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Transcriber's Office

Executive Board Committee
February 19, 2013

[LB609 LB612 LB613]

The Executive Board of the Legislative Council met at 12:00 p.m. on Tuesday, February 19, 2013, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB609, LB612, and LB613. Senators present: John Wightman, Chairperson; Bob Krist, Vice Chairperson; Greg Adams; Kathy Campbell; Mark Christensen; Russ Karpisek; Steve Lathrop; and Heath Mello. Senators absent: Bill Avery and Ernie Chambers.

SENATOR WIGHTMAN: We'll go ahead and get started. Welcome to the Executive Board committee hearing. My name is John Wightman; I'm from Lexington, Nebraska, and represent the 36th Legislative District. I serve as Chair of the Executive Board. We will take up the bills in the order posted. Our hearing today is your public part in the legislative process. This is your opportunity to express your position on the proposed legislation before us today. To better facilitate today's proceeding, I ask that you abide by the following procedures. Number one, please turn off your cell phones or silence them. The order of testimony: the introducer, proponents, opponents, neutral, and then closing. Testifiers sign in and hand your sign-in sheet to the committee page when you come up to testify. Spell your name for the record before you testify. Be concise. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand it to the page for distribution to the committee and staff. We will need 13 copies. If you have written testimony but do not have 13 copies, please raise your hands so the page can make copies for you. If you do not wish to testify but would like your position to be part of the record, you can sign the form found at the testifier's table by the testifier's sign-in sheet. To my immediate right--I'll make introductions--is committee counsel, Janice Satra. To my left is committee clerk, Natalie Schunk. Further to my right is the page who will be serving us today, Tess. The Executive Board members with us today beginning...I'm going to have them introduce themselves, beginning to my far left we'll start with Senator Christensen.

SENATOR CHRISTENSEN: Mark Christensen from Imperial, District 44.

SENATOR LATHROP: Steve Lathrop, District 12, Omaha, Ralston, Millard.

SENATOR KARPISEK: Russ Karpisek, District 32, from Wilber.

SENATOR WIGHTMAN: And we'll start over to my far right.

SENATOR CAMPBELL: I'm Kathy Campbell, District 25, east Lincoln and eastern Lancaster County.

SENATOR ADAMS: Greg Adams, District 24.

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

Executive Board Committee
February 19, 2013

SENATOR KRIST: Bob Krist, District 10, Omaha and Bennington and unincorporated parts of Douglas County.

SENATOR WIGHTMAN: Thank you. We are lacking about three members I guess, but hopefully they will be here before we finish. We'll take up the bills today in the following order: LB609, Senator Pirsch, create the Nebraska's Emerging Future Subcommittee of the Legislature's Planning Committee.

SENATOR PIRSCH: Well, thanks for having me back, Chairman Wightman, members of the Executive Board. I am, for the record, State Senator Pete Pirsch, P-i-r-s-c-h, and I am the sponsor of LB609. I'll just talk about what LB...the background environment. As we know, and I serve on Revenue Committee, I'll just give that as a predicate for those who don't know, but we have had, with the introduction of LB405 and LB406, brought kind of the issue to a head of...the issue of our tax structure in the state. Can and does that in and of itself lead to economic development or lack thereof? Not the amount of taxes, but rather the structure itself. And so I think that...we've been looking at that and there's been a lot of talk about that. LB609 creates Nebraska's Emerging Future Subcommittee. The subcommittee will be composed of all members of the Legislature's Planning Committee, and as ex officio members the chairpersons of all of the Legislature's standing committees. LB609 directs Nebraska's Emerging Future Subcommittee to issue a report in even-numbered years that may include an analysis of the current tax structure, as well as alternative tax structures. And possible legislative proposals would then flow from the subcommittee to achieve what they feel is more beneficial outcomes for the people of the state of Nebraska. So that's one side of the coin that we have talked about with LB405 and LB406, which deals with the tax structure issue. But there's equally important the flip side of that coin and that is tax incentives and other programs or services enacted for the purpose of economic development. We have a ton of them. And I don't think you consider one side of that in the abstract because they're interrelated and you have to look at the effective taxes that flow from both sides of the coin. So in addition, the report and what the purview of this Emerging Future Subcommittee would be to be...it would include a cost-benefit analysis of programs or services enacted primarily for the purpose of economic development and may also assess whether such programs and services are consistent with a unified strategic economic development vision as identified in the 2010 Battelle study. The report may also include any legislative proposals to expand, reduce, or eliminate state funding for programs or services for economic development. So that's the plan in a nutshell. I think it's important that this committee that's meeting to assess, not just the tax structure, is it working for the state of Nebraska, should it be changed for the purpose of economic development, but also how the tax incentives and other programs interrelate with that tax structure to give an overall effective rate. And that may change what at first blush may be the appearance of our tax structure. I think that those type of activities have to go on, on a regularized basis and within the context of a unified, uniform, strategic, long-term tax policy; not just happen, I think it does happen now a

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

Executive Board Committee
February 19, 2013

little bit more piecemeal than what we would like without regard sometimes to how does this particular legislative tax bill, whether it's an incentive or shifting a tax, fit within a larger picture of what we should be doing or shouldn't be doing. And so this subcommittee will help give structure and good process to the situation, and not just floating along but it will be meeting on a regularized basis procedurally. And so over the course of time we have that kind of guidance. With that, I'd open it up to any questions anybody has. [LB609]

SENATOR WIGHTMAN: I have one. Senator Pirsch, have you visited with the Chair of the Planning Committee and do you know what his position is on this? [LB609]

SENATOR PIRSCH: Well, I appreciate the question. Yes. With respect to have I talked to the Chairman of the Planning Committee, I have. And after having met with him, what my goal was, was to utilize existing structures rather than reinvent new structures and overlay new organizations on top of old ones. And that's why you see it contained. Senator Harms had informed me that he did have a subcommittee that was dealing with economic development issues, that currently it was Senator Sullivan, who is the chair of that subcommittee. Having met with both him and her, I determined that that would be the best fit. What they're currently doing seems to be a good mesh for what I'm proposing in this bill. [LB609]

SENATOR WIGHTMAN: Thank you, Senator Pirsch. Senator Adams. [LB609]

SENATOR ADAMS: Thank you, Senator. Senator Pirsch, when the Planning Committee was created, one of my concerns, which has not come true and I'm glad, but one of my concerns was that in their efforts to plan that they would begin to develop policy direction in the area specifically I was concerned about education, but now we're looking at revenue and other areas, and there would be entirely too much commingling of the Planning Committee and the jurisdiction of committees. That hasn't happened. But it looks to me as I read the bullet points here that that is what's going to happen with your proposal, or am I reading it wrong? [LB609]

SENATOR PIRSCH: And I appreciate that and I think by using the term "commingling" am I reading what you worry about is two different tracks or duplication or two different sets of committees setting off down the same road of determining policy? [LB609]

SENATOR ADAMS: Yes, but even more specifically it would be my concern if I were chairing a committee, and I'll go back, if I'm chairing the Education Committee, I want to see the data that the Planning Committee puts together. But what I don't want from them are policy initiatives, educational policy initiatives. That to me is the domain of the Education Committee. [LB609]

