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Appropriations Committee
March 11, 2015

[LB161 LB263 LB318 LB449 LB450 LB569]

The Committee on Appropriations met at 1:30 p.m. on Wednesday, March 11, 2015, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB161, LB263, LB318, LB449, LB450, and LB569. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Ken Haar; Bill Kintner; John Kuehn; Jeremy Nordquist; John Stinner; and Dan Watermeier. Senators absent: None.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District, and serve as Chair of the Appropriations Committee. I'd like to start off today by having members do self-introductions, starting first with Senator Bill Kintner on my left.

SENATOR KINTNER: Well, you got started on it. Bill Kintner from Legislative District 2. I represent the rural part of Sarpy County and Cass County.

SENATOR MELLO: Sitting next to Senator Kintner is Senator Jeremy Nordquist from District 7 from downtown and south Omaha. He is introducing a bill and will be joining us shortly.

SENATOR KUEHN: Senator John Kuehn, District 38, seven counties in south-central Nebraska.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4, west Omaha.

SENATOR MELLO: Sitting to my right and your left is Senator John Stinner, representing the 48th Legislative District in Scotts Bluff County. Senator Stinner is introducing a piece of legislation and will be joining us shortly. Sitting next to Senator Stinner is Senator Kate Bolz, representing the 29th District in south Lincoln. Senator Bolz is also introducing legislation and will be joining the committee shortly.

SENATOR HAAR: I'm Ken Haar, District 21. I'm not sure whether I'm to the right or the left of Senator Mello, so be careful on that one.

SENATOR WATERMEIER: Dan Watermeier, District 1, from Syracuse.

SENATOR MELLO: Assisting the committee today is Rachel Meier, our committee clerk; and our committee page for the day is Julia. On the cabinet to your right you will find some yellow or white testifier sheets. If you're planning on testifying today, please fill out one of the sheets

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and hand it to Julia when you come up. It helps us keep an accurate record of today's public hearing. There is also the white sheet on the cabinet that if you do not wish to testify but would like to record your position on a specific bill or budget request. When we hear testimony regarding state agencies, we will first hear from a representative of that state agency. We will then hear testimony from anyone who wishes to speak on that agency's budget request. When we hear bill testimony, we will be hearing it in the following order. First will be the introducer of the bill. We will then hear those in support, followed by those in opposition, and then those testifying in the neutral capacity. We will then hear from a closing statement by the introducer if they so wish to give one. If you have any handouts today, please bring at least 11 copies and give them to Julia, our page, when you come up. If you do not have enough copies, she can help make more for you. We ask that everyone begin their testimony today by giving us your first and last name and spelling it for the public record. We will be using a five-minute light system, so when you begin your testimony today the light on the table will turn green. The yellow light is your one-minute warning. And when the red light comes on, we ask that you wrap up with your final thoughts. At this time, I'd ask all of us, including senators, to please look at our cell phones and make sure they are on the silent or vibrate mode. And with that, at this time we will begin today's public hearing with Agency 23, the Nebraska Department of Labor.

SENATOR MELLO: Seeing no one else wishing to testify, that will close today's public hearing on Agency 72, the Department of Economic Development, and take us to our first of six bills for the afternoon and evening. I will read them in order so everyone can plan accordingly. We will first hear LB161 from Senator Schumacher, LB263 from Senator Johnson, LB318 from Senator Kuehn, LB569 from Senator Brasch, LB449 from Senator Mello, and LB450 from Senator Mello. With that, we'll start off with the afternoon portion of bill introduction, LB161, Senator Schumacher.

SENATOR SCHUMACHER: Thank you, Senator Mello, members of the Appropriations Committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature, and I'm here today because I heard the Appropriations Committee had a lot of money left over. [LB161]

SENATOR WATERMEIER: (Inaudible) walked out the door. [LB161]

SENATOR SCHUMACHER: Oh, okay. I'm really here to introduce LB161, which some of you will recognize from a year ago. A year ago it was called the Development and Venture Enterprise Act, DAVE. This year of course its name is changed. It's the Pairing Equity to Enterprises Act, PEET. And it deals with what I think is probably Nebraska's number one economic problem and number one impediment to growth. I think it's somewhat unfortunate that somehow we've come to focus on a fraction of a point in taxes as being an impediment to growth, and I think that

