies that they do have. [LB83]

SENATOR PIRSCH: So they'd still, even with the requirements, it would still have to go through discretionary application with the DED? [LB83]

SENATOR COASH: Yes, the discretionary grant application. And if you talk to the DED, and I've talked to them quite extensively about how they're spending this money, and they turn down projects every year that they don't feel are...meet the intent of what this fund was initially set up for, and in talking with them, that's the reason this fund hasn't decreased as quickly as we thought it would because they're not able to find as many projects across the state that meet the qualifications as they are or, hopefully, as they will be. [LB83]

SENATOR CORNETT: Further questions? Senator Utter. [LB83]

SENATOR UTTER: Senator Coash, just one more question. What provisions are there in this bill in terms of accountability for what we're going to be accomplishing for...with these...I know we make the grants and the rules are set up there, but it seems to me

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

like it should be important to the state and to the people of the state to know what the results were that we're getting out of spending this money for these various attractions... [LB83]

SENATOR COASH: Sure. [LB83]

SENATOR UTTER: ...that there be some type of an accountability other than just for handing out the money but for the results that we obtain from handing out that money. Is there anything there that covers that? [LB83]

SENATOR COASH: Well, to my understanding, Senator, and I will clarify this for you and for the committee, the grant process that's already in place has a mechanism of accountability to it. And I'm not necessarily...with this bill doesn't do anything with the grant process. It just expands the authority to spend the grant money, so I will check and make sure that...and share with the committee what they have in place already with the current funds that they're expanding or giving out to make sure that there's that accountability because I, too, feel that's important. [LB83]

SENATOR UTTER: Not speaking about just this particular program, but I think there have been a lot of grant programs where we've stood at the door and passed out the funds, but nobody ever followed up to see whether we were really getting any bang for the bucks we're passing out. I think that's extremely important. And even as we expand, it seems to me like as we're expanding the scope of the use of these funds, it becomes even more important that there be some accountability for what we're accomplishing with the use of those funds. [LB83]

SENATOR COASH: I think that's a fair request. And I can tell you through my research work with the DED there, they're pretty tight with this money and they expect when they administer these funds that there is some accountability, and I'll let you know exactly what they are. [LB83]

SENATOR UTTER: Thank you. [LB83]

SENATOR CORNETT: Further questions? Seeing none, thank you. May I see a show of hands for the number of proponents to this bill? All right, we are going to use the light system today. That means everyone will have three minutes to testify. Please keep your testimony original. If it's redundant to what someone else has already said, just come up and say, me too. We're good with that. It's snowing like crazy out there and we all have to get home. [LB83]

RENEE SEIFERT: (Exhibit 2) I know, I went home in that yesterday. It was scary. Senator Cornett, my name is Renee Seifert. It's R-e-n-e-e, Seifert, S-e-i-f-e-r-t. As you can tell, I'm always used to doing this. Thank you for this opportunity. I am currently the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

director of the Grand Island/Hall County Convention and Visitors Bureau and I am here to testify on behalf of LB83 and in support of LB83. Grand Island was fortunate to be the first recipient of a \$500,000 grant from this particular fund back in 2004. Actually, I would even support this bill if it was only for the fact that the name change is coming about because the Convention Center Financing Fund, we all get caught up in that particular name. The funds received by our community assisted in the development of the Heartland Events Center. And what I've actually brought along is kind of a map that shows you the facility that we now have and so if you want to, if you would, pass those out to the committee members. The event center not only brought new opportunities to the Grand Island community but has helped to spur additional development within the South Locust Street corridor. And it was instrumental, we truly believe, in Grand Island being selected as the home of the new State Fair and all of the additional development that has resulted with that particular move. This first grant is a prime example of what this particular fund used for tourism development projects can accomplish and the synergy that goes along with this type of project. If you take a look at your map, everything from building 13, which was the Heartland Events Center, to your right, those were original structures. Everything to the left is everything that has developed in the Fonner Park complex. A lot of the buildings, the new city field house, everything that is a result of the State Fair location. We support this bill because it not only shortens the amount of time between when a community receives a grant and the next time that they can actually apply. We've had several multimillion dollar projects which would have benefited from this type of assistance but have not been able to apply for five years. The bill increases also the maximum amount of funding levels providing that particular increased opportunity as cost to cities for projects like this, and they are undertaking larger and larger projects. It's our belief that providing the opportunity for private tourism entities also to apply for funds can additionally spur increased economic development and tourism in the state of Nebraska. To answer a question, the Local Civic, Cultural and Convention Center Financing Fund is actually posted on the Web site. There is an annual report that will address your questions there. In regards to accountability, our state travel association has been working diligently to become part of the process and to...with an additional bill that will allow us to have a...some to address the accountability as the way the grants are given. We do thank Senator Coash for his support of tourism development in our state, and under the original premise under which this particular bill was established, and the act was established to support the development of tourism generating, what we call tourism generating projects, throughout Nebraska that will continue to attract associated activity from outside of our state, which is exactly what has happened in Grand Island. To address Senator Loudon's question... [LB83]

SENATOR UTTER: Ma'am, can you finish up, please? Your red light...you're running a red light right now. [LB83]

RENEE SEIFERT: I'm sorry. Oh, is that...I apologize. I've never had the red light so I did

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

not know what that meant. Yes, it goes back to support the communities, but we do thank you very much for considering this bill. Thank you. [LB83]

SENATOR UTTER: Thank you very much for your testimony. Any questions? If not, we appreciate your testimony. Thank you. [LB83]

RENEE SEIFERT: So you all know now that the red light is there. (Laughter) [LB83]

SENATOR UTTER: Welcome. [LB83]

LANE DANIELZUK: Thank you. Members of the Revenue Committee, my name is Lane Danielzuk, L-a-n-e D-a-n-i-e-l-z-u-k. I'm the city administrator for the city of Gering, testifying on behalf of the Gering Civic Center and the Gering Convention and Visitors Bureau in support of LB83. The staff of the civic center and the CVB were unable to travel to Lincoln today. They're hosting multiple special events that will bring 3,195 visitors, thereabouts, through the civic center's front doors this week. The Gering Civic Center is western Nebraska's premier multifunction conference and event facility that opened in 1993. In 2009, the city of Gering received a \$200,000 grant from the Local Civic, Cultural and Convention Center Financing Fund to expand the grand ballroom square footage at the civic center and to complete a wall-to-wall internal renovation with state-of-the-art equipment, lighting, and sound system and other upgrades. The city of Gering matched the LCCCCFF grant with \$200,000 in downtown redevelopment funds to improve our existing conference facilities and to increase our maximum hosting capacities to 1,200 theatre seating style and 900 in banquet seating. Conventions and meetings and the associated tourism expenditures are big business in Gering, driving sales and lodging tax revenues to our city, Scottsbluff, and all of western Nebraska. Expanded meeting space has allowed Gering to solicit and book new business that draws larger delegate attendance of 400 to 500 per event. Expansion has also allowed our destination marketing professionals to build multiple midsize to large events per day at the convention center. LB83 increases the opportunities for Gering and cities of all sizes across the state to enhance their conference and meeting facilities and to generate an even greater economic return on the state's investments in Nebraska's third largest industry. Increasing the maximum funding levels to municipalities and decreasing the years between grant awards from five years to three years enables Gering and other cities to undertake larger improvement projects initially and to proceed in a timely manner with their second and third phases of expansions for greater economic input utilizing LCCCCFF funds. We thank Senator Coash for introducing LB83 and appreciate his commitment to tourism. Gering supports this legislation and honors the original intent of the fund while expanding the opportunities for partnerships between municipalities, private enterprise, and the state to increase tourism revenues, and benefits, convention delegates and visitors, expenditures bring to Nebraska. Thank you. I'm happy to answer any questions from the committee. [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR UTTER: Thank you for your testimony. Questions? Seeing none, you've come a long way to testify, we appreciate it. [LB83]

LANE DANIELZUK: Thank you, Senator. [LB83]

SENATOR UTTER: Welcome. [LB83]

KEVIN HOWARD: (Exhibit 3) Thank you. My name is Kevin Howard, K-e-v-i-n H-o-w-a-r-d. I represent Scotts Bluff County tourism. I have over 35 years' experience in the tourism industry both in private enterprise and in my current position as tourism director for Scotts Bluff County. We are in support of LB83. It keeps the original intent of the law which is to grow the numbers of visitors to the state of Nebraska. It also expands the purpose into the private sector, so we can actually grow this tourism industry that we all enjoy in Nebraska. First, I want to speak to the raising of the ceilings per community for funding and shortening the time frame between grant availability. Recently, Lane just commented on the Gering Civic Center expansion--we're able to do larger events. We're also able to break down into smaller events so that we can keep a constant stream of events going through the Gering Civic Center. It brings more money into the city of Gering, more money into Scotts Bluff County, and more money into the state of Nebraska. He mentioned the plans to further update the facility which will even increase from there. So that's what it's all about: increasing business, bringing more dollars into the state, and helping you folks get the budget going better. Secondly, and no less importantly, is the ability to assist private enterprise in the tourism industry. The true growth in tourism in the state of Nebraska is going to be through private enterprise. We only have so many natural features, natural attractions, within the state. So in order to truly grow the industry, we need to go into private enterprise. My experience as business owner of the Oregon Trail Wagon Train near Chimney Rock for 23 years has shown me firsthand the real impact that it can have for a community, not only in job growth, but dollars that come into the community and into the state. It's kind of interesting. When we first decided to start a wagon train, we went and talked to our banker and we told him that we wanted to borrow some money, we wanted to buy a covered wagon, some horses, and some equipment, and we were going to give people rides on the Oregon Trail, they were going to pay us for it. Our banker, Jim, laughed us out of the bank. So I'm very excited that we can actually have some sort of funding mechanism within the state of Nebraska to help these people within the state that have...they have great ideas. They have good business plans, but they, unfortunately, have a banker that cannot see that vision. So very, very excited. And, of course, I got clear off my subject but...so anyhow we're very enthused about this bill. As to Senator Loudon's question about, there's no money coming from a municipality. This money comes from the actual...it was a way to fund the Qwest Center in Omaha, and I believe it's 20 percent of all the increases in taxes from the Qwest Center sales are go into this fund to fund projects throughout the state. Does that answer your question? I'm open for any questions you might have. [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR CORNETT: Questions from the committee? Senator Adams. [LB83]

SENATOR ADAMS: I have to ask. I could probably ask the bankers that are sitting on here afterwards, but you set it up. (Laughter) [LB83]

KEVIN HOWARD: Okay. [LB83]

SENATOR ADAMS: So if the project wasn't good for the scrutiny of these bankers, why should it be good for the state to use state money? [LB83]

KEVIN HOWARD: It was a new enterprise. This was back in 1977 when we first started our enterprise and it was something that had never been done. People didn't understand tourism. They knew it was good when mom and pop brought their kids through town, but since then we have fully...more fully understood the economic impact of tourism for the state. [LB83]

SENATOR ADAMS: So you're saying now that the bankers would understand? [LB83]

KEVIN HOWARD: I would hope so, but it's definitely outside of the box for a lot of bankers, especially bankers in a farming community that's used to doing crop loans. [LB83]

SENATOR ADAMS: That's these two guys. Thank you. [LB83]

KEVIN HOWARD: Oh, oh, whoops. [LB83]

SENATOR CORNETT: Senator Pankonin. [LB83]

SENATOR PANKONIN: Thank you, Senator Cornett. Thanks for being here and I was going to say this but Senator Adams gave me...Senator Utter and myself are involved in community banks and we would have both made that loan, so don't worry about it. (Laughter) [LB83]