SENATOR PIRSCH: Okay. So you like the study part. It's the legislative proposals that

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

Executive Board Committee
February 19, 2013

would emanate from the subcommittee that you would be (inaudible). You think that the recommendations should flow to some subject matter jurisdiction committee? [LB609]

SENATOR ADAMS: Even more than that. I guess what I'm wrestling with bottom line is using the Planning Committee, as I believe it ought to be used, versus using the Revenue Committee in the way that I think we intend for the Revenue Committee to be used. [LB609]

SENATOR PIRSCH: Yeah. I should remind you, though, it is not within the province of the Revenue Committee to set economic development policy, and that's exactly the problem. It is my Banking and Insurance Committee that has subject matter jurisdiction of all that, and that's the problem. We already have fragmentation across many different committees. It is the Banking and Insurance that approves the director of Economic Development, etcetera. We have the...we do have the Revenue Committee, which is assumed to be having jurisdiction because so much of what they substantively do deals...of economic development measures deal with taxes. But having served on Government, Military and Veterans Affairs, we're doing a little bit of that. There's quite a large...that's the whole point. We are fragmented and we are doing things piecemeal as it exists already. And it is technically the way we have structured ourselves not the duty of the Revenue Committee to have subject matter jurisdiction of that, but Banking and Insurance. So I appreciate your point and there is a balance there. So if at the end of the day this committee determined that the value of having this comprehensive look should be led by either Banking, Insurance or Revenue, augmented by whichever as ex officio members, chairpersons of the standing committees, so that we're not overlooking anybody. And they all are, to some...when I was on Government, Military, the BRAC issue was very much phrased in terms of we need to spend money for economic development. You understand the importance of STRATCOM to the state and how much money it was creating. And so including those ex officio chairpersons I think is important. Revenue Committee, Banking, Insurance, however you want to structure. I'm not as hung up on, and I'll defer--there are a lot of committee chairs here--the structure that you feel is best in terms of making sure we're not overlapping jurisdictions and that there's clear lines. And in terms of proposing legislation, maybe we could funnel it to whomever you felt then was the appropriate entity to best bring forward those overall. But I do want to point out we are highly fragmented right now and we approach all these issues piecemeal. When it comes to tax issues, yes, the Revenue Committee is getting that, but not all tax issues. TIF goes to Urban Affairs, I might point out. And there's been jurisdictional friction, shall we say, over the years, as you're (inaudible). So I just think that if we could figure out a way where we had certainty in terms of planning, overall strategic planning, that's the goal out of this and on a routine, regularized basis. [LB609]

SENATOR ADAMS: Thank you. [LB609]

SENATOR WIGHTMAN: Any other questions? Thank you, Senator Adams and Senator

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

Executive Board Committee
February 19, 2013

Pirsch. [LB609]

SENATOR PIRSCH: Is that all you have? [LB609]

SENATOR WIGHTMAN: Do we have any other proponents of LB609? Do we have anybody in opposition to LB609? Do we have anybody wishing to testify in a neutral capacity? Seeing none, do you wish to enter any closing? [LB609]

SENATOR PIRSCH: No, I think I mentioned I'm going to work with the committee. [LB609]

SENATOR WIGHTMAN: Okay. With that, we'll close the hearing on LB609 and take up number two, LB612, Senator Schumacher. You have both of the next two. [LB609]

SENATOR SCHUMACHER: Thank you, Senator Wightman, members of the committee. I'm here, I'm Paul Schumacher, P-a-u-l S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature and here today to introduce LB612. LB612 deals with reports on certain economic development programs, such as the Nebraska Advantage Act, Advantage Rural Development Act, Advantage Microenterprise, Advantage Research and Development, Employment and Investment Growth Act, Invest Nebraska Act, Quality Jobs Act. In all of those acts, the Department of Revenue is instructed to make a report to the Legislature. And it submits its report annually to the Legislature on the progress of those programs. Those programs, unlike the programs on the other side of the ledger where appropriations are made and reviewed and hearings conducted on an every two-year basis in order to develop a budget, are enacted and remain on the books, expending tax money by not collecting it in the beginning. What this does is it just augments the process slightly. Not only does it ask the Revenue Department to submit an annual report on these various programs, but to also sit down with the Revenue Committee and the Appropriations Committee and have a discussion about the programs and how they're working so that we can make a proper evaluation of whether or not they are working, whether or not their operation is wise, whether or not we can do something to tweak them, whether or not they should be abandoned. And those are things that need the give and take of an open public hearing in order to determine. It also has a provision that allows for a request to be made for more information should that be deemed necessary by members of the panel. So it's a reasonably simple, reasonably inexpensive thing. I do understand that the Tax Commissioner has a slight bit of heartburn with the date of July 15. It conflicts with the date that they have to have some other information to us and have no problem with changing that particular date to a more convenient date down the road, you know, another 30, 45, 60 days from that date. But the idea is to bring these programs into a discussion stage so we can evaluate them. I think it's also important because we are term limited and going to stay that way, an important opportunity to learn about the programs for the new people elected to the Legislature so that they can begin an

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

Executive Board Committee
February 19, 2013

evaluation process. And so a very simple bill, just simply saying come talk to us once every two years to the committees that are vitally involved in these, the Revenue Committee and the Appropriations Committee, because we'd like to really get a handle on these numbers, what's going on with these things. And we very well would not be finding ourselves in a situation where we are maybe today when you have good-faith estimates on the productivity of some of the programs, going from producing a job for every \$11,000 was one very good-faith estimate that I heard, to a speculation that it could very well be as much as six figures per job produced. And quite frankly, we need to have answers to that and know which of these are productive and not productive. And that would conclude my opening remarks. [LB612]

SENATOR WIGHTMAN: Thank you, Senator Schumacher. Do we...yes, Senator Mello. [LB612]

SENATOR MELLO: Thank you, Chairman Wightman, and thank you, Senator Schumacher. Thank you for bringing this bill. Obviously as a cosponsor, you obviously know I'm supportive of the concept, and I wanted to thank you in the sense of I know the conversations that were had last year between members of the Revenue Committee and members of the Appropriations Committee and looking for ways to bring those two committees together on a more semi-regular basis to discuss the intersection of fiscal policy as well as tax policy and this looks to be a first good step in regards to being able to do that on an annual basis. So I applaud you for bringing this bill forward. Thank you. [LB612]

SENATOR SCHUMACHER: Thank you, Senator Mello. [LB612]

SENATOR WIGHTMAN: Thank you, Senator Mello. [LB612]

SENATOR LATHROP: Something very simple, Senator. We have a letter from Doug Ewald that says...he requests that we move the report date to September 1, and you said you're flexible. Is September 1 okay with you? [LB612]

SENATOR SCHUMACHER: There's no magic in the July 15 number. [LB612]

SENATOR LATHROP: Okay. Okay. Just wanted to make sure if we amended that that works for you. [LB612]

SENATOR WIGHTMAN: Thank you. Senator Campbell. [LB612]

SENATOR CAMPBELL: Thank you, Chairman. I, too, would like to add a note of appreciation for pulling all of these together at one time. That is exactly what we did with all the child welfare bills last year in the Legislature is we called for all the reports to come together. And what's really helpful is then you can see them and see where