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maybe clouds our ability to see some of the real issues that we have got to deal with if we are going to transform ourselves into a viable growing economy. A viable growing economy has three elements. The first element is you need resources or capital. Sometimes that's money, sometimes that's coal in the ground, sometimes it's agricultural land with water underneath it. It's capital. It also needs people, people to do the work, work the capital, and to consume the output. And the final thing it needs is the knowledge how to make it all work. Nebraska is an extraordinarily rich place. It's dripping in resources. We have land that most of the places of the world would give their eyeteeth for. We have water, not only for human consumption but for livestock production and irrigation. We have a strategic location in the middle of a safe place that's pretty much impermeable to invasion. We have a intercontinental railroad. We're two hours by air from either ocean. We have nuclear power plants. We have enormous amounts of resources that are shared by only 1.8 million people, virtually no people, sparse population, 25 per section. There's no reason we should be tied up the way we are and talking about not having the resources to do what we need to do. This tries to deal with one of the issues. It's a recognition, I think, we're slowly coming to in the Legislature and perhaps as a state. For example, Senator Schilz has in Banking a similar bill that's trying to grapple with the issue of how do we organize our capital and how do we make it all work. Clearly, we've got some capital stored up in the state coffers at this particular time in the form of our Cash Reserves. We've accumulated capital. For all practical purposes, it's sitting there waiting to find something to do. And we (inaudible) get rid of it because we might need it for other causes. The purpose of this act then is to address several chronic issues in the Nebraska economy. Among those issues are the lack of investment vehicles available to all Nebraskans through which they can invest their money in substantial local enterprises, the massive application of capital reserves of the ag sector to land appreciation resulting in an acute malfunction in an otherwise sound property tax mechanism, the hypercautious nature of our local savers which tends to magnify the risk and underestimate the opportunity, the reasonable lack of financial sophistication and knowledge of corporate organizations among Nebraskans wanting to make passive local equity investments, the great local difficulty in transitioning an entrepreneurial idea or invention through the proven concept stage to the actual financing of a viable enterprise to take it to market, the considerable social cost and revenue loss of using tax developmental incentives to bait distant corporation decision makers into locating economic activity in the state, the loss of the power of local money when it's placed in the control of distant financial markets through existing investment vehicles, the intense competition by sister states which neutralizes the effectiveness of existing developmental efforts, the resemblance of many existing economic development programs to corporate welfare producing an inconclusive success record, the strong public desire for an appropriation of some existing public revenue streams back to the citizens on a fair and equitable basis to relieve the burdens of foreseeable social and economic stress, and the need for personal responsibility in savings. This bill recognizes that the dollar has far more value and social utility when organized for purposes of production than it does when dissipated for purposes of consumption. As a general rule, the power and effectiveness of capital grows exponentially with

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the degree of its amount and organization. It also recognizes that the recent history of corporate excesses has produced a business focus on short-term results rather than long-term success and has produced a disproportionate distribution of corporate welfare to an increasingly smaller portion of the population. This bill incorporates elements of venture organization dating way back to the East India Company, to concepts of creating public wealth being explored in the leading universities today. It begins by the sovereign, the state, chartering an operational entity under the control of a publicly appointed board. It carefully defines the indicia of targeted enterprises which would integrate well into our economic landscape. It is baited with a one-time appropriation to the fund to reduce the perceived risk to investors. It then leverages that appropriation by requiring private investment to be determined by the marketplace but subject to a minimum multiple of appropriation. The mechanics of the equity sale to the public is left to the board which can be expected to be made in increments small enough to be acquired by all who have a desire to invest. Once the capitalization is complete, the board acquires or finances target business and positions them within the Nebraska economy. Once firmly planted and growing, the target businesses may be distributed to investors or may be used to grow the fund or produce dividends for investors. In the discretion of the board, the investors may receive the fruits of their investments and share in the target business as dividends or as capital gains upon its transfer to others. In the event this bill is not successful in organizing a sufficient amount of capital by the 1st of January 2017, the investors receive a refund, as does the state. It is a bold and creative way to try to organize a big enough pot of money so that we can, instead of begging somebody to invest here, begin to have the capital muscle to actually acquire and develop businesses here, pairing population with know-how, with capital, and trying that as a method to grow the economy, and to at least maintain our population if not grow it a little. It's a way to take our wealth and make us wealthier. And it's a focus on what I think is the essential problem that we have. We have just way too many resources not deployed here, deployed growing other economies, and we are in the quandary of whether we should cut this tax or that tax by a portion of a fraction, and we accomplish nothing by that. I'd be happy to take any questions. [LB161]