KEVIN HOWARD: Well, maybe not to me. [LB83]

SENATOR PANKONIN: But I am...the actual question is, if you did get turned down, how did you finance your business to get it started? [LB83]

KEVIN HOWARD: We called it, going like Columbus. We built our own wagons. We did everything by hand and built it up just from the ground up, but we could have got such a jump on it. And in later years when we became more successful, good old Jim Stockwell said, yeah, I'll loan you money. (Laugh) But we had to prove ourselves first, and I think

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

we were pioneers on the Oregon Trail. We proved that private industry within the state of Nebraska is viable. [LB83]

SENATOR PANKONIN: The other thing, I'll mention it. We're talking, as Senator Adams also alluded to, you know, here we're talking about spending taxpayers' money. To a certain extent, obviously, it's money that's been generated by these facilities or whatever. And I always tell people when they say the banker won't loan me any money, we're loaning other people's money. We have a small slice of that, but you're loaning depositors' money. That's why there's a sense of responsibility there that has to be there. [LB83]

KEVIN HOWARD: Yeah, I understand that. [LB83]

SENATOR PANKONIN: Thank you. [LB83]

SENATOR CORNETT: Senator Utter. [LB83]

SENATOR UTTER: Mr. Howard, I assume that you folks have got an occupation tax that generates funds for your tourism and development work in Scotts Bluff County. [LB83]

KEVIN HOWARD: Yes, yes, a lodging tax. [LB83]

SENATOR UTTER: To, to...when we're dealing with a private enterprise and pumping taxpayers' money into a private enterprise, do you have a sense that maybe the local community needs to invest in that also to show their...to show their commitment to that enterprise that at the very least some of those dollars that are being generated with the occupation tax maybe should be committed too, along with the state's money or not? [LB83]

KEVIN HOWARD: Sure. Sure and it is committed. Through our promotion tax in Scotts Bluff County we promote all attractions. Actually, we even promote my old wagon train, which we no longer own. It's private enterprise. We promote our hotels as long as the federal government's Scotts Bluff National Monument or state of Nebraska's Chimney Rock, golf courses, we promote them all with that lodging tax. [LB83]

SENATOR UTTER: You know, I understand that, but what I'm talking about, Joe Blow comes in with a project to utilize \$100,000 of the funds that are being designated here. Do you think there should be a percentage of that come from the local community, from the local tourism development funds, and not just all state funds going into that project? [LB83]

KEVIN HOWARD: That's a good idea. I have no problem with that. Under current state

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

statute it can't because it has to be a nonprofit for the improvement tax, but it's a good point. [LB83]

SENATOR UTTER: Thank you. [LB83]

SENATOR CORNETT: Senator Louden. [LB83]

SENATOR LOUDEN: Thank you, Senator Cornett. Well, Kevin, thanks for being here today. You folks traveled quite a ways, and I know you've done quite well with tourism in Scotts Bluff County. In fact, you've pretty well been the keystone for western Nebraska with your tourism. And I'm wondering with this...if we go into this money here, how will you...what will you do with that money and because like your lodging tax money it has to be for facilities on part of it? You know, that 2 percent has to be to improve tourism facilities and some of them like that. How will you use this when you say you'll help private enterprise? As Senator Utter said, you know, well somebody come in there and you'll help them set up. Perhaps they want to put in a miniature golf course someplace there in town. Would you look at this money to help them finance that miniature golf course or something like that, or what would you use it for, I guess? [LB83]

KEVIN HOWARD: Well, actually, to tell you the truth when I first...when I came in here and I just found out today, I was under the impression it was going to be more of a revolving loan fund and I wasn't...didn't realize and, I apologize for that, that it was a grant process for private enterprise. So I haven't really thought that through real well, but I would assume that Department of Economic Development would be very vigilant in making sure that it was a solid business plan for a...do I have a project in mind, no, I really don't. But I do know that there's been a lot of private enterprise started throughout the state that it would have been a huge boost up to get them going. And you and I have always tried to get new enterprises going within the state of Nebraska, so I see this as another avenue. I don't think the county would be applying. I think it would be the private individual with the assistance of the county tourism. [LB83]

SENATOR LOUDEN: Yeah, and well, then, like another, it would be like that high plains drifter who, you know, what's his name up there, he could...somebody like that could be eligible through the DED. I mean, this is...what it looks like to me is, it gives the DED another type of grant funding for probably more of tourism rather than just jobs and economic development, I guess. This is the way I see this thing evolving and I don't know if I'm correct or not. [LB83]

KEVIN HOWARD: Well, I...the way I look at it is economic development doesn't really like tourism projects. Tourism is the service organizations. It's low wage, wage earners. It doesn't look good on a resume at times. But when you have...and what I saw in my business is that I hired high school or college kids and they didn't know how to work. By the end of the summer, they knew how to work and they knew how to hold a job. And I

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

very rarely got those kids back again because they got a better job. And so I've always looked at tourism as a training ground for the \$12-, \$15-, \$18-an-hour jobs that are available out there. It's a training ground, so. [LB83]

SENATOR LOUDEN: Well, I agree. I...to me, economic development is, means bring in jobs, bring in people, and then you have to build an infrastructure to service these people. Tourism is, you start jobs, you bring in people, you smile at them, take their money, and tell them to go home day after tomorrow. [LB83]

KEVIN HOWARD: There you go. (Laugh) [LB83]

SENATOR LOUDEN: And you don't have to fool with the infrastructure. There isn't a quicker way to generate income than tourism and that's what I'm wondering. I just want to make sure that we're getting something going here that we have something with, so. [LB83]

KEVIN HOWARD: Well, I think we have to rely on the Department of Economic Development to come up with those rules that's going to...the specific rules for this bill. [LB83]

SENATOR LOUDEN: Okay. Thank you, Kevin, for being here today. [LB83]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB83]

BRIAN MOORE: (Exhibit 4) Good afternoon, I'm Brian Moore, B-r-i-a-n M-o-o-r-e. I appreciate the opportunity to talk to you today as it relates to LB83 and more specifically the inclusion of private tourism entities. I'm here representing NEBRASKAland DAYS, North Platte, Nebraska, event founded in 1996, or excuse me, 1966. NEBRASKAland DAYS has a long history of success in Nebraska and in 1986 was declared the official celebration of Nebraska by the Nebraska Legislature. We're a private, self-funded, nonprofit entity. We raise money by sponsorships, by ticket sales. We have rodeos, concerts, parades, food events, pretty much anything you can imagine to do to celebrate Nebraska's history. As an organization, we own 51 acres of ground in North Platte that includes a 4,500-seat arena, rodeo facilities, outdoor pavilions, and other items that we use for the promotion of NEBRASKAland DAYS. We've got a hall of fame Buffalo Bill Rodeo. In NEBRASKAland DAYS this year we're going to have one of country's premier artists, Brad Paisley and Blake Shelton. NEBRASKAland DAYS in North Platte is the only place you're going to see those artists this year. We've worked hard to grow NEBRASKAland DAYS and make it a viable tourist attraction for people in Nebraska and outstate. That said, we're a private enterprise and to grow an organization, as many of you know, it is dependent upon your ability to make money and reinvest your profits, to have reserves, to grow your organization, or have the ability to raise equity capital or borrow money. We make money. We don't make a lot of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

money. We do have some reserves and we've been able to continue to keep our facilities reasonably up to date. We're a fairly debt averse organization because, going back to number one, we don't always know if we're going to make money. We can borrow money. We have borrowed money, but we don't like to borrow money. We think that the private...by having this private tourism side, you'll allow us to really see our future to grow...to grow our facilities, to modernize our facilities, to increase capacity, and to bring more people into NEBRASKAland DAYS. We served about 130,000 people last year from about 40 Nebraska cities and 30 different states in America. Occasionally, we get a foreign visitor. We didn't last year. But we would encourage you to support this bill. We think it's a good bill. If I was to offer any suggestions, I think that I would look at lowering the percentage from 40 percent down to a more reasonable number of out-of-state visitors because my argument is that anytime you can keep tourism dollars in the state of Nebraska, they're not going somewhere else. And if they're spending money in our state, they're paying sales taxes, they're maybe paying room nights, they're paying occupancy taxes. It's kind of like keeping the college student in your state. If you don't have to go anywhere else, they're going to spend your money here. Out-of-town visitors are important, but I think it's also important to grow our infrastructure for local tourism. Thank you. [LB83]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB83]

BRIAN MOORE: Thanks. [LB83]

SENATOR CORNETT: Next proponent. [LB83]

ALICE LICHT: Good afternoon. My name is Alice Licht and that is L-i-c-h-t. I'm the legislative director for the Nebraska Hotel and Motel Association, which is also affiliated with the American Hotel and Lodging Association. We're here to support the bill. I'll keep this brief so I don't repeat what others have said. This fund was created years ago when we lobbied through getting the Qwest Center for the state of Nebraska, and it was a pledge to rural Nebraska to provide some funding for rural communities for civic centers and cultural centers similar to the Qwest Center. And I think maybe it has already served its purpose as the introducer, Senator Coash, indicated that we have put a lot of roofs on community civic centers and done a lot to enhance those. And that doesn't mean that they still don't need enhancement or help, but broadening where this money can be spent will be extremely helpful to tourism. According to the Department of Economic Development, since its inception, the fund has allocated \$3.784 million for civic centers in the state and \$111,800 has been moved back to the General Fund from that fund. And there's currently approximately \$1 million in the fund, and by the end of this fiscal year, they anticipate another \$1.3 million to be available. So this will greatly enhance tourism in the state. Allowing this to be used for tourism-related venues does make sense. Currently, lodging taxes fund either enhancement of tourism facilities or for promotion of tourism. So it's kind of a nice addition to go hand in hand. It was brought

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

up earlier that, could lodging taxes be used kind of as a match? I think that's something that might need to be looked at and could be helpful. In rural Nebraska, it's really not a huge convention market and I know that conventions across the state are...tend to go there, but Lincoln and Omaha tend to be more convention oriented. So allowing some of this to be used for tourism will be helpful. We appreciate the 40 percent in the bill. As a representative of the hotel and motel industry, that brings in more hotel room nights and makes money for hotels and motels, and in turn generates taxes for the state, so we're in wholehearted support of it. Things that you can think of. Years ago when the Kearney Arch was developed, there was talk of possibly putting a theme park next to that to make it more of an attraction. I think that would be something that would be interesting for rural Nebraska. Chimney Rock and the developments out there or even Fort Robinson, things could be added, so it would really enhance rural Nebraska. In addition, this committee passed out LB684 which created an advisory committee for the Department of Economic Development on tourism. And that may work well into this proposal that there would be an advisory committee to help determine some of these grants. So thank you, and I appreciate being able to testify today. [LB83]

SENATOR CORNETT: Senator Pirsch. [LB83]

SENATOR PIRSCH: Tourism is our third largest industry, is it not? [LB83]

ALICE LICHT: That's correct. [LB83]

SENATOR PIRSCH: Is it \$2 billion or something like that? [LB83]

ALICE LICHT: I don't know what the number is, sir. I'd be happy to get it for you, but it is the third largest employer and industry in this state. [LB83]

SENATOR PIRSCH: Thank you. [LB83]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB83]

ALICE LICHT: Thanks. [LB83]

SENATOR CORNETT: Next proponent. Are there any further proponents? Is there anyone in opposition testimony? [LB83]

LYNN REX: Senator Cornett and members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First of all, I just wanted to underscore the fact that I do understand that everyone that testified for this is very well-intended, but we'd like to outline, just a little bit, the reasons why we think so strongly that this needs to be limited to the public sector and not include the private sector. First of all, I think it's important to give you a little bit of history and I'll be as