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

Executive Board Committee
February 19, 2013

there's an overlap or a duplication and where changes need to be made. So having them all come in at once, whatever that date is, is good because then you see the total picture; and sometimes that's what's been lacking. [LB612]

SENATOR WIGHTMAN: Thank you, Senator Campbell. Do we have anyone else? If not, you can be excused and we'll have anyone else who wants to appear as a proponent of LB612. [LB612]

RENEE FRY: (Exhibit 1) Good afternoon, Chairman Wightman and members of the Exec Board. My name is Renee Fry and I'm the executive director of OpenSky Policy Institute, a nonpartisan organization focused on budget and tax policy in Nebraska. I'm here to testify in support of LB612, one of three bills that has been introduced this year that would improve transparency and better inform policy in regards to the state's tax expenditures. As someone who spends a lot of time reviewing the state tax incentive reports, as well as the tax expenditure report, I can attest that they are confusing and the numbers often change significantly from year to year without explanation. In particular, we found some significant changes between the 2010 tax expenditure report and the 2012 report. We also found significant changes between the numbers in the 2010 and 2011 report on Nebraska Advantage. LB612 would allow for a public forum by which these reports can better be explained, including why changes may be made from year to year, which will undoubtedly lead to a more informed policy discussion. Over the last year, there have been several national reports focused on the ballooning costs of tax incentive programs across the country, along with steps that can be taken to better evaluate these programs and ensure they are effectively and efficiently stimulating economic development. In April of 2012, the Pew Center on the States released a report called "Evidence Counts," finding that states spend billions of dollars annually on tax incentives for economic development, but that half the states have not taken basic steps to produce and connect policymakers with good evidence of whether these tools deliver a strong return on taxpayer dollars. Nebraska was found to have mixed results, receiving points for reporting on all tax incentives and for attempting to measure economic impact, but Nebraska was criticized for failing to draw clear conclusions in those reports and because the reports are not informing policy choices. LB612 would take an important first step toward better informing policy choices. As a follow-up to the Pew report, in October the Institute on Taxation and Economic Policy released a report entitled "Five Steps Toward a Better Tax Expenditure Debate," spelling out ways that states can require evidence-based reviews of tax expenditures designed to gauge their success. They also included examples of states employing best practices in each of these areas. Step number 5 of this report recommends public hearings following the release of tax expenditure evaluations such as proposed in LB612 and lists seven states that have legislative process requirements similar in function to LB612. Finally, the Pew released a follow-up report to their December report called "Avoiding Blank Checks, States Create Fiscal Risks by Failing to Control Tax Incentive Costs." They urge states to use both estimates of tax incentives plus annual spending limits to control

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

Executive Board Committee
February 19, 2013

costs. According to the Pew, regular evaluations of existing incentives are essential but not sufficient to prevent the unexpected costs that these policies can cause. Clear estimates and annual spending limits from the outset are the best approach to avoid unnecessary fiscal risks without sacrificing the economic returns of effective tax incentives. Between the two reports, they recommended several steps to better evaluate the results of those tax incentives. In the interest of time, I will not read those, but they are in this testimony. LB612 would meet two of those recommendations. Also at last count, 24 states have undergone tax incentive review commissions. LB612 is a great first step toward a better policy debate over some very complex and important revenue issues. Thank you for your time. I'd be happy to answer any questions. [LB612]

SENATOR WIGHTMAN: Thank you, Ms. Fry. Any...yes. [LB612]

SENATOR KRIST: Did Senator Schumacher say he was going to close on this? Are you going to close? [LB612]

SENATOR WIGHTMAN: He hasn't (inaudible). [LB612]

SENATOR KRIST: Then I'll use this opportunity, Renee, if you don't mind... [LB612]

RENEE FRY: Sure, sure. [LB612]

SENATOR KRIST: ...to make a comment or two. I echo Senator Campbell's comments about process that we've used in the last few years, but I'll go one step further. In terms of your testimony and in terms of the things that we have seen on the Performance Audit Committee, particularly in trying to evaluate Nebraska Advantage and others, your information is as good as an evaluative process as the agency that's writing the report. So if you can't get the information you need from some portion of an agency in executive branch, then it's very difficult to measure whether those statistics that you're seeing or whether our investment is worth dollar for dollar or more. So I would say although it's great to look at reports that are written all collectively, right on the money, it's a great idea; but the potential is there for this group or others to clearly ask for a metrics that speaks to where our measurements...where they are. To that point, I would say that I think it's very important that when this body or any future body looks at an incentive program that they embed in the piece of legislation the evaluative process that we need to evaluate the program as it exists throughout. It's pretty difficult sometimes, as I'm sure any CPA could say, to go back forensically and redesign what you need, while it's better to collect that data on the front side and do that kind of research. If you'd like to speak to any of that, feel free. [LB612]

RENEE FRY: Yeah, sure. You know, the Pew Center on the States, that was one of the biggest criticisms that they had were that states weren't outlining their objectives and goals and what would meet the criteria for having a successful program up-front. And so

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

Executive Board Committee
February 19, 2013

I think that's something that you found here with Performance Audit. You weren't able to measure the success of the program because the goals hadn't been clearly outlined. [LB612]

SENATOR KRIST: Exactly. [LB612]

RENEE FRY: That's actually number one in the recommendations that they've made to make sure that those objectives and metrics are really clear so that you can evaluate whether the program is successful. So they did, between the two reports, had about seven recommendations. This is an issue. As I said, 24 states have had commissions looking specifically at tax incentives just within the last five years. I think as states have gone through this recessionary period and money has become scarce, they've really started to look at these. And what they're finding is that they far exceeded costs that they would have expected, but then, again, it was never clearly outlined what were acceptable costs in these programs. And so I think that there are a number of process pieces that you can put in place. There are seven in this report. There have been three bills that would address basically four of those seven recommendations that have been introduced this session. I'm also happy to send the clerk those three reports that I mentioned that you can take a look at. And, you know, I want to say that they're not...none of the reports are criticizing the use of incentives. But what they've acknowledged is that you need to make sure those objectives are set out. You need to lay out how much you're willing to spend for those programs, much like you do on the appropriations side, otherwise if those steps aren't taken and those costs are exceeding amounts that most legislators ever expected to spend. [LB612]

SENATOR KRIST: Sure. Thank you. I'll also note for the record I think, Senator Hadley, you have a quorum so if you'd like to hold a committee and take a vote (laughter). Thank you, Renee. [LB612]

RENEE FRY: Okay, thank you. [LB612]

SENATOR WIGHTMAN: Thank you, Senator Krist. Do we have anyone else that...if not, thank you for being here. [LB612]

RENEE FRY: Okay, thank you. [LB612]

SENATOR WIGHTMAN: Do we have any other people who would like to testify on behalf of LB612? Seeing none, do we have anyone who wishes to testify in opposition to LB612? Seeing none, do we have anyone who wishes to testify in a neutral capacity? Senator Schumacher, do you wish to close? Senator Schumacher waives closing. Thank you. So that finishes our hearing on LB612. We'll move to LB613, again, Senator Schumacher. [LB612]