SENATOR MELLO: Thank you for your testimony, Senator Schumacher. Are there any questions from the committee? Senator Haar. [LB161]

SENATOR HAAR: Have you decided on this as a priority or are you...? [LB161]

SENATOR SCHUMACHER: I've got till tomorrow to decide that and it's like Christmas Eve. I don't go shopping till about 3:00 in the afternoon. (Laugh) [LB161]

SENATOR HAAR: Okay, but you'll let us know. [LB161]

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SENATOR SCHUMACHER: Well, I mean if there's a snowball's chance of this coming out, (laughter) it may move to the top of my list. [LB161]

SENATOR MELLO: Any other questions from the committee? Senator Schumacher, I guess I've got one question and maybe it's for some of the returning members, Senator Kintner and Senator Nordquist, myself. The bill you had last year, seemed like this is a much different model, somewhat similar but different model and different take. And can you kind of explain a little bit of how this may be a little bit...seems like it's a little bit more of a streamlined approach than what you had proposed before. [LB161]

SENATOR SCHUMACHER: It's a little more streamlined. But in substance, the theory is the same. [LB161]

SENATOR MELLO: Okay. [LB161]

SENATOR SCHUMACHER: It's...and the theory is simple. You take some of...you take a seed amount. I'm thinking \$40 million. I heard you had more, but I won't ask for it all. (Laugh) And you put it in the kitty and then you see which...if you can raise another \$200-\$250 million. So you have \$300 million sitting there in this kitty. And because you have a little cushion there that, you know, you aren't afraid of losing your money as a private investor. And then you go out and actually use the force of money to do things for a profit, not for charity but for a profit, and use that force of that money instead of going around and saying, look, we'll give you a tidbit of a percent off your taxes if you come here. We take our fate into our own hands. [LB161]

SENATOR MELLO: Okay. Thank you. Any other questions from the committee? Seeing none, thank you, Senator Schumacher. [LB161]

SENATOR SCHUMACHER: Thank you. [LB161]

SENATOR MELLO: We will first hear from proponents for LB161. [LB161]

RENEE FRY: Good afternoon, Chairman Mello, members of the Appropriations Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. We share Senator Schumacher's concerns about promoting cutting of taxes to grow our economy. Based on the research, we believe an investment in venture capital would do far more for economic growth and job creation in Nebraska. In a global economy, income tax cuts won't necessarily lead to more investment in Nebraska and many people will spend those tax cuts that they receive elsewhere. Conversely, LB161 will encourage investment in Nebraska companies,

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creating Nebraska jobs. More readily available venture capital is correlated with better labor market performance. While only a small proportion of start-ups experience rapid growth, it is these companies that nationally account for a disproportionate share of new jobs. While the goals are similar to the angel investment tax credit, if this bill works as intended, after the initial investment the pool should be self-funded. Of course, we would not recommend tapping into the Cash Reserve below recommended levels, but to the extent that the Cash Reserve exceeds 16.7 percent, we believe that LB161 is a great investment in Nebraska's future. Thank you for your time. I'd be happy to answer questions. [LB161]

SENATOR MELLO: Thank you for your testimony, Ms. Fry. Are there any questions from the committee? Senator Kintner. [LB161]

SENATOR KINTNER: Well, hi. We meet again, Renee. Thanks for coming. [LB161]

RENEE FRY: I can always count on you for a question. [LB161]

SENATOR KINTNER: Yes. (Laugh) [LB161]

RENEE FRY: Thank you. [LB161]

SENATOR KINTNER: So you understand how this works. [LB161]

RENEE FRY: Basically. I am not an expert in this area. I can tell you that I have done research, in general, on investment through venture capital and looked and have compared that in terms of economic growth. I cannot tell you that I am an expert in this area though. [LB161]