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

concise as I can. First of all, in FY '03-04, that's the first year, in 2003, that the Department of Economic Development actually went out for grants and said, now's the time to come forward and get the grant money. There was only \$550,000 in that grant at the time, \$551,018. I'm going to round up the numbers. One was funded and that was the Heartland Center. Twenty-three municipalities that year sent in funds, only one was funded. Eight eventually, though, received those funds in 2004 and 2005. So you have a number of municipalities from all across the state that came in competitively for that. And there was a lapse. And so the department, because of the lack of funding, there was no funding there until actually the Legislature passed LB551 a few years ago so that they didn't have to provide all the specific information from the Qwest Center to the Department of Revenue. That generated more money coming into this. So the second round of apps was in 2008. Nineteen municipalities applied for the \$1.8 million and 12 projects were funded totaling \$1.3 million. Another opportunity was in 2009, and at that point there was 1.8 left in the fund. Twenty-six more municipalities across the state, cities and villages, applied. Seven received those projects. Seven were funded. In 2010, DED went out again for applications. Twenty-four municipalities applied and six more were funded. So in essence, DED took apps in 2003, 2008, 2009, 2010. I think what's important to realize about this, is that those senators that voted for the Qwest Center bill when that passed were told that this could go back to their municipalities across the state to help their funding and to help their communities. And I think it's very important to note that it's been broad-based. And I realize that a roof may not mean much to somebody, depending upon where you may live in the state, it means a whole lot if that is your community center and that is the basis on where you have your weddings, where you have your big social functions. So very quickly, let me just share with you. These are the centers that have been funded. I'm just going to read you the cities and I can get you this list. These are just the locations: Grand Island, Kimball, Hastings, Arnold, Miller, Stuart, David City, Maywood, Gering, Humphrey, Papillion, South Sioux City, Atkinson, Creston, Bancroft, Firth, Kennard, Randolph, Tobias, Tekamah, Brownville, Cairo, Odell, Beaver City, Blue Hill, Dannebrog, Stapleton, Beatrice, Clarkson, Crawford, Fremont, West Point, and Wilber. And there are many other municipalities that want to make application and apply. Again our position is, the types of liberties that would be taken with this bill on the public sector side by maybe reducing the number of years by which one could come in for an application from five to three, we think that's reasonable. There are many reasonable aspects to this bill and we just think, at this time, when local governments are struggling because of the funding issues that we're facing, and this committee knows better than any other committee with LB383, which Senator Loudon, we appreciate all the work you've done on that issue and many others, so all of these other funding mechanisms, the public sector is in need of additional funding. And we just would respect that the committee...we would be happy to work with Senator Coash, work with the committee. We think there are many good parts to this bill, but we do not agree with giving it to the private sector. And again we want to always have public-private sector partnerships. We just don't think this is the way to do it. I'd be happy to respond to any questions you might have. [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR CORNETT: Lynn, oh, I'm sorry, go ahead. Senator Utter. [LB83]

SENATOR UTTER: Lynn, there are a lot of across the state nonprofits that operate kind of under the auspices of a public organization for the benefit of the community. I think NEBRASKAland DAYS is probably an example of that. [LB83]

LYNN REX: Great organizations. Absolutely, great organizations. [LB83]

SENATOR UTTER: Are you including that in your opposition? Are you including something like a private nonprofit? [LB83]

LYNN REX: No, I'm saying that...no, basically this should be for public sector only, and I define that as a municipality. [LB83]

SENATOR UTTER: So you are...you would eliminate the private nonprofit? [LB83]

LYNN REX: Yes, but with that I want to underscore that many of our cities, we have over 55 cities right now with LB840 programs. Many of them already contribute to these...something that would be analogous to NEBRASKAland DAYS. There are many, many ways in which cities support that. There are municipalities that assist and provide funding to local chambers of commerce to help do work in the tourism area. Tourism is a very important thing. It's very important to the state and local government and a lot of public sector dollars are already going in that direction. But this effort in the Qwest Center was specifically targeted to assist other municipalities across the state in their infrastructure and in their public buildings. I think if you want to expand the use to include economic development, for example, Senator Pirsch has a bill to do that, to broaden the use for some of the things that are even outlined in this bill are very appropriate, but in the public sector. And it would be quite different if we had municipalities in this state that quite frankly were getting lots of funding and assistance from other sources of revenue. That's just not the case. We have municipalities out there that are struggling. We know that the private nonprofits are struggling too, but...and we appreciate all the work that they do. We appreciate public-private partnerships. We do want to defend these funds for municipalities. And as these funds increase, you'll find an increasing number of municipalities coming in for these applications. [LB83]

SENATOR CORNETT: Questions from the committee? [LB83]

LYNN REX: Thank you for your time. [LB83]

SENATOR CORNETT: Any further opposition? Neutral? Senator Coash, you're recognized to close and open on the next bill. [LB83]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: Thank you. Thank you, I will close briefly. I want to start out by...and I know you've heard me say this before on the floor, tourism is our state's number three industry. It's right behind agriculture and manufacturing. I do view this as a jobs bill. With regard to the public...a couple of things I want to clear up. You'll notice the bankers didn't come in today and that's because I worked with them on this bill and we modeled the part of where there can be a private partnership here after some already existing programs where banks partner with private entities in the state, specifically with the NIFA loans. And so early on we brought in the bankers and said, we don't...I don't want...because my intent was never to make the state a bank to start loaning out money to private entities. My intent was to leverage these funds that are here and allow these entities, private or municipalities, to partner with banks. And so that's the reason you don't see bankers on one side or the other of this issue. I think there's enough money in here in this fund, especially as it grows with the coming Lincoln arena, to go around. I do trust the Department of Economic Development that they will prioritize and they will find those projects that give the state the best economic development bang for its buck. With regard to the League's desire to take the private out there, I'll...I agree with Kevin, and I do want to thank those guys for coming from so far away. If we're going to grow this industry, we can't just let municipalities be the only ones to do it. If we're going to grow the tourism industry, we've got to get the private sector involved and that's why I do...that's why I did put it in here, and that's why I will continue to advocate for that. The projects that Ms. Rex talked about that didn't qualify, didn't get awarded money, it was because they didn't qualify. This is an application and it is a priority process and we do have to make some cuts. But those projects are still eligible and I want to make sure that the committee understands that. These projects that municipalities have applied for will continue to be eligible and I think that's important. I just don't see municipalities helping us grow tourism as much as I do the private sector, so that's why I'm going to advocate for LB83. Not to say I won't sit down with Lynn, I will always do that. And with that, I'll close on LB83. [LB83]

SENATOR CORNETT: Questions? Seeing none, thank you. [LB83]

SENATOR COASH: (Exhibits 5-8) Okay. Okay, well, here I am again, Revenue Committee. My name is Colby Coash, C-o-l-b-y C-o-a-s-h. I represent Legislative District 27 right here in Lincoln, and now I'm here to introduce LB99, which is the Nebraska Film Advantage Act. I believe that 2011 is the year in which Nebraska has unprecedented opportunity to grow the film industry we have in our state. We have a work force and the landscape to attract filmmakers and now we must provide the economic seeds in order to compete with other states. Film production is a manufacturing industry. It takes labor, it takes equipment, it takes management, and technology. And there is a product that is delivered as a result. Nebraska is in a unique and strategic position as several other state film incentive programs have failed due to lack of oversight and funding of unsustainable tax credits. And this is not a tax credit bill.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

LB99 was written with the failures of other states in mind so that the Nebraska Department of Economic Development has the proper oversight and will qualify film projects...and the qualifying film projects have the proper accountability. So LB99 submitted with AM530 does the following: It funds the Local Civic, Cultural and...it's funded by the LCCCCF Fund and it's administered by the DED. The Nebraska Film Advantage Fund will provide grants, not credits, to qualifying production companies on location in Nebraska filming a feature film, documentary, or independent film, or a TV production. The grant maximums are a half million dollars per project, not to exceed \$1 million per company. The applicant must meet the following requirements, per the amendment that is also with this bill, and I've submitted: The company must have spent, and I'll emphasize, already spent, a million dollars in below-the-line costs here in the state. These expenses are referenced in the film industry as what we call below-the-line costs. These stipulations ensure that \$1 million spending requirements will not be clustered around the salary of one or two people. So in other words, you can't get this grant and then just pay Jack Nicholson a million dollars and there goes that money. It requires that it's spent on below-the-line cost. The production must include at least ten Nebraska employees working on set or in production who are state residents and the film must have an anticipated rating of G, PG, PG13, or R. Following production the company must certify by affidavit to the Department of Economic Development that all these requirements were met. In addition, if you get a more restrictive rating than R, you got to give the money back. The economic impact of this bill is both immediate and long term. I can tell you from my experience in the film industry here in our state that Nebraska has a qualified work force to serve in these projects. Furthermore, we have rural and urban landscapes that loan themselves to a multitude of projects. Finally, Nebraska needs the revenue the films create from project money spent in the state, income taxes from jobs created in the state, and from sales tax revenue from visitors who may be attracted as a result of the project. The missing element here is the advantage Nebraska must have over our neighbors. In all industries, film included, a given projects location is contingent upon that location's economic appeal. It is my intent to give Nebraska that competitive advantage so that we can attract hosts and evaluate the economic impact of these film projects. Several producers have shovel-ready products...or productions which they desire to shoot right here in our state. And I will let you know I've got letters from a couple of those in your packet. However, they're weighing their decisions, as you'll see in those letters, against the various economic incentives that other states have. It is my hope by passing this bill the Legislature will allow Nebraska the benefits of the work force development tax revenue and promotion of our great state. You'll notice that there's a sunset on this of June 30 of 2012. And I would ask that we would give the film industry one year to demonstrate the economic impact potential for our state. I'll turn your attention to the fiscal note which indicates a financial impact of \$20,000 from the General Fund and I'm drafting another amendment which ensures that these administrative costs comes from the fund itself. Thus, there would be no impact to the General Fund. In front of you, you each now have AM530, the summary, AM538. We've got letters of support from various Nebraskans in the film

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

industry, and also a copy of today's article from the Omaha World-Herald, featuring Alexander Payne's support as well for the film incentive. And testifiers behind me are going to tell you about the great potential that this has for our state. We had a couple of testifiers that couldn't make it because of the weather and other commitments, so we're just going to move on and you have the letters in front of you. I'll take any questions. [LB99]

SENATOR CORNETT: Senator Louden. [LB99]

SENATOR LOUDEN: Yes, thank you, Senator Cornett. Well, Senator Coash, I see it sunsets a little over a year from now and they can get up to a million bucks and \$500,000. Well, if something like this is going to happen within a year, somebody is going to spend a million dollars, you must have something in mind. I mean, there must be something in the works now to make this be brought forward like this, and how good of a project is this going on and that sort of thing. Can we...because you're asking us to put a chunk of money up and for a year's time so there must be something in the works. [LB99]

SENATOR COASH: Yeah. Well, first, let me answer the question in two ways. First of all, there are two projects. Those are indicated in your letter. There are two productions that are slated and ready and in the process of getting ready to go. And these are two big productions with...and I'll point you to a letter from John Beasley of a \$12 million budget. And that's a project that he wants to film a great portion of in Omaha. And he'll spend a lot of money if he comes. What I will tell you, the nature of the film industry is, he can take that project and he can go someplace else. And the reason I put the sunset on here is because in this bill is a provision that the production who gets awarded this grant is going to have to report back to the DED some very specific requirements with regard to the money that they spent and where they spent it. Because what I would like...what I hope for, out of this bill, is that through the award of a grant of some of these projects I can come back and say, let me show you what we got for this. Let me show you the sales tax that was generated because of the project, let me show you the rooms that were...the hotel rooms that we stayed in, that were stayed in, and the rental cars and the catering, and all of the people that they hired, so that I can show the committee, or the Legislature as a whole, the viability of this project. But there are some getting ready to go, Senator Louden. [LB99]