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

Executive Board Committee
February 19, 2013

SENATOR SCHUMACHER: Thank you, Senator Wightman, members of the committee. My name is Paul Schumacher, P-a-u-l S-c-h-u-m-a-c-h-e-r, District 22, here today to introduce LB613 for discussion before the committee. LB613 was introduced in anticipation of us being very close to where we're at right now, in anticipation of a very robust tax discussion going on in the state, examining where we've been and where we want to go over the next several decades. LB613 recognizes that there is a need to involve those sectors of government or those committees of the Legislature which spend a lot of money, with the Revenue Committee and the Appropriations Committee representation. I'll say at the onset as the crystal ball has cleared and where we're at becomes clearer and clearer, there's probably a need for an inclusion on the committee of members of the Revenue Committee. And I think Senator Hadley has some suggestions along those lines later in these presentations. But we need to figure out our tax system. We need to review our tax system. We've heard a lot of testimony over the last few days that property taxes should be looked at. There are certain unfairness, inequities, disproportionate allocations of taxation due to the changing of land prices, particularly in rural communities. We've heard about corporate taxes being high; about a need to address our income tax brackets or income taxation altogether; a need to look at sales tax and sales tax...expanding the sales tax base. All those things have been part of a discussion which we probably need to address in order to bring things into the twenty-first century. We've also learned a couple of things so far, and what we've learned so far that probably two areas that we do not need to consider addressing are the taxation of in a pyramiding way of manufacturing and agricultural inputs. But that being said, LB613 creates a structure for going forward over the next year and, if necessary, longer in order to develop tax policy in the state. It integrates the areas not only in the Revenue Committee but also the spending side of the equation, also the areas that are growing in needs or budget attention, such as education and human services. It gives an opportunity for public input before rather than after the introduction of the legislation. It gives an opportunity for public education through the use of some modern technology in the form of Web pages. It tries to grapple with an issue that is going to be and continue to be very serious. Taxation has changed as we've moved from a tangible production economy to a service economy. The nature of government has changed as we've kind of broken down the delineation between the public and the private sector and have three really powerful (inaudible) of financing in society: the nongovernmental entities; your charitable organizations that have tremendous amounts of money; the private sector, which we traditionally mobilized in a free market mode; and the public sector, which has traditionally been assessed by taxation and the need to develop a fair and equitable and progressive and competitive method of taxation. This proposed commission is set up to be fairly economical compared to some of the others. I know we're always afraid that a study or a commission will produce a thick thing that lays on a shelf and is not acted upon. So it's designed to create action, if action is indeed needed, on a relatively short time frame over a year or two. That basically concludes my introduction on LB613, and I'd be happy to take any questions. [LB613]

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

Executive Board Committee
February 19, 2013

SENATOR WIGHTMAN: Thank you, Senator Schumacher. Senator Christensen.
[LB613]

SENATOR CHRISTENSEN: Thank you, Chairman. Thank you, Senator. I think you hit on it a little bit, but why was the Revenue Committee left out of this? [LB613]

SENATOR SCHUMACHER: You know, when this first began to evolve, the idea was that you get a broad crosscut rather than vertical cut into the Legislature. The Revenue Committee, putting all the people of Revenue Committee on creates a bigger group. Bigger committees are not necessarily productive committees. So this was reasonably...took a narrow cross section rather than a silo view of it. That probably needs to be tweaked now that we know a little bit more where we're headed. [LB613]

SENATOR CHRISTENSEN: I guess my concern is the jurisdiction would rely...would remain, to me, should be in Revenue and something they could be doing, should be doing. And I guess that's why I just wondered why we need this committee when we have one that can do it and should be doing it. [LB613]

SENATOR SCHUMACHER: Well, I think we're talking about the financing of government. And when you look at the financing of government, it has two sides to the coin--raising the money, which is revenue and the Revenue Committee is quite adept at and at least knowledge of the various mechanisms to raise money, but also spending the money. And so we've got to be able to anticipate a tax system that can fund education, that can fund the human resources or welfare type programs. And we got to have a sense of the Legislature as represented by the Speaker's membership on this particular committee because what we're talking about is financing government. And in order to do that, we have to know more than just how to raise money. We have to know where it needs to be spent and what we can anticipate there. We could very well say, hey, looking at property taxes, for example, gee, with the increasing farm valuations, the farmers are taking a terrific hit on financing some of the local functions. And from a revenue perspective say, you know, we could tweak that a bit. We could reduce, put some limits on there and supplement that with taxes from another thing. But the minute we do that, we start tinkering with the TEEOSA applications and how those numbers interact with property taxes and what needs the schools might have that the Revenue Committee may be basically not up to speed on. So that was the idea. You get a cross section of the spending element with the vertical and I think Senator Hadley's suggestion is good--a vertical integration of the revenue section so that we come up with recommendations for the financing of government activities. [LB613]

SENATOR CHRISTENSEN: I guess I'll ask one more question. Since Appropriations Committee deals with every department, do we have to create a new committee? Could you not just put Revenue and Appropriations together in a joint committee? [LB613]

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

Executive Board Committee
February 19, 2013

SENATOR SCHUMACHER: I look at this a little bit more of a task force that you got to get something...if we're going to address this issue, if we do have a problem with a tax system that for some reason is inadequate, then let's roll up our sleeves, let's get it done in the next year or so, so that we're finished with it. And to do this, this is what this committee would be able to do--just roll up your sleeve, come in with some recommendations. Or maybe say, you know, after we went through it all, what we have isn't entirely broken, could use a new set of tires, it could use a little grease in the joints, but basically it's working. We might find that. We don't know, but we need to address the issue. It's been made a topic of statewide concern, and we can't just let it lie as business as usual. [LB613]

SENATOR CHRISTENSEN: Thank you. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Christensen. Senator Krist. [LB613]

SENATOR KRIST: Thank you, Chair. You were here for Senator Pirsch's presentation opening and his dialogue. He talked about silos of jurisdiction and how Banking and Insurance and Urban Affairs. I like this idea, but I have a couple of questions in terms of specifics, and I don't want to go in the weeds. But I think if we're going to have proper representation in terms of your introduction, then we're going to have to look at property taxes as part of the equation; and that jurisdictionally, we've given that away. So we potentially would take that back. And I don't know that we have experts to talk about that on your representation. We have to talk about occupation tax and how it's being used. We have to talk about TIF I think as an important development tool in the balance of what's happening out there. I'm just not sure, again, Senator Christensen I think was going back to existing committees that could be joined up. But do you see where I'm going with the expertise that's needed? We do have so many jurisdictional silos out there that you want to talk about TIF, you got to go to Urban Affairs. You want to talk about this, you go to Revenue, etcetera. I'll give you a chance to respond to that. [LB613]

SENATOR SCHUMACHER: Well, I think that you're right. I think that we do need a way to bring in the public to bring in these various areas such as property tax. The state constitution says the state cannot do property tax, but we certainly can set the parameters for what the locals do and how they use the property taxes. I'm not married to a particular membership list. If in due consideration this committee or the Legislature finds that, you know, we need some ex officio members, and I use the word "ex officio" from like the cities or the counties, that's fine. But I think it should be a legislative committee for the voting and the decision-making side because the raising of revenue and the setting of spending priorities is a function of the Legislature, and we ought not pass that buck too far. [LB613]

