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Transcriber's Office

Floor Debate
January 15, 2013

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PRESIDENT SHEEHY PRESIDING

PRESIDENT SHEEHY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the fifth day of the One Hundred Third Legislature, First Session. Our chaplain for today is Reverend Ryan Lewis of St. Thomas More Church in Omaha, Nebraska, a guest of Senator Krist. Would you all please rise.

REVEREND LEWIS: (Prayer offered.)

PRESIDENT SHEEHY: Thank you, Father Lewis. I now call to order the fifth day of the One Hundred Third Legislature, First Session. Senators, please record your presence. Please record, Mr. Clerk.

CLERK: I have a quorum present, Mr. President.

PRESIDENT SHEEHY: Are there corrections for the Journal?

CLERK: I have no corrections.

PRESIDENT SHEEHY: Messages, reports, or announcements?

CLERK: Mr. President, the Reference report referring LB115-155. I have a series of Vice Chairmanship designations. Senator Schilz, as Chair of the Agriculture, would like to announce that Senator Wallman has been selected Vice Chair of the Agriculture Committee. Senator Krist has been selected as Vice Chair of the Health and Human Services Committee. The Business and Labor Committee has selected Senator Burke Harr as its Vice Chairperson. Senator Christensen has been selected Vice Chair of the Banking, Commerce and Insurance Committee. The Revenue Committee has selected Senator Schumacher as the Vice Chair of the Revenue Committee. And the General Affairs Committee, chaired by Senator Karpisek, reports Senator Coash has been selected as the Vice Chair. Mr. President, I have hearing notices from the Transportation and Telecommunications Committee; the Banking, Commerce and Insurance Committee; and the Judiciary Committee, signed by their respective Chairs. A gubernatorial appointment letter: an appointment as director of the Department of Motor Vehicles. That will be referred to Reference for a referral to a standing committee. And that's all that I have at this time, Mr. President. (Legislative Journal pages 139-142.)

PRESIDENT SHEEHY: Thank you, Mr. Clerk. Senator Nelson, you are recognized for a

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motion.

SENATOR NELSON: Mr. President, I move that a committee of five be appointed to escort the Governor of the state of Nebraska to the Legislative Chamber to deliver his State of the State Address.

PRESIDENT SHEEHY: You have heard the motion for the selection of a committee of five to escort the Governor to the Legislative Chamber for the delivery of the State of the State Address. All those in favor say aye. Opposed, nay. The motion is adopted. I would appoint the following committee to escort the Governor: Governor Nordquist...Senator Nordquist, Senator Sullivan, Senator McGill, Senator Harms, Senator Schilz. Would you please retire to the Governor's Office to escort him to the Legislative Chamber. (Doctor of the day introduced.) The Chair recognizes the Sergeant at Arms.

SERGEANT AT ARMS: Mr. President, your committee now escorting the Governor of the great state of Nebraska, Dave Heineman, and First Lady Sally Ganem.

PRESIDENT SHEEHY: Ladies and gentlemen, members of the Nebraska Legislature, the Governor of the great state of Nebraska, Governor Dave Heineman.

GOVERNOR HEINEMAN: Thank you very much. Mr. President, Mr. Speaker, members of the Legislature, Tribal Chairmen, distinguished guests, friends and fellow Nebraskans, I am excited to be here today at the beginning of the 2013 legislative session as we take this opportunity to continue moving Nebraska forward. Since 2005, the Nebraska Legislature and I have worked together to make a positive difference for Nebraskans. You and I have positioned Nebraska as a state that is making significant progress. This is a great state and it starts with our citizens. Nebraskans are hardworking, practical, responsible, and innovative. As Nebraskans, we bring a sense of quiet pride to everything we do. We respect each other and we want our children to have an even better Nebraska in the future. Nebraska is a special place and our job is to ensure that Nebraska is prosperous today and in the future. We are on the right path and that path starts with a quality education. Education is the great equalizer and education is one of our state's top priorities. We invest in education because we know how important it is. Your new Speaker, Senator Greg Adams, has been part of our P-16 Initiative to strengthen academic achievement for all students in Nebraska. In 2008, I signed into law the Legislature's LB1157 that provides for statewide assessments for reading, writing, math, and science. Thanks to that legislation and our partnership with Commissioner Breed and the State Board of Education, more than ever before the focus of our school districts is now on academic achievement. We can be very proud that Nebraska's high school graduation rate is 86 percent, fourth best in America. We have good schools, and they want to be even better in the future. My proposed budget continues to make K-12 education a priority by increasing state aid to education from \$852 million to \$895 million in fiscal year 2014 and to \$939 million in fiscal year 2015.