SENATOR LOUDEN: Okay. Now when it's a grant like this, I presume it isn't a reimbursable grant. I mean, you're going to give them the money and they do whatever they want to with it. And then in order to receive...what are we getting for benefits? Are we going to get that money back or are we going to figure that, well, they spent a whole bunch of money here so this is where we're going to get it in tax revenue from someplace else? [LB99]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: Well, first of all, Senator Louden, they've got to spend the money first. And so they're going to come in, they're going to spend at least that much in some very specific categories, such as labor, rentals, hotel rooms and things of that nature. So they are going to have to spend it first and then they're going to get that back. What I will tell you is that when these big projects come, we're going to get our money back and then some with the economic impact. And all I'm asking for this committee to do is give the industry a chance to show us what we can do. [LB99]

SENATOR LOUDEN: Now as they get that money then, do they have to show their labor receipts or something like that to show that they spent that money? [LB99]

SENATOR COASH: That's right. [LB99]

SENATOR LOUDEN: I mean, I'm working with some grant funding from that Whiteclay and stuff like that. I know how we're doing that. They have to show up with their receipts before they get the money. [LB99]

SENATOR COASH: Absolutely. All those....that's right. [LB99]

SENATOR LOUDEN: Is this what you're doing here? [LB99]

SENATOR COASH: Same concept, Senator Louden. They're going to have to show W2's of how much they paid. They're going to have to show receipts of how many hotel rooms they had and rental cars and people that they've hired. It's a very specific process or they won't get the money. [LB99]

SENATOR LOUDEN: And then the DED has the authority to decide whether or not they want to approve some of those receipts that they send in? [LB99]

SENATOR COASH: That's right. [LB99]

SENATOR LOUDEN: Okay. Thank you. [LB99]

SENATOR UTTER: Senator Adams. [LB99]

SENATOR ADAMS: Thank you, Senator Utter. Thank you, Senator Louden, for asking that question on the sunset. I was suspect of...I shouldn't say suspect. I thought maybe the same thing that there was somebody out there ready to go. We're kind of dangling the debate in front of them, so to speak, to see if they bite, and we should know within 12 months. Last year, I don't recall the details of the bill, we had something like this but it carried a fiscal note because it was tax credits, if I remember. And you've avoided the fiscal note, in effect, by going to the same funds that we talked about in your last bill. [LB99]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: That's correct. [LB99]

SENATOR ADAMS: Okay. Does it concern you that we're going to stretch those dollars pretty thin? Let's say, hypothetically, we give you the green light, as does the body, on the first bill that you introduced, and then this committee kicks this one out, too, and you manage to get 25 votes upstairs, have you spread that pot too thin? [LB99]

SENATOR COASH: Well, that's a good question, Senator Adams, and what I will tell you is that the DED isn't going to let that happen. They control this pot and if...they're going to operate off of the priority system. Okay. And they're going to say, where are we going to get the best bang for our buck for? Are we going to take this money and fund some of the tourism projects that might be eligible under LB83, or do we want to see how well this film project comes in and does with \$200,000 that we may give them? [LB99]

SENATOR ADAMS: Then that creates kind of a precarious situation, too, because if I were the person handing this money out and I'm sitting there saying, all right, we've got a potential film project here that wants to push whatever the number is, \$2 million into the state, and so maybe we ought to reach over and grab this \$500,000 grant and give them. That's a pretty good return on investment. But I'll pick a town, Shickley, Nebraska, has been begging to try to put a new roof on their community center and they make application. Unfortunately, they made application at the same time that the XYZ production company did. They're going to get the back seat in the bus all the time, aren't they? [LB99]

SENATOR COASH: I don't think so, Senator Adams. I think that...I'm working with the DED on both of these bills that the nature of the grant process, it means that the folks, whether it's a tourism company or film production company, who wants to come in and access this money, they're going to have to make their case. And they're going to have to do it well. And I believe with the growing amount of these funds, we won't have...I hope we don't see a lot of that but should there become a priority, I think we can trust the DED to decide what's best for Nebraska. That's why they're in that position. [LB99]

SENATOR ADAMS: You know, I think you're right. What I'm still wondering about is that if I'm DED and I'm staring at a 100 percent return on investment, that looks a lot better than giving Shickley \$100,000 to put a new roof on their community center, when in reality, not that we can't change the purpose of anything that we do here, but the purpose of that money in the first place was to help Shickley put a roof on that community center. May I ask one other question? I don't know when, but I saw in some of the material that I've been getting where several of our neighboring states have been actually folding up camp on these programs. [LB99]

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Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: Yeah. [LB99]

SENATOR ADAMS: And that concerns me when I see other states saying, we don't want to be in this business anymore. Now, I suppose one could say, well, now's the time to do it because that puts us at a competitive advantage. But there's something happening in those other states that's causing them to end their programs. Can you respond to that? [LB99]

SENATOR COASH: Yeah, I sure can because, you know, Iowa is a good example, right across the river and I...and that was happening. Iowa was losing theirs right when I was working on drafting this bill. And there's a couple of key differences. One, they were just giving out tax credits as they were being asked for without any kind of scrutiny to that. Okay. And so we changed our bill to say, spend the money first, we'll scrutinize it, and then if we think it meets the intent of what we want to do, we'll give you that money. So it's not a ask later, it's....so it's not ask questions after you've given the money. It's ask the questions before you give the money. And so I think that's a key difference here. And, you know, I wouldn't have brought this bill if I thought that a...I wouldn't have brought a tax credit bill because that would have been a...some money. We don't know how much. That would have been competing for things like education and I didn't want to do that. So we structured this bill for that reason and I do believe, because I did my research on film incentives, that Nebraska could be the Midwest hub, that we've got a lot to offer. We've got a work force. We've got the hospitality. We've got the terrain that lends itself well to some projects. And when you look at our neighboring states that maybe don't have them, we become...we become the number one choice and that's my hope through this bill. [LB99]

SENATOR ADAMS: Fair enough. Thank you. [LB99]

SENATOR UTTER: Further questions for Senator Coash? Senator Coash is there any overall cap on the amount of money that...I see that you're committing a million dollars per company... [LB99]

SENATOR COASH: Yeah. [LB99]

SENATOR UTTER: ...or \$500,000 per project? What if ten companies showed up? [LB99]

SENATOR COASH: Ten companies showed up then the best one is going to get the grant. [LB99]

SENATOR UTTER: So there is a cap. It's a one time, it's a one company thing, is that right? [LB99]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: Well, if the DED wanted to give ten \$500,000 grants, I suppose they could. But if this committee wants to limit the total amount that could be given on this, I think that's a reasonable request. For me, Senator Utter, I did some work with DED on this as long as I have, I really...on both of these bills, really feel they have the ability to make good decisions and we just want...I just want to give them some broader authority to stimulate the economy. [LB99]

SENATOR UTTER: Further questions? Thank you, Senator Coash. You sticking around to close? [LB99]

SENATOR COASH: Thank you. Yes, I will. Senator Utter, there's an order of testifiers we've given you if you want to...if that helps. [LB99]

SENATOR UTTER: Thank you. Michelle. [LB99]

MICHELLE SCHRAGE: (Exhibits 9-11) That's me. Okay. I apologize, I couldn't find my stapler so I'm making...they're not stapled. My name is Michelle Schrage, last name S-c-h-r-a-g-e. I'm actually reading a letter on behalf of Kaylene Carlson. However, I will be happy to answer any questions after the reading of the letter that you have for me. My name is Kaylene Carlson. I'm a full-time production manager in the film industry. Although I call Omaha home, I have to go outside of Nebraska for work. My bio is attached for your review, being handed out. I am in support of LB99 for grant money to use toward film and television production in the state of Nebraska. This is an opportunity to create jobs in an industry which has been missing in this state for nearly a decade. Yet there is still a decent crew base here with high level of experience, available and wanting to work, as well as a large new talent pool anxious to be educated. Just like the manufacturing industry, the film industry looks to the cities and states that have the strongest components that will get them the best return on their investment. This grant allowance opens the door to productions that will generate new tax revenue with the creation of potentially hundreds of high-paying jobs, which without this measure, these high-paying jobs would go elsewhere. The last large budget film production to shoot entirely in Nebraska was About Schmidt in 2001. With a budget of \$30 million, the project spent close to \$10 million in this state within six months. Most recently, we can look to what the film project Up in the Air brought to the state in April of 2009. Although the filming crew was in the city for just two days of shooting, local crews were involved both prior and afterwards for weeks in preparation and wrapping. As the local production supervisor, I gathered figures to help give some calculated results. The total in-state spend in two days was \$209,000. The breakdown is in front of you. These figures show that even though the shoot was minimal, the financial impact was impressive. Although not all film budgets are the same, many of the basics still apply. For instance, based on a budget of \$8 million and filmed entirely in Nebraska, here are some basic assumptions. The state would reap approximately 25 to 40 percent in crew, equipment, housing, food, etcetera of the total budget. If you want to know why that

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

number is, you can ask me. That 25 to 40 percent is all taxable income including applicable payroll fringes. Estimated potential local crew hires could be anywhere between 50 to 125 short-term or full-time hires, with an average length of work of two months and an average hourly rate of \$25.50. The average gross wage being \$8,750 a month. That's three and a half times the minimum wage rate. The above referenced crew hires does not take into account the ancillary jobs that would also be utilized such as local cast, film extras, day laborers, security, police, etcetera. There's also a list of state vendors that would benefit. As I've outlined, the usage of grant funds will help retain local talent as well as increase tax revenue that will have a positive impact for the state, vendors, and work force. While other states have created incentive programs to spur film traffic to their state, those incentives are not only complicated but commonly manipulated. I believe that funding through a grant program versus a tax incentive at this time is more positive means of wooing potential projects while still providing many of the same financial benefits to the producing entity, yet remaining tax neutral for the state of Nebraska. This measure is an important first step and a solid start to seeing how a program of this kind can be successful and beneficial. I hope the committee strongly considers the passage of LB99 into law and I, as in Kaylene, look forward to coming back to Nebraska to work. Thank you. [LB99]

SENATOR UTTER: Thank you, Michelle, for your testimony. Questions? Seeing none, thank you very much. Sally. Welcome. [LB99]

SALLY WALKER: (Exhibit 12) Thank you. My name is Sally Walker, S-a-l-l-y W-a-l-k-e-r. I am the current president of the Nebraska Writers Guild with close to 200 members across the state and many of those write screen plays. I have 27 on my resume. I am testifying as a representative of the Nebraska Film Association compiled of about 400 people from many disciplines, all wanting to create a revenue-generating film industry in this state. You, you, you, you, each of you has a story in your life, a real story of interest to you and your family. Well, film is about taking such stories and creating a cinematic rendering that translates your story for an audience, making your story mean something to the imagination and lives of others. That film is a product created by an industry, an industry that pays wages and earns money from the audience who pays to see those stories. So we're not talking about a hobby or a philanthropic effort, but an industry focused on a product--film. And Nebraska is producing people with skills and knowledge to contribute to that film-making industry, people who want to make a taxable income in their home states, specifically UNL's Johnny Carson School of Theatre and Film has graduated over 130 since 1998: producers, directors, writers, technicians of all levels. Many leave the state because they have no opportunity to make a living here. Metropolitan Community College's visual arts department started their technical program in 2006 and has experienced 27 percent increase in enrollment in the past two years. They've graduated over 50 and currently have 113 registered for the 2011 spring semester. We have full-time production companies like North Sea Films, Oberon Productions, and the animation