SENATOR KRIST: Thank you, Senator. Thank you, Chair. [LB613]

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Transcriber's Office

Executive Board Committee
February 19, 2013

SENATOR WIGHTMAN: Thank you, Senator Krist. Senator Christensen. [LB613]

SENATOR CHRISTENSEN: Thank you, Chairman. I guess I'll throw out one more question after Senator Krist. And we do this at different times, should this be under the committee of jurisdiction that you feel is the most and then they call in the experts from the other? Or do you think the broad range is better? [LB613]

SENATOR SCHUMACHER: I think if we're going to do this over a...build a consensus on the spending side, on the taxing side, on the areas where spending seems to be going up substantially, if we're going to do it fairly quickly, we need to have a broad crosscut of the Legislature that's involved here. That's not to say that there cannot be also a vertical system with the Revenue Committee. [LB613]

SENATOR CHRISTENSEN: Thank you. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Christensen. Anyone else? Thank you. [LB613]

SENATOR SCHUMACHER: Thank you. [LB613]

SENATOR WIGHTMAN: Any other people speaking as proponents? [LB613]

SENATOR HADLEY: Mr. Chairman, my name is Galen Hadley, that's G-a-l-e-n H-a-d-l-e-y, and I represent the 37th District, which is Kearney and part of Buffalo County. I appreciate the opportunity. This is the first time in 4.5 years I've entered the hallowed halls of the Executive Committee, and I'm just a little terrified at this point in time (laughter) but I will try and overcome that. I want to echo what Senator Schumacher did say. I'm actually working on an amendment right now that I will present to you as soon as we get it worked out. I want to meet with the Revenue Committee first because I think, you know, this is more than just the Chair of the committee coming up with idea of how we should do this. So I want to meet with the Revenue Committee to talk about, but I can give you some broad parameters. I think it needs to have the jurisdiction in the Revenue Committee because that is the committee that is tasked with raising and examining taxes. But I do think the idea of having outside members, legislative members, can be important. And I think it's up to you to decide who they might be, but I would put in a plug for the Appropriations Chair, the Chair of Health and Human Services, and Education. Because if you look at where we spend our money, what, 75 percent of the money that we send in the state, basically are in those areas. I do want to make a comment that the easiest thing in the world would be to lower taxes. I mean everybody loves that, everybody is happy about that. But if we do that, then we've got to look at the expenditure side and figure out what we're going to cut on that side. And that's where the hard part is. I want to make it clear that this committee is not

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

Executive Board Committee
February 19, 2013

out to lower everybody's taxes in the state of Nebraska. That just isn't going to happen. If we lower every tax that we have in the state of Nebraska, then we're going to be back here like we were a couple of years ago looking at where we're going to cut our expenditures. I see this committee more as almost an equity committee. What are the taxes that are important to the state of Nebraska? What is their relationship and what is the equitable way for the average citizen in the state of Nebraska to support their government? And that's what I hope comes out of this committee. And I think we can bring in ex officio members that can help us. I think we have a start. We've had three tax studies already. The last one I think was handed out the first year I was here, the Burling commission. So I don't think we have to reinvent the wheel so to speak. We can start from there and move forward. But I do want to say that if you lower...if you want a neutral system, neutral when you're done, if you lower some of these taxes, somebody else has to pick up a little of the burden. So that's what we would be looking at. So my amendment that I'm going to give you, with the approval of the Revenue Committee, will look at having the entire Revenue Committee, because we need buy-in from that committee, that's what they're charged with. But there are areas, other senators, because of their position, can give us input on some of the taxes and what the uses are. So I would certainly support this bill, and I will get you that amendment as soon as I talk to the Revenue Committee, and we'll go from there. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Hadley. Senator Lathrop. [LB613]

SENATOR LATHROP: Just briefly, Senator Hadley, I appreciate your remarks, particularly as it relates to having some cross section of the Legislature involved in this process for two reasons. And these would be I'll look forward to your amendment or your thoughts on that, but I think it's important that we have...if we spread it across different committees, we get an advantage in a couple of different ways. One is I think you get the buy-in from that committee, which I think is important. We certainly did that with the BSDC committee. The other is in some respects tax policy is about how much revenue, but it's also about cash flow. And having folks that can...maybe the Chair of Health and Human Services can tell us about some program from the federal government that we could take advantage of as we go through that process, I think that Education can tell us something about when they need the money, and those are also considerations that I think will be important to having a study that will give us the direction we hope this will provide. So I certainly see the advantage in having some diversity and not just the Revenue Committee, and there's certainly precedence for that. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Lathrop. Senator Christensen I think is next. [LB613]

SENATOR CHRISTENSEN: Thank you, Chairman. Thank you, Senator Hadley. I agree it ought to be under your jurisdiction. I don't really have problems with others being

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

Executive Board Committee
February 19, 2013

there, but you made the statement that you want to make sure that people understand this is not about cutting taxes. Are you going to make the same statement that it's not about raising taxes? [LB613]

SENATOR HADLEY: Sure. I see this as...I think this is an exercise in trying to make our system as neutral as possible...the changes as neutral as possible. So I do not see this as a situation of raising taxes. I think that comes about when we look at the appropriations side and Appropriations come to us and say, we can't run government what we think government should be on the revenue that we're getting. And that's when you start talking about raising taxes. I see this, and what we heard the impetus of this has been on the equity of the three taxes, not raising taxes. [LB613]

SENATOR CHRISTENSEN: Well, I guess I just...after...and you went through it more than I did, listening to, what, LB405, LB406 or something like that, you know, that was to me revenue neutral. But it was very attacking on certain industries or certain groups and really our number one and number two industries in the state. And so I guess I'm just cautious to...and I appreciate the work you guys have done on them two bills. I'm just cautious when I hear somebody says it's going to be revenue neutral because it won't be revenue neutral for everybody. [LB613]

SENATOR HADLEY: Senator Christensen, I will reiterate what I said earlier. It is...in the macro it is revenue neutral. In the micro, it will not be revenue neutral because if you...our taxes impact people differently right now. Some people pay more in sales taxes because of their situation; more in income tax. Or if you have me involved in ag, you might pay a significant part of your taxes are property taxes. But I can't guarantee that it will be revenue neutral in the micro sense, meaning that it's revenue neutral for every person that's here. If you want to keep it revenue neutral for every person that's here in the state, then we just keep doing what we are doing, not change a thing. [LB613]

SENATOR CHRISTENSEN: Thank you. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Christensen. Senator Adams. [LB613]

SENATOR ADAMS: Thank you. Senator, you know that the two tax proposals that have occupied so much of our attention have, I don't want to use the word interest, but have spiked a great deal of attention to our tax structure. But frankly, every year in Revenue you've got another 80 bills that may not get as much attention as these two have, but necessitate, I think, this same kind of look. This is just kind of the culmination I think of a lot of building pressure over several sessions of the Legislature. And I'm anxious to see your amendment. Because what I hear you saying and I like, you want to look at the system, not necessarily where can we cut or where can we raise, but to look at the system. Secondly, you're saying you want to do it with the Revenue Committee, which