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Additionally, I am proposing a 5 percent increase in special education funding in each of the next two years. Our students of today are the leaders of tomorrow, and it is critical to our future that they have affordable access to a quality higher education. Last week, University of Nebraska President J.B. Milliken, Nebraska State College Chancellor Stan Carpenter and I announced that the University of Nebraska and Nebraska's state colleges are prepared to implement a two-year tuition freeze for Nebraska's students if you adopt my proposed budget. My recommendation provides the necessary state funding to achieve this two-year tuition freeze for UNL, UNK, UNO, UNMC, Chadron State, Wayne State, and Peru State. This is very good news for Nebraska families who are working very hard to ensure that their sons and daughters can afford to go to college. Community colleges are an important component of our education system, as well. I am proposing a similar increase in community college funding for each of the next two years so that each of our six community colleges can also consider adopting a two-year tuition freeze. But educating the students of today for the jobs of tomorrow is only half of our formula for continued success. In order for Nebraska to continue to grow, we must create jobs that retain our best and brightest, and welcome future Nebraskans to our state. Working together with the Legislature in my first year as Governor, we passed the Nebraska Advantage and it has been incredibly successful. Agriculture is an important part of our economy and agriculture remains relatively strong in Nebraska. We're second in cattle on feed, third in corn production, sixth in soybean production, and the second leading ethanol producer. However, our farmers and ranchers have also faced the challenge of the drought this past year, and they have managed their operations with efficiency and flexibility. Water resources will continue to be a challenge for agriculture, businesses, and communities due to the continuing drought. Exports are important to Nebraska, and last summer I led a trade mission to China. We continue to expand and strengthen our relationship with China, just like we have done with Canada, Mexico, Japan, and many other countries. During the past few years, Nebraska exports to China have grown rapidly and China is now Nebraska's fourth largest trading partner. The Nebraska-China relationship is just beginning and I am confident this will be a growing and improving relationship for many years to come. As we continue to make state government more efficient and more accessible to our citizens, I want to recognize our technology professionals throughout state government for what they do. From on-line motor vehicle registration renewals to our 511 system that provides immediate and accurate information about current road conditions, our goal is to provide more and better technology in the future. I am also very pleased to share with you our efforts to have state workers make wellness a part of their everyday lives. We offer an innovative wellness program and a health insurance package designed around wellness. In 2012, the state of Nebraska wellness program became the first and only state program to earn the coveted C. Everett Koop National Health Award. To receive this prestigious award, you have to demonstrate health improvements and cost savings. This award reflects how hard state employees have worked to improve their health. After just three years, the state of Nebraska has seen a \$4.2 million reduction in claims, strong participation rates, and high satisfaction among