SENATOR KINTNER: Well, if you understand this, that makes two people in the room. Do you know any other states that have done anything like this? [LB161]

RENEE FRY: You know, there are a lot states that do a lot more than we do in this area. I can't tell you. I went to a conference a couple of years ago and there was someone from Maryland. They have a very comprehensive and expansive focus on economic development, including angel investment and venture capital. I can't tell you if this method specifically is used, but it's a real focus that their Legislature has made in recent years. I know that there are other states, again, I'm not sure that it's...I'm not sure I've seen exactly this model done in other states, but you know it's an area that states are becoming more and more concerned with economic development approaches. [LB161]

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SENATOR KINTNER: Well, I doubt that any other state does it this way because there's only one Senator Schumacher. [LB161]

RENEE FRY: Right. [LB161]

SENATOR KINTNER: Okay. Well, thank you. Appreciate it. [LB161]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Ms. Fry. [LB161]

RENEE FRY: Thank you. [LB161]

SENATOR MELLO: Other proponents for LB161. Seeing none, are there any opponents to LB161? Seeing none, is there anyone here in the neutral capacity on LB161? Seeing none, Senator Schumacher, would you like to close? [LB161]

SENATOR SCHUMACHER: Thank you, Senator Mello. I'm thrilled, I actually had somebody testify in favor of a bill of mine. (Laughter) I think this is an issue that we would do well to address sometime in the course of at least my time down here. It's an important issue. And without it, we're...this mechanism or something similar, we're continuing to go put our savings to work somewhere else. And once we buy a bond, once we buy stock, the boards directing that stock or the governments spending that bond money, chances are, aren't here. And the leverage, the growth, the economic stimulus that comes from that is beyond our control and we go like paupers crawling on our hands saying, gee, please invest in Nebraska; what can we give you to bring our capital back here? And that is, at best, a poor way to do things, particularly since every other state is doing the same thing. So we need to get out ahead of the pack on this. Jokingly, we've talked about the Cash Reserve. I think at least the standard that seems to be bouncing around that's an accepted standard--some think it's high; some think it's low--is two times a month's expense. And we're somewhere above that. We may actually be above it a little. We finally worked our way back to that. And we have decisions to make. Do we spend that on various...or most of it on various social programs? Do we make some type of a tax refund or tax cut that maybe for the average Nebraskans amounts to a sack of peanuts a week? Or do we use it in some type of concerted effort to gather together from the private sector a large amount of money and try a rather exciting enterprise in which we have our fate in our own hands? Be happy to work with the committee on this. I know that requests like this are big and probably unrealistic, but they're ones, if you have the money and you have choices of where to put it, may merit somewhere on the whiteboard as a place to put some of it. [LB161]

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SENATOR MELLO: Thank you, Senator Schumacher. Any questions from the committee?
Senator Watermeier. [LB161]

SENATOR WATERMEIER: Thank you, Chairman Mello. Senator Schumacher, I appreciate this idea. I just can't quite get my arms around the idea and maybe we could talk about it further. But, you know, taking the management out of the private sector and tying to the government, seems like it's always been the issue about it. And just explain a little bit further about what you're talking about when you're talking about the seed money of \$40 million producing \$300 (million) and how will it be as a vehicle. I mean just... [LB161]

SENATOR SCHUMACHER: Okay. The state's budget let's just use. The state is going to throw \$40 million in the basket. Private sector is going to throw a couple hundred million. So we got a quarter of a billion dollars sitting there. We need to pick what kind of businesses and where we want to invest, okay? [LB161]

SENATOR WATERMEIER: That's the part I question. [LB161]

SENATOR SCHUMACHER: Okay. [LB161]

SENATOR WATERMEIER: How is the... [LB161]

SENATOR SCHUMACHER: And that particular part as to whether or not we acquire a business from Oklahoma and bring it here, that decision is made by this supervisory board. Okay? Investment is made, stock in that business is acquired. The board doesn't manage that business. This is...whatever management was managing that business, manages the business. It's an acquired business. Likewise, if it develops a young idea, somebody has got a great idea for a new product coming out of, say, the university or over at Innovation Campus, there again it's an investment. This is more like an investment house than anybody managing it. They manage their own business. You couldn't trust government to manage much of anything. We know how that works. But we can trust government to organize the money together into a fund for investment. [LB161]