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

Executive Board Committee
February 19, 2013

is where it belongs. A cross section of having others in there that are legislative people, I think that's the way to go with it. And bringing other people in, whether it's the Property Tax Administrator or others, your committee, this committee or Revenue right now has the prerogative to call those people in and provide you information. My question is this: What about the time line that you see in here? And when your amendment comes, we'll deal with membership, and I think you're on the right track. What about the time line you see in here? [LB613]

SENATOR HADLEY: My goal would be to have...if we need legislation, to have it ready next year. And I'll tell you for a couple of reasons: there's an interest now. People are interested in it. We need to kind of strike when the iron is hot. And people say, well, how can you do this? Well, we do have the Burling report. We have the Syracuse report so we've got some things that we can build on. It's not like going back and starting all over again. And I think it's important, Senator Adams, that we do come up with something. If we wait two years out, we're in a brand new Legislature. We're in a brand new...the learning curve starts all over because we're going to turn over 16 or 18 senators so that's my goal is to get it going as quickly as possible. [LB613]

SENATOR ADAMS: Good. I think that's a good idea. And I think by moving on this in the way that you're talking about we also raise this up a notch above the level of an interim study. Good or bad, I think interim studies sometimes get brushed aside by the public as, oh, okay. That withers away. I think this needs to be stepped up a level and I see you doing that. Thank you. [LB613]

SENATOR HADLEY: I think it is different than an interim study, and that's why there's a bill. I mean we could have done an interim study, but we all know sometimes those do not have the significance that we need. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Adams. Senator Krist. [LB613]

SENATOR KRIST: We kind of had this discussion this morning off the mike, but I'd like to have it here just a bit. We have been warned, and you talk about the term limit environment and changeover, we've been warned by people who were here during the good times that when our revenue changes and we start seeing revenue come in as we do now in these text, these revenue reports, that we shouldn't, I think the exact quote was spend money like drunken sailors, but we should have a focus on what that money should be spent for. And for the record, I'd just like to say I think there are some things out there that we could move on in the short run that are potentially unquestionably common goals and objectives. I believe Social Security is one of those things that puts money back into the economy. Those people are not going to put money into a savings account or a 401(k) in my opinion. I'm 1 of 49, but I think there are some things that we can do now in moving in that direction, taking steps that would lead into a strategic plan. So although I totally agree with you in terms of your concept of your amendment, I

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

Executive Board Committee
February 19, 2013

totally agree with this concept as it is on the table right now, this being in the jurisdiction of Revenue, I think you can lay a real strong groundwork the remainder of this session to bounce into this concentrated effort, and we need to give you that help to do that. That's an editorial opinion. I'm sorry, but you can respond to that if you'd like to. [LB613]

SENATOR HADLEY: No. I'll just make a comment. In our...it seems like 30 years ago when I was a freshman we had Senator Raikes come in and spoke to us, and he talked about how everybody thinks the Appropriations Committee is so important and it is. But he says, if the Revenue Committee gives away the revenue before the Appropriations Committee gets to appropriate it, they don't have much to do. So I think we have to be careful with all of these things that we're entering into, I think. Because if we've diverted the revenue stream already, Appropriations doesn't have as much to do. So we will certainly look at that. [LB613]

SENATOR WIGHTMAN: Thank you. Senator Campbell. [LB613]

SENATOR CAMPBELL: Thank you, Chairman. Senator Hadley, I'm just going to make a couple comments that I made to you individually. I've worked with two different special committees somewhat, LB603 and then, of course, the work on LR37. And both of them had their merits. But I really do like your visit with the Revenue Committee and involving them. Part of the thing that made it different on LR37 than LB603, LB603 was a total, you know, no one committee, it was all different senators. But it was a brand new idea and we were trying to build on that. When we went to LR37, the Health and Human Services Committee had already had three public hearings on some of those issues and we had some background and it was helpful that the committee was involved. We were able to sort of informally bring some other people, but your idea of trying to meld those two ideas is just a great one. When it comes to bringing those to the floor, it would be particularly helpful to have the Revenue Committee fully apprised of the system, having started from beginning to end; and then you've got some other people who can lend help to you on the floor. I think it's a good melding of two different ideas that we've tried in the last couple of years. [LB613]

SENATOR HADLEY: Thank you. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Campbell. Anyone else? If not... [LB613]

SENATOR HADLEY: Did I get through unscathed? [LB613]

SENATOR KRIST: Sort of. [LB613]

SENATOR HADLEY: I don't have any wounds on my back or anything like that? [LB613]

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Transcriber's Office

Executive Board Committee
February 19, 2013

_____: Retreat to the front row. [LB613]

SENATOR WIGHTMAN: Next proponent. [LB613]

BRUCE RIEKER: (Exhibit 2) Good afternoon, Chairman Wightman, members of the Executive Board. I'm Bruce Rieker, B-r-u-c-e R-i-e-k-e-r, here on behalf of the Nebraska Hospital Association testifying in support of not only LB613 but the discussion and the direction that all of you have been discussing as to where we need to go with the analysis of the state's taxes. And to be very brief, we support what they said; we agree with what all of you have been saying; and we offer our resources to be at the table in any way that we can help, from a healthcare perspective, look at the complexity of the tax issues, at least with regard to healthcare. We recognize that we're part of a greater economy and we're here to offer our help to do what we can to improve the overall economy of Nebraska. [LB613]

SENATOR WIGHTMAN: Thank you, Mr. Rieker. Any questions? If not, thank you for being here. [LB613]

BRUCE RIEKER: You're welcome. [LB613]

SENATOR WIGHTMAN: Anyone else in support? [LB613]

JASON HAYES: (Exhibit 3) Good afternoon, Chairman Wightman and members of the Executive Board. For the record, my name is Jason Hayes, spelled J-a-s-o-n H-a-y-e-s, and I represent the 28,000 members of the Nebraska State Education Association. NSEA supports the broad proposals contained in LB613. A timely evaluation of the current tax code is needed in order to ensure fairness of the tax code as well as a review of the competitiveness among states for Nebraska's various taxing mechanisms. We believe the creation of a commission will serve this effort. We suggest when undertaking such a review that the proposed commission formulate a taxing system that maintains a consistent level of funding for public education. A taxing system that seeks to either eliminate or lessen the impact of business cycle fluctuations upon education funding is encouraged. And I thank you for your time. [LB613]

SENATOR WIGHTMAN: Thank you. Any questions? Thank you for appearing. Anyone else in support? [LB613]

RENEE FRY: (Exhibit 4) Good afternoon, again, Chairman Wightman and members of the Executive Board. My name is Renee Fry. I'm the executive director of OpenSky Policy Institute, a nonpartisan organization focused on budget and tax policy in Nebraska. And I'm here to testify in support of LB613. As you know, Nebraska hasn't had comprehensive tax reform since 1967 when the sales and income taxes were established, yet today's economy and spending habits are dramatically different. For