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

specialities, SkyVu Pictures, as well as over 20 small, passionate independents. Not one of these educational or professional entities sees their work as frivolous. They are businesses focused on the end product, film, stories like yours. Like any viable industry, film making has an impact of ripple or domino effect on such a wide range of others who are just as concerned about earning a living as Kaylene Carlson's letter references. Did you ever think about the monies earned by all those people whose names scroll by on the movie credits? It, obviously, takes a lot of money to make a film because of wages and fees paid to that long list of people. I want to see one of my stories filmed here and all those listed Nebraskans earning money because of it. I want images of Nebraska seen across the country, maybe around the world, and know that product, that film came out of a Nebraska industry. [LB99]

SENATOR UTTER: Thank you, Ms. Walker, for your testimony. Questions? Seeing none, thank you very much. Rhett McClure. [LB99]

RHETT McCLURE: Good afternoon. Rhett McClure, R-h-e-t-t M-c-C-l-u-r-e. I'm here today to read a letter from Lonnie Senstock and I'm also a member of Nebraska Independent Film Projects, a 501(c)(3) based here in Nebraska. On behalf of director Lonnie Senstock and his film team, I'd like to speak a little bit about the project they've been filming on for the last three years. It's called Once in a Lew Moon, based upon the life of Lew Hunter. Most of Lew's story is shot here as he's originally from Superior, Nebraska. The film takes the team all over the U.S. but in the end comes back to Nebraska. In the three years of filming, three quarters of the film was shot here in Nebraska. It has employed well over 20 individuals from the Nebraska area. Budget of Once in a Lew Moon, is around \$45,000 and money went back to the state here for hotels, food, retail stores, car rentals, insurance, filming, pre and postproduction. So most of the \$45,000 budget has stayed here and employed many as well as given money back to area businesses. Professionals such as Alexander Payne, who is from Nebraska, has and will always return to Nebraska to make films. Jon Bokenkamp is another person who is in our film as a screenwriter. He wrote and produced the film Taking Lives, starring Angelina Jolie. He's also someone who currently would make and bring large budget films back to Nebraska. The Lew Moon film stars some of our prominent local leaders such as Governor Dave Heineman and Tom Osborne. Their work has given filmmakers the opportunity to bring about awareness, such causes as the TeamMates Mentoring Program. Another filmmaker, Sean Welch, spent quite a bit of time here in Lincoln filming the documentary, Lucky. Welch is an Oscar-nominated filmmaker who spent over five months in the state of Nebraska and spent nearly \$50,000 here as well. He has employed over 30 people, some making \$300 a day for their film work. Consider also the money spent for eating, driving, car rentals, etcetera. Welch's track record shows that his projects do make money, always go to Sundance, and are Oscar contenders. Because of his success here, other filmmakers will want to come here to make films. Lonnie's team does plan to do a project on Lucille Ball and the Arnaz family who were originally from Connecticut and Colorado. They could film in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

Connecticut. However, they have the luxury that Nebraska bears many geographic similarities to Connecticut's landscape. The budget, as the team projected, would be in the range of \$5 million to \$10 million or more. Meg Gifford, an award-winning writer originally from Nebraska, just won the prestigious Samuel Goldwyn award for her film Paint It Black, which is written as a Midwest film. Recently a huge studio picked up the short film produced by Lonnie and is now making a \$30 million big budget version. They are wanting to come back to Nebraska and shoot this film. Lonnie and his team are all originally from Nebraska, want to continue to film here. With this tax incentive in place, they can keep more of the projects and the money right here in the state. We hope you take this information in consideration and allow Nebraska a real chance to continue to make high-budget, quality films. Thank you for hearing us on this matter and thank you for your time. [LB99]

SENATOR UTTER: Thank you for your testimony. Questions for Rhett? Seeing none, thank you very much. [LB99]

RHETT McCLURE: Thank you. [LB99]

SENATOR UTTER: Kaylin. [LB99]

KAYLIN BOOSALIS: Good afternoon, Senators. My name is Kaylin Boosalis. For the record, that's K-a-y-l-i-n, last name B-o-o-s-a-l-i-s. I was born and raised in Lincoln and now live in Los Angeles where I work as a writer and actress. In large-scale productions such as The Green Hornet and Battle: Los Angeles, I witnessed firsthand hundreds of people employed in a wide array of jobs, ranging from extras to electricians, to stunt doubles, to Cameron Diaz. This industry runs on human labor and creativity. I chose to come back to Nebraska to help with LB99 after becoming involved in a film project and learning that there was no program designed to help filmmakers who were interested in filming in our state. If there's one thing I've learned in this industry, it's the timing and luck are everything. I see this film grant program as a perfectly timed opportunity to capitalize on recent trends in the entertainment industry. Please allow me to elaborate. Last November I had the privilege of attending the American Film Market in Santa Monica, California. This is one of the largest markets in the world where producers pitch their projects to Hollywood executives looking to fill your movie theatres and televisions with content. While I was there I had the opportunity to watch other states in action as they pitched their film incentive programs. Our own neighboring state of Montana has seen the benefits of increasing their \$1.6 million investment in film incentives to \$2.2 million. Moreover, westerns are what's trending now. Vampires are out. Clint Eastwood remakes are in. Just look to the Oscar nominated film, True Grit. In the coming months, you'll begin to see more and more westerns being shot around the United States and the world. Nebraska has a wonderful opportunity to tap into this cash flow as our state has the perfect scenery for a traditional western. We can provide competitive options to these film companies that are manufacturing widely publicized entertainment and usher

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

in a new type of economic strategy and notoriety that we just haven't given much thought to. I hope that in passing LB99 Nebraska will see a new source of revenue and industry, all while increasing their tax base to benefit the citizens of this great state. I know that my time is up, but I'll be happy to try to answer any questions you may have. [LB99]

SENATOR UTTER: Thank you for your testimony. Questions for Kaylin? [LB99]

KAYLIN BOOSALIS: Thank you, Senators. [LB99]

SENATOR UTTER: Seeing none, thank you very much. Further proponents. Welcome. [LB99]

JAKE HULL: Hi. Thank you, Senators. My name is Jake Hull, spelled J-a-k-e H-u-l-l. I am an independent filmmaker from Nebraska. I...since 2006, I started a production company called AB Productions. The production company has since created two feature films, and the first of which was a very low budget film with an approximate budget of \$8,000 only. But our next feature film which we shot during the summer of 2010 had an approximate budget of \$80,000, of which we employed approximately 55 people on that shoot, and of that only 10 people were from outside of the state of Nebraska. Our next feature film, which we've just recently announced and intend to shoot during the summer of 2011, is currently at a budget of well over half a million dollars. Now that current film that we're working on right now will more than likely employ somewhere between 60 and 80 people. We would like to have at least 80 percent of those people be from the state of Nebraska. I'm from Wahoo, Nebraska, born and raised there. I currently have a family and a house there in Wahoo. And, basically, although this current tax incentive, you know, with the sunrise (sic), I don't know how much advantage I personally would be able to take, you know, on that. But since starting my first film being \$8,000, my next film moving to \$80,000, and my current film, which I'm about to be working on being, well, you know, well close to moving up almost basically eight times my budget every time I go to make another film. I love working in the state of Nebraska. I love the film industry in the state of Nebraska. But I do know that as my budgets continue to rise, you know, if I keep on with that pace making my budget eight times that, the investors, the people who are trusting their money to me, are also going to trust me to make the smartest decision in spending their money and that decision is also going to be required...you know, contingent that, you know, tax incentives. You know, I may be shooting a film and I say, I would like to be shooting in the state of Nebraska but if the state of Texas is offering, you know, me money to actually come down there and shoot there, then the people who are giving me the money are going to say, our better investment is for you to shoot in that state, and it's not hard to drive from Texas. I did it last summer. So at this point, you know, like I said, with the sunrise of...or sunset of this particular bill, I can't tell you that I would particularly be taking advantage of it with how small my films currently are. But I can tell you, I think

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

you will be able to see within that year that this tax incentive will actually bring productions and then I would like to, you know, be a display that, you know, we have young filmmakers such as myself that would love to take advantage of it in the future and continue to bring not just, you know, not just L.A., we don't want to bring them there. We would like to, you know, have our own filmmakers show what we can do from the state as well. So that's really all I have as far as a statement but I'd like to take any questions you might have. [LB99]

SENATOR UTTER: Questions? Senator Pirsch. [LB99]

SENATOR PIRSCH: Yes. How, with these smaller production films, how do you...how does a film...how do you market them to make your money? How do you make your money? [LB99]

JAKE HULL: Well, the best I can explain is on the next film which we intend to shoot this summer in Nebraska, the way that we start the marketing on that is, the film will be immediately distributed in a theatre as far as a very small limited release such as New York, L.A., and, of course, in Nebraska, like Omaha and Lincoln. And then after that, the way we would market it from there, you know, you would be looking at trying to, with the original going to New York and L.A., hopefully, getting a lot of great buzz, that kind of thing, hopefully, the quality of our work shows through. And then we would be picked up by a major distribution company, either released theatres nationwide, or then released DVDs nationwide. [LB99]

SENATOR PIRSCH: I see. And others...are you familiar, you said you were down in Texas filming. Do they have the system of tax credits or is it grants? [LB99]

JAKE HULL: Absolutely. [LB99]

SENATOR PIRSCH: So what do they...how does that compare with what's being proposed here? [LB99]

JAKE HULL: Well, basically in Texas, and I do apologize for not knowing the exact details to theirs, as when I shot there it was really more of a road trip of what I did. But while shooting...or what I know about Texas, basically, Austin has a very large tax community...or excuse me, a very large tax incentive for films to come and shoot down there. The best examples I can give is after they passed theirs, immediately two films were shot there, of which There Will Be Blood and also the Coen brothers' film No Country for Old Men, both of which were shot in the same location in Texas, both generated large amounts of revenue with budgets of...I believe each of them were at a minimum of about \$60 million apiece. And, you know, and they all...both of which were up for Oscar awards and things like that. As far as the exact numbers, I couldn't tell you, unfortunately. I'm sorry. [LB99]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR PIRSCH: No, that's okay. Thank you. [LB99]

SENATOR UTTER: Further questions? Thank you very much, Mr. Hull. [LB99]

JAKE HULL: Thank you for your time. [LB99]

SENATOR UTTER: Further proponents? Are there opponents? [LB99]

ALICE LICHT: Good afternoon, Senator Utter and committee members. My name is Alice Licht, and that is L-i-c-h-t, with the Nebraska Hotel and Motel Association, and we appear in support of this legislation this afternoon for the variety of reasons that have already been given. Film production does promote tourism in the state, brings people in, and it helps the economy. So thank you. [LB99]

SENATOR UTTER: Thank you. Appreciate your short testimony. (Laughter) Further proponents? Welcome. [LB99]

DAVE NICKEL: Good afternoon. My name is Dave Nickel, N-i-c-k-e-l. I represent transportation department of major film productions. And I'm here to tell you that just for your information, last winter, for instance, I built an equipment trailer for the movie industry, 48-foot semitrailer. I had my family involved. It cost...I invested roughly \$30,000 in that, and hoping a movie would come here to Nebraska, it did not, I sold it. My point is, if we can get movies to come to town, like we use Shickley for an example, it's very possible that a lot of times the productions will use a building, work out with their communities, and maybe they will fix that building for them, and in turn, let them film inside the building. That's just one example. This is a very viable industry. It creates very good jobs, very high-paying jobs, and it needs to be thought out very carefully. [LB99]