SENATOR WATERMEIER: That's where I thought you were headed (inaudible). [LB161]

SENATOR SCHUMACHER: Yeah. [LB161]

SENATOR MELLO: Thank you, Senator Watermeier. Any other questions from the committee?
Seeing none, thank you, Senator Schumacher. [LB161]

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SENATOR SCHUMACHER: Thank you very much. [LB161]

SENATOR MELLO: That will close today's public hearing on LB161. And just as a cleanup clarification, under Agency 72, the Department of Economic Development, the committee did receive an e-mail letter from the Nebraska Economic Developers Association in support of the Nebraska Developing Youth Talent Initiative within the department's budget request. That will lead us to our next bill hearing of the afternoon, LB263 from Senator Johnson. Good afternoon. [LB161]

SENATOR JOHNSON: Thank you. Senator Mello, Chairman of the Appropriations Committee, and committee members, my name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n, and I'm here to introduce LB263. I was here two years ago supporting the funding of Main Street and back again. And I will comment at the end of my formal opening, some comments that I've learned over...or things I learned over the last two years. But basically, LB263 would provide \$100,000 in fiscal year '15-16 and \$100,000 in '16-17 to support the technical assistance in urban and rural downtown revitalization for all Nebraska communities through the Nebraska Main Street Program. The appropriation would be enhanced by private funds provided by the 19-year-old statewide organization. So we've been back many times on a biennial basis asking for this fund. Our focus will also include the agricultural vitality of the area around these smaller communities in Nebraska. Main Street uses a four-point approach based off the National Main Street Center, which provides assistance for design, organization, promotion, and economic restructuring of communities with a population under 50,000 population. I became a Main Street board member two years ago to provide a connection between the Legislature and Main Street Program. The rural focus of the Main Street Program will be supported, we hope--and I'll talk about that--through employer contributions plus local community funding by becoming members of the Main Street Program. We are excited to have a very active advisory board which will follow me, a member from that, and of course you'll hear from that group. We are asking for funds also to be placed with the State Historical Society as the mission of the Main Street Program and the mission of the Nebraska State Historical Society somewhat coincide. With the funds that we have received in the past and that we would anticipate, it's hard to budget. When you ask people to become part of a program that's ongoing, it takes time to develop some of these things. And not knowing for sure where we're at, coming back for an appropriation every two years is a little bit awkward. With the funding we ask for and last...two years ago it came up we had less funding because of some questions and some issues, and I will try and address those. We can only operate at a part-time basis, so we're limited in the communities that we can serve. The communities that are primarily a part of Main Street Program are those that are in the, I'd say, the 3,000-4,000 population range on up to 20,000. We're not reaching some of the communities that I feel are very important as we study the rural communities in our state. And my feeling toward Main Street, it's not a program out there that's going to figure out a way, if it's not economical, to save everything in every town on main street. Sometimes that just doesn't work and I think we

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have to be realistic of that. We are operating at this part-time level. We will be working to get private funding and I can answer some questions on that if there are. We haven't gone out and sought a lot of that yet because we need to know kind of where we're starting from, from the standpoint of how the appropriation might be set up for the next two years. So that's my opening. I'd be available to answer any questions. [LB263]

SENATOR MELLO: Thank you for your testimony, Senator Johnson. Are there any questions from the committee? Seeing none, thank you, Senator. [LB263]

SENATOR JOHNSON: Thank you. I'll stay for closing. [LB263]

SENATOR MELLO: We will first take proponents for LB263. [LB263]