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

Executive Board Committee
February 19, 2013

example, services now make up a greater share of household consumption than goods, untaxed on-line services are growing rapidly, and new industries are born daily. Our outdated tax system is taking a toll on our ability to invest in Nebraska's future. In each of the last nine years, the Legislature has ended the year with a shortfall projected in the next budget cycle. As a result, our investments in roads, schools, and communities have declined; and even greater challenges for us lie ahead. This has also led to a lot of inconsistencies in our tax code. For example, we tax rental cars but we don't tax renting a limousine with a driver. We tax a night at the movies, but we don't tax a day at the spa. Every year we find ourselves scrambling to respond to a tax and budget structure that's out of balance rather than following a strategic plan that allows us to look forward and work toward our common goals. If we want our children to have a strong future, it's time for a strategy that puts us back in control. Such a strategy would be built on the following considerations. What are our goals as a state? What do we need to do to meet those goals? What will it cost? How should we update our tax system to promote prosperity and provide sufficient funding to allow us to invest in these goals? LB613 is the perfect vehicle to take back control. Tax policy is extremely complicated. When you make a change to one tax, there will be an effect that needs to be studied and understood. When state aid is cut, property taxes increase. There is a cause and effect. And yet we would greatly benefit from modernizing our tax code. This would not be the first time we've undertaken a tax reform commission in Nebraska. As you heard earlier, we had a very expensive study in 1987 called the Syracuse study and then a more modest study in 2007 with what is known as the Burling Commission. Unfortunately, nothing much happened as a result of these commissions. Syracuse fell victim to a political crisis. Enron had moved and other companies were threatening to leave. As a result, the commission's recommendations were cast aside and LB775 was passed. The Burling Commission didn't have a clear agenda. There was no specific problem that they were trying to solve for us, so there was no real plan, urgency, or follow up. LB613, however, is drafted with a clear agenda, the right committee structure, expertise and leadership, and with the processes in place to result in real tax policy discussion with real outcomes. As an aside, if you're interested in learning more about Nebraska's past tax reform efforts, I'd encourage you to watch the video of a panel discussion on past efforts that was part of our policy symposium on January 17. That is on our Web site, and I'll send committee clerk a link to that as well. OpenSky believes that the work that would be done pursuant to LB613 is extremely important for Nebraska's future. And I do want to interject the comments about the makeup of the commission and just let you know that with respect to the Burling Commission, which was our latest tax reform commission, that was left up to the Exec Board to appoint eight senators. Of the eight senators at the time that it was enacted, one senator was from the Revenue Committee, another in 2007 then one of the committee members did go to Revenue. So two of the eight members of the Burling Commission were on Revenue Committee. I just thought I'd share that. So thank you for your time, and I'd be happy to answer any questions.
[LB613]

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Transcriber's Office

Executive Board Committee
February 19, 2013

SENATOR WIGHTMAN: Thank you, Renee. Any questions? Thank you for your...
[LB613]

RENEE FRY: (Exhibit 5) And I also have a letter from Mr. Jim O'Rourke from Chadron if I can submit that as well. [LB613]

JANICE SATRA: We have copies of that also. [LB613]

RENEE FRY: You do? Okay. I just wanted to make sure it was part of the committee.
[LB613]

SENATOR WIGHTMAN: Good afternoon. [LB613]

LORAN SCHMIT: (Exhibit 6) Good afternoon, Senator Wightman, members of the Executive Committee. My name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. I'm here today representing the Association of Nebraska Ethanol Producers. I will not read my testimony. It's brief, but you can read it at your leisure. I do agree with Senator Schumacher. I believe that the Legislature should be in charge of the study and the Revenue Committee is the ideal area for it to be centered. The addition of individual senators is good. I think that the (inaudible), of course, seek all of the input they can from the public. And most of all, I think that when you review the policy you need to look ahead far enough to anticipate what the cost will be of any kind of addition or exemptions that you add to the tax code. It's very easy to underestimate the cost of an exemption and overestimate the revenue of an exemption. We've had a lot of experience with that in the past. And I mentioned this before the Revenue Committee, but the estimated cost of the LB775 program in 1987 by the Chairman of the Revenue Committee was \$100 million over the life of the program. The last time I checked it was more than \$2 billion and we're still going. When you set it...when you evade that...I guess avoid that much revenue, it has to come from somewhere. So it's very important that we also look toward new sources of revenue that are not being taxed today. And I'd like to think also that one of the most important things you can do is to increase the potential for induction in the state of Nebraska. The price of corn was \$1.50 a bushel when we started the ethanol program. The state invested \$150 million. That's all documented and we know where all that money went, to which plant that got it and the amount. Now we have a corn crop that's worth \$7.50 a bushel and worth about \$2 billion--quite an amount of change from what it was before. So if you can increase the value of what we're doing in Nebraska, and I agree we want to have better jobs and higher paying jobs and all those things helps the revenue picture. I'll be glad to answer any questions. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Schmit. How many more do we have that will be testifying on this bill? Three. Welcome. [LB613]

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Transcriber's Office

Executive Board Committee
February 19, 2013

JON BAILEY: (Exhibit 7) Good afternoon. My name is Jon Bailey, that's J-o-n B-a-i-l-e-y, and I'm the director of research and analysis at the Center for Rural Affairs in Lyons, Nebraska. And I come before you today to offer testimony in support of LB613. I won't read my written testimony. You can all read that. I'll summarize a few things. When we testified in opposition to LB405, we lifted up LB613 as the perfect vehicle to do the necessary study and analysis of our tax system that everyone seemed to think was necessary. And I think the recent events where LB405 and LB406 will be withdrawn and statements from the Governor and many of your colleagues point out the need to advance LB613. I do want to focus on two aspects of LB613 which I think are particularly important and worthy of action. First is Section 4 of the bill which sets forth in writing the critical elements for successful tax modernization. I think having these bills...having these elements in writing will be an important guide for the debate. And I think the debate would not be as worthy without those elements. Second is the mechanism for public participation which is in Section 5 of the bill. As we've learned the past two weeks, the public has much to say and much to gain or lose from tax reform. Establishing a public participation process is important to any successful debate and ultimately for any successful reform proposals. So to us it seems that LB613 is an existing answer to what everyone says is needed for debate that must occur. For that reason, we urge the Executive Board to advance LB613. [LB613]

SENATOR WIGHTMAN: Thank you. [LB613]

JON BAILEY: Thank you. [LB613]

SENATOR WIGHTMAN: Do we have any questions? Thank you for being here. [LB613]

JON BAILEY: Thanks. [LB613]

ANNE HINDERY: (Exhibit 8) Good afternoon, Mr. Chairman, members of the committee. My name is Anne Hindery, that's A-n-n-e H-i-n-d-e-r-y, and I'm the CEO of The Nonprofit Association of the Midlands. We're a statewide organization, membership organization for all types of nonprofits across the state of Nebraska. I won't read my statement as well. I'll be brief in the interest of time. We are here in support of LB613 and what it would provide. We agree that it's time to really examine our current tax system, both revenues and expenditures, and how it impacts all Nebraska businesses, both private as well as nonprofit businesses. Nebraskans, we employ 1 in 11 people work in the nonprofit sector in our state. We are really in support of this and think it's time for us to take a good examination and much...a lot of surprise, we are taxpayers as nonprofits in the state of Nebraska. We pay sales, payroll taxes all the time. And I'd be happy to answer any questions. [LB613]

SENATOR WIGHTMAN: Thank you. Any questions? Thank you for being here. [LB613]