SENATOR UTTER: Thank you, Mr. Nickel, for your testimony. Questions? If not, thank you very much. Appreciate your testimony. [LB99]

DAVE NICKEL: Thank you. [LB99]

SENATOR UTTER: Further proponents? Opponents? [LB99]

LYNN REX: Senator Utter, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We do oppose LB99 for the same reasons we opposed LB83. I'm not going to go through that same list of information that I did before. But again, we've had over 82 applications for the money that has been available for cities, 33 municipalities have received funding for that. DED has noted on their Web site there's 34, but we only count 33. But at the end of the day,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

these funds were intended to help municipalities across the state of Nebraska to try to provide for them the same kind of atmosphere that Lincoln, or in Omaha, frankly, have been able to accomplish with their projects. We do think it's important. And frankly, I really admire those folks and Senator Coash for bringing this innovative idea forward. We just think that it ought to be done through tax incentives. It should not be done through this program. I mean, there's not enough money here and won't be even with all the added...all the added types of funds which we hope will be coming in, and will be coming in with the Lincoln arena project, and as the Qwest Center project becomes more and more successful. There are other ways in which municipalities could be using these funds for economic development on the local level to do many of the same things that need to be done in their cities that Omaha and Lincoln are doing now. So I'd be happy to respond to any questions. But just, respectfully, would hope that perhaps Senator Coash would look at doing a tax incentive and not actually taking money from municipalities to do this because if there was just so much money nobody knew what to do with it, it might be different. That's not the case here. I'd be happy to respond to your questions. [LB99]

SENATOR UTTER: Questions for Ms. Rex? Not, Lynn, thanks for your testimony. [LB99]

LYNN REX: Thank you for your time. Thanks. [LB99]

SENATOR UTTER: Further opponents? Anyone who wish to testify in a neutral position? Senator Coash, you're free to close. [LB99]

SENATOR COASH: Thank you, Senator Utter and members of the committee. Thanks for your patience today in listening to these folks. I really applaud them. There's great talent and enthusiasm for this industry in our state and that's the reason I brought this bill. I believe this is a jobs bill. I want to repeat something that Michelle said. Two days in Omaha for a two-day shoot, they spent \$109,000. I'm sorry, two days, \$209,000. That's \$104,500 a day that they spent. That's a lot of hotel rooms, that's a lot of meals. We look at return on investment, that's pretty good. And all I'm asking for this committee with LB99 is a chance, is a chance that this industry prove itself. I don't want to give them a blank check. This is our purview to decide if we give it to them. And I believe we have the talent, and I want to give them an opportunity, and that's what this bill does, and I thank you for your time in listening to it. [LB99]

SENATOR UTTER: Senator Louden. [LB99]

SENATOR LOUDEN: Yes. Senator Coash, you said, okay, they were there for two days or whatever. [LB99]

SENATOR COASH: Two days and spent \$209,000. [LB99]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR LOUDEN: One hundred four and a half a day. Now, with... [LB99]

SENATOR COASH: Senator Louden, they just decided to tell you, they spent about...a little over a month across the river too. [LB99]

SENATOR LOUDEN: Okay, but I'm worrying about what they spent in Nebraska right now because Iowa gave it up. (Laughter) The way your bill is set up, then how much of that money would they get back...how would they handle that with their grant funding now? Would they send a receipt to show what they spent for lodging and everything there in Nebraska and get it all back, or how do you handle that? [LB99]

SENATOR COASH: Well, first of all, like I said in the opening, they have to spend all that money up-front and they would only...they may spend \$10 million, but only \$120,000 of it may be approved expenditures through this program. So they would have to spend it and submit under the guidelines of the DED an application for a grant reimbursement for that. And so they may...they'll spend much more than they'll ever receive back and so it will be under specific guidance under the DED of what's qualified to get back. [LB99]

SENATOR LOUDEN: What I'm wondering, you've got \$500,000 or whatever and a million dollar cap. As they start spending this money, how much of that million do they get right away until they...and if they go on up to \$8 million or whatever, I understand they've run past the cap, but I'm wondering is the dollar for dollar grant until the million runs out, then they're on their own? [LB99]

SENATOR COASH: No, it's...they can apply for up to a million but it's not like...it's not like the total budget is going to qualify. Only certain below-the-line spending costs so they might get reimbursed for things like hotel nights or labor and things like that. But they're not going to be able to...we're not going to fund their whole project through the grant, let me put it that way. [LB99]

SENATOR LOUDEN: Okay, because that's what I'm wondering if you're going to be specific on what they can get or can they get a percentage or can they come in here and spend up to that grant level and then move on and do something else? [LB99]

SENATOR COASH: Kind of all the above. [LB99]

SENATOR LOUDEN: And not do that or can they turn in a budget of \$8 million and they're entitled to 10 percent of that or something like that? That's why I'm...it's a little bit hazy on me on how it's all going to be handled, I guess. [LB99]

SENATOR COASH: Well, and part of the...I mean, we've given the Department of

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

Economic Development specifically what can be reimbursed. And we wanted to leave out things like...we didn't want, you know, that somebody to get Jack Nicholson in here and say, we want to use \$1 million for his salary and then he gets...we end up paying a million. [LB99]

SENATOR LOUDEN: We're not talking about salary. I'm talking about car rentals and lodging and that sort of stuff. [LB99]

SENATOR COASH: Right and those are the types of things that would be reimbursable through the grant and then the DED would reconcile after the money is spent how much that they could pay back under those caps. [LB99]

SENATOR LOUDEN: Okay. Thank you. [LB99]

SENATOR UTTER: Senator Adams. [LB99]

SENATOR ADAMS: Thank you, Senator Utter. My life story would be definitely a low budget film. (Laughter) We can define that in a lot of ways. But let me ask what may be kind of an unfair question, but quite honestly it's one that I will have to, as a senator in this committee, resolve. I'm wrestling first of all with whether we could do either one of the bills that you've introduced today. But let's assume that in my mind we can find a little wiggle room, philosophically, financially, to do one. The tough question is, where do you want me to lean? Can't do both. Where are we going to get the most bang for our buck? Your other proponents left, so if you don't want to answer you don't have to, but that, quite honestly, that's one of the several things I'm going to be wrestling with when we Exec on these bills. [LB99]

SENATOR COASH: That's a fair question. And I...and these bills are appropriately scheduled together because should either one of them get enacted, the DED is going to have to make that call. I see..what I see, I mean, it's kind of like the kid in the candy store. I see this pot getting bigger and I see the narrow statutory authority to spend it, and I feel that we can give the DED some tools to stimulate our economy. These are two approaches that I'd like the committee to consider and ultimately the DED to help us prioritize. [LB99]

SENATOR UTTER: Senator Pankonin. [LB99]

SENATOR PANKONIN: You didn't answer the question. [LB99]

SENATOR COASH: No, I didn't, did I. (Laughter) Well, we're on LB99, I'd like to prioritize that one. [LB99]

SENATOR PANKONIN: So LB99 would be your preference? [LB99]

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Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR COASH: Amended into LB83. (Laughter) [LB99]

SENATOR PANKONIN: You're hedging too much. I got another question. Are you going to be in any of these films? [LB99]

SENATOR COASH: They haven't cast any of them yet. [LB99]

SENATOR PANKONIN: Oh, okay. All right. (Laughter) [LB99]

SENATOR COASH: I'll audition maybe and that's up to the casting agent. [LB99]

SENATOR PANKONIN: Well, we know you kind of have the bug, right? [LB99]

SENATOR COASH: I do. [LB99]

SENATOR PANKONIN: All right. [LB99]

SENATOR UTTER: Other questions for Senator Coash? Senator Coash, I think you've done your job. [LB99]

SENATOR COASH: Thank you. [LB99]

SENATOR UTTER: Recognize Senator Dubas to open on LB297. [LB297]

SENATOR DUBAS: (Exhibit 13) Good afternoon, members of the Revenue Committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s, and I represent Legislative District 34. Use it or lose it seems to be the motto these days for us. As we saw last year and throughout the LR542 process, if there are funds that seem to be languishing in agency accounts we need to either move them to a more useful program or make sure they are being used for the intended purposes. Last session there was an attempt to divert a portion of the convention center dollars used in rural Nebraska to the General Fund because it appeared they weren't being used. We fought hard to keep those dollars intact, but my question at the end of that debate was why aren't they being used, and that answer led me to introduce LB297. As we continue to look at eliminating funding to local governments, funds such as the Civic and Community Center Financing Fund will become more important, especially to rural communities. This bill will expand how these funds may be used and include a planning component, ensuring that the funded projects come to fruition and become a benefit to our communities. As we keep hearing, it's about using the dollars we do have more efficiently. Many of our rural communities are struggling, struggling to keep people from leaving, to provide services for its citizens, to maintain the integrity of existing buildings and structures. So while I appreciate the other bills' intent to use these funds to attract tourism, the reality in rural

Nebraska is we are trying to stabilize our communities. Our challenges are many. Providing resources for attractive and functional facilities will go a long way to sustain our economy and hopefully our population base. The original intent of this fund was to provide a balance between rural and urban needs. The large sports arenas, convention centers that suit our larger urban communities well and draw out-of-state visitors are not what works in our small communities. It's not likely that our smaller and more rural communities could economically or in any other way maintain the likes of a Qwest Center. But we do need a means to support projects that do foster the maintenance or growth of our communities. This bill realigns the funds with rural communities' needs yet still gives them the ability to use the fund for a convention center, and those types of projects are explained in the definitions in my bill. One common complaint that I heard about this fund is that it's not really well-known or advertised. So to make the fund more accessible and easier to talk about, the first change is to the name. I feel shortening the name makes it easier to talk about and word of mouth really is the best way of getting information out in rural Nebraska. So while the act was originally enacted as a balance to the convention center funds in Lincoln and Omaha, a convention center is usually not a priority in rural Nebraska, especially when compared to the other needs of our community. We do need community centers but we also need health clinics and assisted livings and those types of facilities. Another important aspect of LB297 is Section 5, which allows the fund to be used to construct new civic centers but also allows for renovation or expansion of existing civic or community centers or to convert or rehabilitate or reuse existing historic buildings. We know there are buildings in our small communities that do have historic relevance, that do have the ability to be renovated if the funding sources can be found. The different uses ensure the fund is used by communities but would not allow a Walmart type of project to use state funds for their own revenue-generating purposes. This provision also takes into consideration the growing importance of green building, reusing existing structures and retrofitting to increase efficiencies. It will also allow dollars to be used for planning purposes, which is a critical component for the success of any project. Another aspect of the bill that makes it more accessible to rural communities includes decreasing the amount of matching funds coming from local sources. Reducing the match from 80 percent to 50 percent hopefully will encourage communities to come together and use their talents to better their community without quite having to come up with those difficult to come by cash expenditures. It's very easy for them to come up with in-kind type donations. Everybody is willing to bring their hammer or whatever is needed in small communities to work on things. It's the cash funding that usually is our biggest challenge. Also, the bill favors projects with completed technical assistance and feasibility studies already done. This again ensures communities applying for these funds will better be able to follow through with the use of those dollars. Existing organizations, such as REAP and Main Street currently assist with these types of planning and studies and provide grants for that type of work. I do know that there is a need for this type of economic help in rural Nebraska. We may not be the right place for large convention centers or sports arenas, but we can support projects that will foster pride and functional uses for our new or existing