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employees. Our focus on wellness is resulting in a healthier work force and our insurance premium increases are significantly lower than the national average. At the federal level, healthcare policy is a different story. In the next two-year budget cycle, the state of Nebraska and every state in America is required by law to implement President Obama's new federal healthcare law. The financial impact is enormous. It will cost more than \$170 million in federal and state funds over the next eight years to implement just the technology and administration required by the new federal healthcare law. And even more significant, it will cost the state of Nebraska \$72 million in new General Funds in this budget for the growth of the current Medicaid program as a result of the new federal healthcare law. That's \$72 million in new General Fund spending for President Obama's new federal healthcare law--money that should be going to state aid to education or higher education. I am also very concerned about federal economic policy and its impact on Nebraska. Unlike the federal government, we don't spend money we don't have. We balance our budget in state government and our family budgets by controlling spending, not by raising taxes. Nebraskans are very careful and conservative in how they spend their money. This conservative approach has led to positive national recognition. Lending Tree says Nebraskans have the lowest average monthly mortgage payment of any state in America. 24/7 Wall Street named Nebraska the third best-run state in America. Gallup has recognized Nebraska as the fourth best state to live in. Nebraska has good schools, affordable homes, a strong work ethic, and a low unemployment rate; but taxes are too high in Nebraska. High taxes impede economic growth. High taxes aren't attractive for entrepreneurial growth and high-paying jobs. The Small Business and Entrepreneurship Council states in their 2012 U.S. Business Policy Index that, and I quote, A high personal income tax rate raises the costs of working, saving, investing, and risk taking...the personal income tax influences businesses far more than generally assumed because more than 92 percent of businesses file taxes as individuals and therefore pay personal income taxes rather than corporate income taxes. End of quote. This same report states Nebraska's top personal income tax rate is the 35th highest in America and higher than every one of our neighboring states. Additionally, 23 states exempt a portion of or all retired military pay from taxation, but Nebraska does not. Forty-three states exempt a portion of or all Social Security income from taxation, but Nebraska does not. Forty-two states don't have an inheritance tax, but Nebraska does. According to the Tax Foundation, Nebraska's business tax climate is 31st out of 50 states. That's mediocre at best. We are not even in the top half of all states. Missouri is 16th. Colorado is 18th. Kansas is 26th. Wyoming and South Dakota are 1 and 2. Only Iowa ranks lower at 42nd. While rankings are important, this is really about the next generation of Nebraska's leaders--our sons and daughters, and our grandchildren. How many of you have sons and daughters, grandchildren, brothers and sisters, and other family members who no longer live in Nebraska because they couldn't find a job here or they couldn't find the right career here in Nebraska? Every family in Nebraska knows exactly what I am talking about. The question is, are we willing to do something about it? Are we going to be satisfied with a mediocre tax system that won't create the jobs of the future for our sons and daughters? Or are we willing to consider

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reforming the tax code so that we have a modern, simpler, and fairer tax code? Are we willing to consider a bold, innovative, and strategic tax reform plan that would create a top ten business tax climate in Nebraska? I am. I believe you are. And Nebraskans know we can do better than a mediocre tax system. So what can we do? The state of Nebraska sales and income tax system generates approximately \$4 billion in revenue. The income tax system raises nearly \$2.4 billion. The remainder comes from sales tax revenue. But did you know the state of Nebraska provides \$5 billion in sales tax exemptions? Nebraska exempts more than we collect. Is that fair to our small businesses and working Nebraskans? Imagine if we eliminated just half of the current exemptions. What would that mean for our citizens? Nebraska wouldn't need to have an individual income tax or a corporate income tax. And without the individual income tax and the corporate income tax, there would be no income tax on working Nebraskans. Social Security and military retirement income would no longer be taxed. There would be no tax on small business income. In recent months, I have asked business leaders if they would give up their sales tax exemptions if we could eliminate the individual income tax and the corporate income tax or at least lower the individual and corporate tax rates. You may be surprised, but many are willing to have that discussion. They want simplicity and fairness. They want a modern tax code that rewards productivity, profits, and job creation rather than having their lawyers and accountants spending time mining the tax code for exemptions. Our tax system shouldn't favor one industry over another. Change is not easy, especially when it involves taxes, but this is the discussion that our state needs to have. The world has changed and our current tax system needs to be modernized and transformed. It's been nearly five decades since Nebraska has had a serious debate about our overall tax system. Life has changed drastically since the 1960s. We were operating in a completely different economic environment then. The average cost of a new home was \$24,000. A first-class stamp was 5 cents; gas was 33 cents a gallon. In the 1960s, Americans didn't even have personal computers in their homes. Today, we live in an electronic age. Today, we are educating our children for jobs that have not yet been created, using technologies that have not yet been invented. Today, we are operating in a technology-driven, global free-market economy, and we need a modern tax system. Our tax reform proposal is revenue neutral and budget neutral. I know there are organizations that want to tax more services with the overall goal of growing government. These organizations want to spend more tax dollars on more government programs. That is not what most Nebraskans want and that is not what our plan is about. Our goal is a better business tax climate that will create more high-paying jobs and more rewarding careers for our sons and daughters. We need a tax climate that rewards middle-class families for their hard work. In the next few days, I will have legislation introduced that provides alternative options for eliminating many business sales tax exemptions that could lead to the elimination of the individual income tax and the corporate income tax or at least lowering Nebraska's individual and corporate tax rates. This will provide a starting point for our discussion. I want to emphasize one point--one point: our proposal will not tax food. This tax debate will be challenging, but it's necessary. Nebraskans have strong opinions, and we are able to