BOB PUSCHENDORF: (Exhibits 1 and 2) Good afternoon, Chairman Mello, members of the committee. And thank you, Senator Johnson. My name is Bob Puschendorf, B-o-b P-u-s-c-h-e-n-d-o-r-f, and I am associate director and deputy state historic preservation officer for the Nebraska State Historical Society. And I have just entered into the record some of the letters of support that we've received for the Nebraska Main Street Program. And since this hearing, since this program has received partial state funding from the Nebraska Legislature, this hearing is a good opportunity to revisit the Nebraska Main Street Program and translate its success. Nebraska's downtowns are the historical heart of every community, both large and small. Residents have recognized that downtown revitalization is important to both local economics and community identity. But unfortunately, local economic impact, changing demographics, and modern cultural patterns have left many downtowns in decline. The Nebraska Main Street network is the state's only comprehensive program for downtown revitalization, and I stress "comprehensive." It is community-based. One of the most unique aspects of the program has been the unique coalition of other state agencies. The Nebraska Department of Economic Development, the Nebraska State Historical Society, the Nebraska Department of Roads, and the University of Nebraska have all been at the table since the beginning of the Main Street Program in 1994. Through an advisory council, these agencies bring expertise to communities in historic preservation, community development, community planning, and transportation. This harnesses the strengths of these agencies by programs and services that can be applied to Main Street communities, defined by common interests in economic development and revitalization of these community centers. The results: \$125 million in building improvements, new construction, and public improvements in the communities that have participated. The program has spurred 697 new businesses, 253 public improvement projects, 2,100 net new jobs, and 1,800 buildings rehabilitated. As you can see, a small investment in this program yields great results. Thank you very much, and I'd be willing to answer any questions you might have. [LB263]

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SENATOR MELLO: Thank you for your testimony, Mr. Puschendorf. Are there any questions from the committee? Maybe you could give just...I have a quick question and maybe it's just for some of the new members on the committee. I can't quite remember exactly what was the dollar amount we appropriated last biennium. I know it was an issue of having this appropriation come in on a biennial basis as it was getting restarted again. Can you remind the committee what that dollar amount was? Think it was 50? [LB263]

BOB PUSCHENDORF: Fifty thousand, yes. [LB263]

SENATOR MELLO: Okay. Okay. All right. Thank you. Seeing no further questions, thank you, Mr. Puschendorf. [LB263]

BOB PUSCHENDORF: Thank you. [LB263]

SENATOR MELLO: (Exhibit 3) Are there any other testifiers in support of LB263? Seeing none, the committee should have received letters of support from the Nebraska Main Street Network, Main Street Beatrice, Main Street Fremont, the downtown association of Grand Island, the city of Neligh, the Plattsmouth Main Street Association, the Historic Downtown Sidney Association, the York Main Street Association, and the National Main Street Center. Is there anyone here to testify in opposition to LB263? Seeing none, is there anyone here in the neutral capacity on LB263? Senator Johnson, would you like to close? [LB263]

SENATOR JOHNSON: Thank you. I think you can tell by the letters of support the type of communities that we're able to serve, and they continue to serve without...I mean they are functioning and they have their own corporate structure. The communities that we cannot reach are those smaller communities that need help. And my plan to...if we move forward at a level where we can grow, and in order to grow at least a little bit we need the \$100,000 each year to more fully staff the program. And my plan is, as you are probably aware, I was involved with the cooperative system for many years and what I'm going to be doing and we are going to be doing is reaching out to those corporate offices. There's about 44, 45 of them in the state. They represent 387 smaller towns that are under their umbrella. And through their corporate sponsorship, putting in real money, we will be able to go out through their structure and visit with these communities and ask them to contribute some money to be part of the program, plus maybe they can go back to their corporate sponsor and receive some money. So that's how we would try and raise money from the private sector. Because when the co-ops have left these communities, they've left a hole because there's no more leadership there that they used to have when they used to have the corporate office and the CEO. And so they feel that gap and I think the co-op needs to give back. [LB263]

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SENATOR MELLO: Thank you, Senator Johnson. Are there any questions from the committee? Seeing none, thank you, Senator Johnson. [LB263]

SENATOR JOHNSON: Thank you. [LB263]

SENATOR MELLO: That will close today's public hearing on LB263 and take us to our next public hearing of the day, LB318 from Senator Kuehn. [LB263]