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

buildings. By including historical buildings, we can preserve the heritage of our local communities while meeting the practical needs of our citizens. I do also have a letter of support that I'd like to enter into the record from Mr. Caleb Pollard, who's the executive director of the Valley County Economic Development and Ord Area Chamber of Commerce. He has really done a...he works really hard for his area and he is supportive of the efforts that I'm putting forward in this bill. So I'd be happy to answer any questions you may have. [LB297]

SENATOR CORNETT: Questions from the committee? Senator Louden. [LB297]

SENATOR LOUDEN: Yes, thank you, Senator Cornett. Senator Dubas, as I look through your bill here, you have...you mention civic centers, facilities used for conventions, meeting and cultural events, and also what a residential area is and perhaps a historical building. Anyway, in Ellsworth, where I live, we got a community bowling alley was put in. Used to be a rifle club, then it changed to a bowling alley over the years. Nobody wanted to shoot people anymore, so they started (laugh) using bowling balls. Anyway, it's not exactly private. It's community owned. Been put in and all that. Would they be eligible to get a grant? They're going to need a new roof and some work done. The way your bill is written, would they be eligible to get any grant funding to do that? [LB297]

SENATOR DUBAS: To keep it as a bowling alley or to use it more as a... [LB297]

SENATOR LOUDEN: Just to repair the building and fix it up I mean. [LB297]

SENATOR DUBAS: I think, depending on what they would plan on using that building for, it is a community building. [LB297]

SENATOR LOUDEN: Well, it's a community building. Yeah, there's no particular owner whatsoever, and that's been kind of the problem over the years. Nobody actually owned it. It's just the community owns it. [LB297]

SENATOR DUBAS: Currently, the money that has been used from this project has built community centers in our small communities. [LB297]

SENATOR LOUDEN: Well, yeah, but usually they had to be a municipality or they had to be an incorporated town or something like that. See, this is in an unincorporated town and it's just a community building. [LB297]

SENATOR DUBAS: But it's the community that maintains it? [LB297]

SENATOR LOUDEN: Yes. [LB297]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR DUBAS: So I mean just on the surface it sounds like they may qualify, but I suppose when you get down to the specifics it... [LB297]

SENATOR LOUDEN: But I mean the way the DED is now it won't qualify, and that's why I'm wondering if you've done anything different to help some of these smaller towns qualify that aren't an incorporated town. [LB297]

SENATOR DUBAS: By expanding to allow the use of existing buildings, I think that may take it in. There would also be, if they wanted to do some planning for what types of things that building could be used for, they would be able to, I would think, get funding for the planning purposes. [LB297]

SENATOR LOUDEN: Does there have to be anything amended into this to specify something like that or do you think it's written...that the way it's written would cover it? [LB297]

SENATOR DUBAS: I mean I'd be very willing to sit down and talk to you so we're fully understanding what it is that we're trying to address here, but I think that by expanding the allowing the use of this money to be used on existing buildings could probably take your concerns into consideration. [LB297]

SENATOR LOUDEN: Okay. Thank you. [LB297]

SENATOR CORNETT: Further questions? Seeing none, thank you. First proponent. [LB297]

J.L. SCHMIDT: (Exhibit 14) Good afternoon, Senator Cornett, members of the Revenue Committee. My name is J.L. Schmidt, that's J.L. S-c-h-m-i-d-t. I'm the executive director of Heritage Nebraska, a statewide, not-for-profit citizens organization that promotes heritage in order to build stronger communities and maintain the essential character of Nebraska. I'm here to support LB297, the Civic and Community Center Financing Act. The changes proposed by this bill may seem relatively simple; I think the impact on rural Nebraska will be great and that's a good thing. As a native of the Nebraska Panhandle who now runs a statewide program, I'm keenly aware of the disconnect of large portions of greater Nebraska from the things that always seem to benefit Lincoln or Omaha. LB297, as did the original turnback tax before it, has gone a long way toward getting the entire state into the game. The bill as proposed clearly supports the original intentions of the measure by focusing on projects that attract new civic, cultural, and convention activity to Nebraska, but it also helps greater Nebraska by fostering maintenance or growth of communities. That's an activity that doesn't necessarily take a convention center to accomplish. I like the definition of community center as the "traditional center of a community, typically comprised of a cohesive core of residential, civic, religious, and commercial buildings arranged around a main street and intersecting streets." That

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

sounds like many a small Nebraska town and allows for some leeway and creativity in applying the funds to projects that will benefit the entire community. In many cases, these projects could be more relevant than the construction of a public auditorium or performing arts or civic center and have a greater impact on community survival or growth. I'm especially pleased with the inclusion of the definition for historic buildings, such as those eligible for or already listed on the National Register of Historic Places and clearly defined in the Secretary of the Interior's standards. Heritage Nebraska first became aware of some missed opportunities while compiling a photo gallery a year ago of turnback tax recipients. In many cases, these buildings alone can serve as the catalyst for viable economic development in a community. As an added bonus for developers, income-producing buildings listed on the National Register are eligible for a 20 percent federal income tax credit. In many cases, that can make the difference for a developer who wants to celebrate existing building stock. Several buildings in the last round of awards from the Local, Civic, Cultural, and Convention Center Financing Fund are on the National Register. The Carnegie Building in Beatrice, the Opera House in Clarkson, the Community Theater in West Point are all listed on the register. As proposed in LB297, funds could be used for the renovation or expansion of existing civic or community centers or the conversion, rehabilitation or reuse of historic buildings. Working with Heritage Nebraska and our partners, the State Historic Preservation Office, National Trust for Historic Preservation, these buildings could become viable anchors for community development and growth. It is important to note that in Nebraska the average cost for renovating an existing historic building is \$90 to \$125 per square foot, while building a new building of the same size and quality is \$175 to \$250 per square foot. Consider the savings to the communities. Heritage Nebraska currently offers technical assistance and brokers trained experts in project planning to many Nebraska communities. In addition, funding for and hands-on training and feasibility studies is also available to communities through our partnership with the National Trust. LB297 proposes to give preference to projects with completed technical assistance. On behalf of Heritage Nebraska, I'm pleased to tell you we bring that technical assistance to the table. Any questions? [LB297]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB297]

J.L. SCHMIDT: Thank you. [LB297]

SENATOR CORNETT: Next proponent. [LB297]

LYNN REX: Senator Cornett, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We strongly support this measure. We think that this bill underscores the original purpose for which these funds were intended. In addition, I want to just underscore a couple of things here. Senator Dubas, we thank you for bringing this bill. Also mentioned, the issues about why weren't

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

some of the funds going out? And you may remember that during the debate on LB779, which is a sports arena bill that was passed last year, there was discussion because in 2009, as of November 30, 2009, there's approximately \$1.8 million available in the fund and 26 municipalities applied for that, 7 more municipalities were funded at that point. Only \$455,000 of that money was used and then lots of questions were why isn't that money going out; it's sitting over there, why isn't it going out? Senator Pirsch raised questions, several of you raised questions, and I don't know if DED heard that or if our cities, in our efforts to try to educate cities on what the requirements were for funding became more profound because we always tried to educate our members in two or three conferences a year on what these funds are for, how to use them. But in 2010 there was \$1.1 million available and \$1.1 million went out the door. So it's basically...I'm not going to give you the exact numbers, but that's roughly what the numbers are. There were 24 municipalities that applied in 2010. They awarded six more projects basically using up those funds. So in essence, there will be more monies coming into this fund. We think it is important to broaden the purposes and I think in a very limited way, and that's what this bill does and it just underscores the need for what this was intended to do in the first instance, which is again these buildings across the state of Nebraska in some of our smaller cities. And we have 498 municipalities with a population of less than 5,000. We have 530 cities, 498 of them are less than 5,000. They have needs out there and as our public dollar is becoming tighter and tighter, these funds become more and more important. I'd be happy to answer any questions you might have. [LB297]

SENATOR CORNETT: Senator Fischer. [LB297]

SENATOR FISCHER: Thank you, Senator Cornett. Thank you, Ms. Rex, for being here. On this bill, when we're talking about the civic and community centers, we're talking about historic buildings, under this bill would they have to be owned by the municipality? [LB297]

LYNN REX: Yes, they do. These are... [LB297]

SENATOR FISCHER: This would not be any private ownership receiving these funds. [LB297]

LYNN REX: No. And I verified that with Senator Dubas to make sure that was her intent as well. But that's how we read the bill and that's what we think the bill says. [LB297]

SENATOR FISCHER: Which is it's...I guess it meets what the previous or what the current law is with this, too, that the money goes... [LB297]

LYNN REX: That's correct. [LB297]

SENATOR FISCHER: ...to the municipalities, not to private correct? [LB297]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

LYNN REX: That is correct. [LB297]

SENATOR FISCHER: Okay. [LB297]

LYNN REX: These are municipally owned buildings. [LB297]

SENATOR FISCHER: Great. Thank you. [LB297]

LYNN REX: Thank you for the question. [LB297]

SENATOR CORNETT: Senator Adams. [LB297]

SENATOR ADAMS: Lynn, this is, as I was reading it, it seemed to me to also fall right in line with the original intention... [LB297]

LYNN REX: Definitely. [LB297]

SENATOR ADAMS: ...of where we went with this money. What I was surprised about was I thought some of these things could already be done under existing programs, renovation, that kind of thing. [LB297]

LYNN REX: You mean under the existing law, same statutes? [LB297]

SENATOR ADAMS: Convention, right. [LB297]

LYNN REX: Some of them can already be done. One of the concerns I think that municipalities had across the state in applying for these funds was how DED was interpreting that. I'm not criticizing DED. I think they were well-intended in how they viewed it. We just thought that they were perhaps too restrictive. And again, that's why I don't know whether or not from 2009 to 2010 you went from having \$1.8 million available in 2009 of which only \$455,000 was awarded to 7 projects when 26 applied or when you look at 2010, 24 applied for \$1.1 million and roughly \$1.1 million went out the door. So I don't know if it's just because our cities...and maybe it's a combination of both, that DED was more liberal in how they read the bill, read the legislation, and/or cities also were doing a better job and villages of making those applications. But we can tell you there are many, many municipalities out there prepared to make more applications and we think this definitely is in keeping with what the intent was of the original bill. [LB297]

SENATOR CORNETT: Further questions from the committee? Seeing none, thank you. [LB297]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

LYNN REX: Thank you. [LB297]

SENATOR CORNETT: Further proponents? Opponents. Neutral? Senator Dubas, you are recognized to close. [LB297]

SENATOR DUBAS: Thank you very much, committee members, for your attention. And I'm sorry to Senator Louden that I didn't quite track with your question and I think Ms. Rex clarified that this is for municipal use, that there's no intention that these dollars go to private businesses. This fund was created for that very specific purpose and that's where we want to keep it. I appreciate both Senator Fischer and Senator Adams' questions. I think by us being very specific about the types of projects that can qualify for these dollars will not give DED any ability to question what qualifies and what doesn't. And I think especially including the historic building component is very important because we do have some communities that have some very beautiful historic buildings that are hoping that they can maintain them in some way, shape or form. So I just felt after the debate that we had on the floor last year, it's, you know, if we aren't willing to step forward as Nebraskans in general but especially as rural Nebraskans to say, you know, we have a lot to contribute, too, you know, we aren't of the grand scale, but we still do have the ability to contribute. And anything that we can do to support the efforts of our local municipalities will pay dividends, not only in the local area but to the state in general. So I want to make sure that our communities know about these dollars and, obviously, by the information that Ms. Rex gave, that information is getting out there. I'd like to see a waiting list for these dollars. But if we keep it strictly for the building of community centers, there's only so many community centers every little town can have. And so if we are able to expand the use in the way that this bill outlines, I think more communities will step up and use these. We know that the potential for growth in these revenues is definitely there once the Lincoln arena gets up and running. So it's my intention to make sure that we have something in place that allows our communities to take full advantage of that growth in revenue and uses the money for the purposes intended. So I appreciate your questions and be happy to answer anything else you might have. [LB297]