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disagree on policy in an agreeable and respectful manner. I welcome and look forward to your input. I am prepared to work with you and all Nebraskans, because together we can develop a better tax system for Nebraska. By adopting a modern, simpler, and fairer tax code, we have the opportunity to make Nebraska a top ten business tax climate state so that our sons and daughters, and new Nebraskans, can find jobs and careers right here in Nebraska. Our young people will stay here because they will have good jobs and they will have good careers. Seniors and retirees will stay because Nebraska will no longer tax their Social Security and retirement income. Our entrepreneurs will grow their businesses in Nebraska, because they will no longer face the burden of Nebraska being the 35th highest taxed state on small businesses. The choice is ours. This is about Nebraska's future. Nebraskans care about this special place we call home. We want Nebraska to be an even better place to live, to work, and to raise a family. Let's begin this statewide conversation, and together we can find a Nebraska commonsense solution. Thank you very much.

PRESIDENT SHEEHY: Thank you, Governor Heineman. Would the committee please escort the Governor and the First Lady from the Chamber. (Visitors introduced.) Mr. Clerk, we will now proceed to introduction of new bills.

CLERK: (Read LB194-209 by title for the first time.) That's all that I have at this time, Mr. President. (Legislative Journal pages 148-151.) [LB194 LB195 LB196 LB197 LB198 LB199 LB200 LB201 LB202 LB203 LB204 LB205 LB206 LB207 LB208 LB209]

SPEAKER ADAMS PRESIDING

SPEAKER ADAMS: Mr. Clerk for an announcement.

CLERK: Mr. President, the Rules Committee chaired by Senator Lautenbaugh will meet underneath the south balcony in just a few minutes; Rules Committee, south balcony in approximately five minutes. Mr. President, new bills. (Read LB210-232 by title for the first time, Legislative Journal pages 151-154.) [LB210 LB211 LB212 LB213 LB214 LB215 LB216 LB217 LB218 LB219 LB220 LB221 LB222 LB223 LB224 LB225 LB226 LB227 LB228 LB229 LB230 LB231 LB232]

SPEAKER ADAMS: Thank you, Mr. Clerk. Members, if you have bills to introduce we'd ask that you get those together. I'm targeting 11 a.m. as adjournment time today, so bring your bills forward if you have them. Mr. Clerk, there are bills to be read.

CLERK: Yes, Mr. President, I do. New bills. (Read LB233-237 by title for the first time.) Hearing notices, Mr. President, from the Agriculture Committee and the Urban Affairs Committee, signed by their respective Chairs. Senator Murante has been selected as Vice Chair of the Urban Affairs Committee. And one last bill. (Read LB238 by title for the first time.) Mr. President, a reminder: Reference will meet upon adjournment; Reference

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upon adjournment. I have a request from Senator Scheer to add his...have Senator Schilz add his name as a cointroducer to LB203. (Legislative Journal pages 154-156.) [LB233 LB234 LB235 LB236 LB237 LB238 LB203]

CLERK: And a priority motion. Senator Cook would move to adjourn the body until Wednesday morning, January 16, at 10 a.m.,...adjourn until 11 a.m. Excuse me, Mr. President.

SPEAKER ADAMS: Thank you, Mr. Clerk. Members, you've heard the motion to adjourn for today and to reconvene tomorrow at 11 a.m. Those in favor, if you would so indicate with aye. Opposed. Hearing none, we're adjourned for the day.