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

Executive Board Committee
February 19, 2013

BECKY GOULD: (Exhibit 9) Good afternoon, Chairman Wightman, members of the committee. My name is Becky Gould, B-e-c-k-y G-o-u-l-d. I'm the executive director of the Nebraska Appleseed Center, and I'm here today to testify in support of LB613. Nebraska Appleseed is a nonprofit organization that works for justice and opportunity for all Nebraskans. I'm not going to read my testimony either. I just wanted to reiterate to the committee the reasons we support LB613 are that it is time to have a process to examine our tax structure. And in particular, our interest is on behalf of low-income working families. And I think the critical pieces of this bill will be the public input process. The commission itself doesn't have a representative specifically for the perspective of low-income families. And I think that means that that meaningful public process will be especially critical to include that perspective. And I just want to thank the committee for considering this process and what it will do for Nebraska to allow us to balance both our revenue and spending in an equitable way to preserve the critical investments we've made as a state and to allow us to move forward in a productive way. I'm happy to take any questions. [LB613]

SENATOR WIGHTMAN: Thank you. [LB613]

SENATOR LATHROP: Just make a comment, and this really isn't directed at you, Ms. Gould, but a lot of times--and I just want to be clear to people in the room or people that might be watching this--a lot of times things get buried. And so when you don't want something to happen, you say, let's study it. And, of course, this is a study bill on our tax system. I think it's important for the public to appreciate that this isn't an attempt by the Legislature to bury the subject of our tax code, but to be involved in what I think is a healthy process from time to time to examine or step back and take a look at policy from a big picture point of view. That's... [LB613]

SENATOR WIGHTMAN: Thank you, Senator Lathrop. [LB613]

BECKY GOULD: And I would just say in response to that I think the debate around LB405 and LB406 really showed that the public is engaged and in particular low-income families also are interested in this issue and how it will impact them. [LB613]

SENATOR LATHROP: Thank you. [LB613]

SENATOR WIGHTMAN: Any other questions? Thank you for being here. [LB613]

BECKY GOULD: Thank you. [LB613]

KELSEY LIDDY: (Exhibits 10, 11) Hello, everyone. My name is Kelsey Liddy, K-e-l-s-e-y L-i-d-d-y, and I'm here to submit two letters in support of LB613 on behalf of the Center for People in Need and Voices for Children. That's everything. [LB613]

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Transcriber's Office

Executive Board Committee
February 19, 2013

SENATOR WIGHTMAN: Any questions? Thank you. [LB613]

SENATOR KRIST: That's good testimony. (Laughter) [LB613]

KELSEY LIDDY: Thank you. [LB613]

SENATOR CAMPBELL: You bet. [LB613]

SENATOR WIGHTMAN: (Exhibits 5, 12, 13) Do we have anyone here, anyone else in support of LB613? Do we have...we have three letters, all in support of LB613: one from James O'Rourke and they'll be in your folder; one from Terri Haynes with Board of Education; and one from Terry Werner, BSW, executive director. We will make those part of the record. Do we have anyone here in opposition to LB613? Yes. [LB613]

JOHN BOELLSTORFF: I'm not really in opposition, but I'm not really for it. My name is John Boellstorff, that's B-o-e-l-l-s-t-o-r-f-f, and I'm just representing myself. Specific things of Section 4, element 5 I'd want to see a listing of what you call the "critical state services." I have no idea what's considered critical. If you go...pardon? [LB613]

SENATOR WIGHTMAN: Did he spell it? I guess he did spell it. Okay, go ahead. Excuse me. [LB613]

JOHN BOELLSTORFF: And if you go to the listing of state agencies and all, there's a 35-page printout. And I'd like to see what are those considered critical. There's a lot of redundancy. And I know this...I'm a geologist. I've worked for the University Conservation Survey Division and we have entities that are duplicate. We have two agencies on the statutes now that virtually have the same responsibilities and that is the Conservation Survey Division and the Institute of Ag and Natural Resources. And both the statutes are active if you go look at them. Virtually everything that's in the IANR was originally given to CSD so I think they need to be cleaned up. Another thing specific is define what spending needs are and should we restrict only to critical needs? You know, we need some definitions here on just what is what. In summary, results, I think you've addressed this, but if any questionnaires should be made available of the...if you involve the public, I think is a great...today we've got the technology with the computer. There's no reason all these actions can't be transparent. There's no reason. You can send out...bring in public input on the subject, the results put back out on the Web. When you have a draft of a final report, that can be put out there for public's criticism, critique. And I think we need to be a lot more transparent and I think...when you say modernization of tax, I read that as increases. And I think there's plenty of money if we'd cut a lot of waste in duplication of effort, duplication of administrators. We've had administration low. We have administrative bubble as far as I'm concerned. And I think it's in the interest of taxpayers, interest of students, interest of everybody that waste needs to be cut out of the system. And I've only talked to anybody on specifics in my

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Executive Board Committee
February 19, 2013

area which is geology and natural resources. [LB613]

SENATOR WIGHTMAN: Thank you. Do we have any questions? Do we have anyone else in opposition to LB613? Do we have anyone who would want to testify in a neutral capacity? If not, we'll close our...excuse me. [LB613]

SENATOR SCHUMACHER: Thank you, Senator Wightman, members of the committee. Just very briefly, we've heard about the good things about starting a conversation on taxes. There's one bad thing about a conversation on taxes and that is it creates uncertainty in the various people who have a stake in taxation; uncertainty among manufacturers, investors who may be considering investing in the state or evaluating our economic incentive programs; uncertainty in the consumers of tax dollars, education and human services. So it is incumbent upon us to act with reasonable speed and wisdom, balancing those two interests so that we can bring an end to any uncertainty. Fortunately, the way the process has evolved so far there probably is no uncertainty because the people of Nebraska spoke very loudly about a pyramiding system of sales taxes on agricultural and manufacturing inputs. But there's still a lot of uncertainty once you start talking about the possibility of major overhaul. So regardless of the vehicle, I think it's...and I think that LB613 is a decent vehicle to tweak and to bring to bear on the problem. But regardless on the vehicle, we need to do something because once you start talking about this at this level, you're sending out signals of uncertainty that need to be resolved. Thank you. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Schumacher. I guess I'd have...do you have any idea when you and Senator Hadley might put together an amendment? I guess it's his amendment, but... [LB613]

SENATOR SCHUMACHER: Senator Hadley and I have discussed that amendment. Revenue Committee staff has discussed it. I would look that it would be in fairly short order, the next day or so; but I can't speak for Senator Hadley for sure. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Schumacher. Senator Mello. [LB613]

SENATOR MELLO: Thank you, Senator Wightman. And one question, senator Schumacher. I know I've had conversations with Senator Hadley over the last week or so since the release of our performance audit regarding the Nebraska Advantage Act. And I should have asked him this question when he came and testified. But is it your understanding that this amendment you and Senator Hadley are working on are also looking to incorporate the evaluation of our tax incentive programs as well in part of this overarching tax conversation? [LB613]

SENATOR SCHUMACHER: I don't think you can deal with taxes without dealing with those things. [LB613]

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SENATOR MELLO: Okay. [LB613]

SENATOR WIGHTMAN: Thank you, Senator Mello. Anyone else? Thank you. With that, unless somebody has a quick motion, we'll be adjourned. [LB613]