SENATOR CORNETT: Senator Fischer [LB297]

SENATOR FISCHER: Thank you, Senator Cornett. Thank you again, Senator Dubas. On page 8, when it talks about the project planning, a project with a completed technical assistance and feasibility study will get preferred status, can you explain what your intent is on what that technical assistance and feasibility study is supposed to be? [LB297]

SENATOR DUBAS: That type of planning is to make sure you understand what you're getting into when you're planning to either renovate or build a new building, so just kind of that feasibility type study as far as what's it going to take to get this building where we

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

need it to be, is it a realistic plan and are we going to be able to support it once it's in place? And so there are grants and money available to help communities do that. But we did expand this bill and you would get bonus points if you already had that component in place, because I think that's just an assurance for the state that you've done your due diligence. You're asking for state dollars so you want to make sure that you're going to be putting those dollars in the right place. So while this bill does allow for some of this money to be used for planning, you're going to get extra points by already having that component in place. [LB297]

SENATOR FISCHER: Okay. Thank you. [LB297]

SENATOR CORNETT: Further questions? Seeing none, thank you. Senator Pirsch, you're recognized to open on LB608. [LB297]

SENATOR PIRSCH: Thank you, Madam Chairman, members of the committee. And just to...a clarification, Madam Chairman, would you like me to touch upon both LB608 and LB666, the next bill, together, since they're similarly related in an effort or...? [LB608 LB666]

SENATOR CORNETT: That would be fine, Senator Pirsch. [LB608 LB666]

SENATOR PIRSCH: Okay. Very good. Then I will begin my introduction as State Senator Pete Pirsch, that's P-e-t-e P-i-r-s-c-h, for the record, the sponsor of both bills, LB608 and the heavenly LB666. And I think it's appropriate to consider both bills at once. There is a common element that runs through both and that is not a new element. It's an element that I've been kind of harping on in this committee since I've come to it, and that is with respect to the Qwest Center, the monies, revenues generated through the Qwest Center. And that is an effort to have it built, the general rule was everyone everywhere pays their sales tax into the state. But there was put forward a special opportunity in the '90s that we can do something in Omaha that, since it's a unique environment, that...but we need to break the usual rule where everyone everywhere pays on the sales tax. We need to be able to take a portion of our sales tax to pay off the bonds for the construction of this building, but it's going to be a win-win, outside dollars, that kind of thing. Well, there was a compromise that resulted and the thought was that other areas of the state would be...other than areas that would have these convention centers would actually still have to pay in their sales tax. So the compromise was a 30 percent figure would be designated for areas outside of these centers. And I think at the time there was not as much thought or little thought...not as much thought, we'll put it that way, as to what these...how these dollars are going to be spent in the 30 percent category and more focus on getting the 70 percent spent. And so I think the bills that you've heard today kind of reflect what I've been talking about in past years that I think we need to focus on how...the highest uses for that 30 percent. And I've got the two bills. One of them just infuses the same element that goes through which is, just

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

use that 30 percent for the highest uses possible. And so that element is in both bills. Now in the second bill, I...and I'm talking in reference to LB608, I like the earlier bills that have been brought forward here reallocate, have a specific usage for that 30 percent which you put forward. I think it's up to this committee to decide what an appropriate reallocation home would be, but I think it's pretty clear underlying all of these bills that we've heard today is that there is a big concern that these monies are not perhaps allocated in all cases, or in a large amount of the cases, in highest usage. When you talk about the uses now, you're talking about the permitted uses right now of these...I'll call them, we'll say it once, Local Civic, Cultural and Convention Center Financing Funds, LCCCCFF. You're talking about many instances communities committing to projects that then they're going to have to staff for many, many years afterwards with...and communities just don't find in many areas of the state those appropriate. And so the underlying premise is, let's give it to the Department of Economic Development to decide where the biggest bang for the buck can come from these dollars and to leave it, though, to the places, the geographic areas that currently the monies are still intended to be spent. Leave that, but perhaps allow those small communities, those rural communities oftentimes more flexibility in the way that they can accept those monies so that they can make the maximum bang for the buck. You know, I'm not sure that renovating...and it could happen in a certain percentage of it, renovating the town hall or a cultural center is what an 18- to 21-year-old person in their town says, that's what I need to stay here. But in many instances when they're considering going to Denver or (inaudible), it's a job they want, not a new roof on a city hall. And so on that basis, that would be the entirety of the idea under LB666. LB608, like the other bills you've heard here today, attempts to give a home to these reallocated monies in part, in part. And this is from not yet a different problem that we have encountered over the last couple of years where we've had city administrators from certain municipalities who participate in the Nebraska Advantage LB775. And these individuals say because of the local option sales tax, redemptions that we've had through...we have really little control of that and when they hits, for instance, I think Sidney indicated that 40 percent of their local option sales tax had been taken under that. And so I was...in LB608 there's an effort to find a way to smooth out those rough years where there's a high redemption and so it sets up two mechanisms in LB608 and one of which is, you have to hit a certain threshold of redemptions that's 5 percent of your local option sales tax being redeemed upon, and that makes you an eligible community to apply for a loan. There would be a revolving loan set up under this...partially in early years funded by this, by the Qwest Center 30 percent, and communities could apply for loans. They'd have to repay them with interest. The second part is if there's a super critical level of redemptions and as a placeholder, the bill holds it, I think, 12 percent, you have the possibility to go to the Department of Economic Development and at least you are permitted to, although it is not required for the department if they feel like giving you a grant is appropriate, then they can do so. And so it...that's the two facets of LB608 intended to smooth out the ups and downs, the vicissitudes of Nebraska Advantage in LB775. The...again, I think probably the emphasis of this committee would be more on LB666, just the stark, simple

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

concept of letting the monies go through one entity that...see we can do it ourselves. We can piece it out. The problem is economic development bills, and I've said this on the floor before, go to a broad number of committees. Right? And I don't know that we have a comprehensive game...cohesive game plan when it comes to even requiring...you know, with the bills that go through. What is the return, you know, projections, and it's not a very business-like type of fashion, but I think at the end of the day that's a very important if not the prime factor in determining economic development programs. And so I think it's better to have one uniform place where...who has the skills, the resources, the expertise. And the political, you know, if the Department of Economic Development reports to the Governor, and so it's...there's a chain of command where policies, comprehensive policies can be put into place. I think that it was brought up earlier today, we need to have some sort of...and this may be a little bit far afield on it, but just having a...by the way I'll wrap up here in just 30 seconds. But I just wanted to say that there was a good comment here that just said, we need to know what bang for our buck is coming in for all of these programs. And so I think by routing it into one entity, that's the best we can hope for. If not, we legislators should have put into play some sort of comparison or parameters as far as comparing programs, you know, one spending proposal versus another spending proposal so that we know apples to apples what we're getting. I'll open it up to questions at this time. [LB608 LB666]

SENATOR CORNETT: Senator Adams. [LB608 LB666]

SENATOR ADAMS: Thank you. Senator Pirsch, as parochial as this question may seem, coming from a small community I've got to ask and I think you did answer for me during your testimony, but you're not in any way thinking about taking that 30 percent and allowing a Lincoln or an Omaha to also reach back at that 30 percent are you? [LB608 LB666]

SENATOR PIRSCH: Yeah, let me be explicitly clear, absolutely not. That is...this was not the deal that was struck and that...I mean, there was a quid pro quo and so at this point in time I think would be duplicitous to go back and take those monies from the areas in which were promised the money. So this is the same geographic areas that were eligible for the LCCCCF Fund, you know, that 30 percent. I'm just saying, I'm just joining, echoing the theme, let's broaden out the uses in those areas so that you can have more bang for your buck, more flexibility in the way those communities want to use their dollars to achieve jobs. And my fear is that if we do it ourselves, if we...I mean, that's why I favor the LB666 in putting one place in charge of allocating is, they have better resources at the Department of Economic Development than we sitting here hearing some of the economic development bills as we do things piecemeal. They have better resources to know what those bang for the buck is. I mean, that's the argument. I mean, we can certainly go down the path of allocating them towards specific, you know, bill introduction by bill introduction ideas, but I think having a uniform policy to me is more important. [LB608 LB666]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Revenue Committee
February 25, 2011

SENATOR CORNETT: Senator Utter. [LB608 LB666]

SENATOR UTTER: Senator Pirsch, one of the bills refers to making grants... [LB608 LB666]

SENATOR PIRSCH: Yes. [LB608 LB666]

SENATOR UTTER: ...to cities that are pretty hard pressed. On what basis can we justify actually making grants out of this to cover the repayment of sales tax monies? [LB608 LB666]

SENATOR PIRSCH: Well, I'd have to liken the approval of a grant as a Hail Mary application. First of all, you have to hit some...it doesn't, it doesn't...I guess what I would say is it doesn't preclude the possibility of it, however unlikely, of some...if some, and I can't even think of an instance, injustice occurs as a result of particular situations. It certainly doesn't require but the Department of Economic Development, which is a different entity, can look at it and you can come talk to them and say, technically, I can apply to you for a grant since I had over a 12 percent threshold of redemption. Is it likely the department is going to...I mean, they're going to...what it comes down to is, they're going to weigh the expenditure of that dollars versus the throng of other applications saying, you can get more bang for the buck as opposed to that. And so you're right. I mean, I don't think it's probably a high likelihood that they'll be successful but it doesn't absolutely preclude somebody who had an 80 percent redemption. And you know, this is all hypothetical from having, maybe it's a penny on the dollar kind of thing. Okay, you're out \$80 million or whatever, we'll give you, you know, \$3 million back or something like that. So, again, I probably am not going to emphasize the LB608 approach which is, again, more like the bills that we've heard here earlier today which is suggesting a particular usage, which in this case is smoothing out Nebraska Advantage in LB775, which in the past testimony, you know, people have come before this committee and said, please help me find a way for my community to deal with it. I mean, that's putting those dollars to work in a specific way. Again I think it's probably a better approach than LB666 to just leave that up to a uniform Department of Economic Development. [LB608 LB666]

SENATOR CORNETT: Further questions from the committee? Seeing none. [LB608 LB666]

SENATOR PIRSCH: Thank you. [LB608 LB666]

SENATOR CORNETT: First proponent. [LB608 LB666]

LYNN REX: Senator Cornett, members of the committee, my name is Lynn Rex, L-y-n-n

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R-e-x, representing the League of Nebraska Municipalities. And if I understand Senator Pirsch's opening, you prefer LB666 to the other proposal, is what I understood you to say. We support the concept of that, if for no other reason than the monies stay with municipalities and the needs out there are great. I'd be happy to respond to any questions you might have. [LB608 LB666]

SENATOR CORNETT: Seeing none, thank you, Ms. Rex. [LB608 LB666]

LYNN REX: Thank you very much. [LB608 LB666]

SENATOR CORNETT: Further proponents? Opponents? Neutral? That closes the hearings...oh, I'm sorry. Senator Pirsch. [LB608 LB666]

SENATOR PIRSCH: No, I think I've said all I can say. [LB608 LB666]

SENATOR CORNETT: All right. That closes the hearings for today. No Exec Session. [LB608 LB666]