SENATOR KUEHN: Good afternoon, Chairman Mello and fellow members of the Appropriations Committee. I am Senator John Kuehn, spelled J-o-h-n K-u-e-h-n, and I represent Legislative District 38 in south-central Nebraska. I'm here before you today to introduce LB318 for the committee's consideration. Nebraska statutes 13-1901 through 13-1907 define development districts and describe how development districts are formed pursuant to the Interlocal Cooperation Act and defining that local government shall mean any county, city, or village. Development districts shall be governed by a policy board which is a volunteer board of directors composed of elected officials, business, and community leaders from within that district's boundaries. That board shall set policy and serve as a regional resource center and provide planning, community and economic development, and technical assistance to local governments which are members of the district and may provide assistance to the industrial development organizations, tourism promotion organizations, community development groups, and similar organizations upon request. Specifically, the aforementioned statutes allow the direct funding to these development districts to be provided from the state, although this has not occurred within decades. Within limited exception, development districts in Nebraska provide statewide coverage for state and federal programs and include all of the defined local governments. Professional staff that are members of these development districts are regularly attending county, city, and village board meetings to gain firsthand knowledge of the community needs as well as to assess the program's effectiveness. They work with numerous state and federal agencies writing and administering program grants. And other services that these districts are providing to those communities is assisting with vital infrastructure such as water, sewer, and roads, as well as business and housing development assistance. These are our boots on the ground. These are the local community leaders and organizations that know these communities. They know what the community needs are and they know who to talk to within the communities to make these accurate assessments. The Economic Development Association federally recognizes all of the participating development districts in Nebraska, and these development districts know their region, they know their communities, and they know how to collaborate with statewide resources and to act as a sounding board to deliver the maximum benefit of services that can be provided with available funds. In an effort to work with the Nebraska Department of Economic Development to provide those services and exchange for funding asked for in LB318 at the amount of \$500,000 per year from the General Fund, the development districts could provide a list of potential areas that could be included or expanded to meet the needs of the state

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and communities in which they serve. They'd be required to follow the statute as directed under 13-1907 on the implementation, reporting, and accountability of these activities. Funding criteria for the funds appropriated from LB318 would be based on a currently existing formula and the amount funded to each district would be different. Each development district would provide services in proportion to the amount received or as specific programs germane to their particular district would require. The development districts provide statewide coverage of Department of Economic Development programs as well as other federal programs. They are staffed with certified professionals and have experience in implementing the programs and projects in the front lines of the communities in which they serve. There will be several individuals who will follow my testimony today who know firsthand how these programs work as well as provide the benefits to these communities. They're very familiar with their local communities and the projects and programs that have the highest impact. I strongly encourage you to ask them questions about their programs and how effective they have been throughout Nebraska. I have to tell you that it's truly a pleasure for me to be able to bring this bill to the committee for its consideration. Within my district is South Central Economic Development District which is headed by Sharon Hueftle and her team there. And I've had the opportunity over the past 15 months to sit in on a number of the community meetings that they held, whether that is in one community looking at a housing study for nuisance abatement as well as looking at housing inventory. Another community her team led a community visioning process that was part of a multiyear process where they were assessing the needs of the community as well as the capacity for the community of economic development. Sharon's team has only been in existence since 2005, and in nine years they've pulled down over \$10 million in grants for local economic development in a very rural district. We've talked a lot in this committee with a lot of different groups and organizations about appropriations for, in particular, rural revitalization and local economic development. And I have to say these are the front-line individuals. They're doing it. They have an effective, proven model; and providing these funds is a big part and component of our rural vitalization and revitalization as well as that local economic development which is so critical. So I'm happy to answer any questions that any of you may have regarding this proposal. [LB318]

SENATOR MELLO: Thank you, Senator Kuehn. Are there any questions from the committee? Senator Hilkemann. [LB318]

SENATOR HILKEMANN: Yes, Senator Kuehn, this money would go to the Department of Economic Development and then grants would be...these different communities would apply for grants. Is that how this would be distributed? [LB318]

SENATOR KUEHN: It would actually be distributed directly into the eight development districts that currently are in existence. So there's an existing formula based on their current service and what they do. So, for example, I can just give you a quick kind of preliminary breakdown. So

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South Central Economic and Development District in my district would receive roughly \$69,000 of that \$500,000 appropriation. So it would go to the development districts. They would then have the opportunity to use that and put those dollars to work within their local districts and their local communities so it would be distributed. It wouldn't be just a centralized \$500,000 to the Department of Economic Development. The statute is clear in outlining how the development districts work and the criteria for assessment and reporting back how those monies are spent. So the statute is there; it's just not been funded. So what we're looking for in this bill is an opportunity for the state to fund that statutory program. [LB318]

SENATOR HILKEMANN: Thank you. [LB318]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Kuehn. [LB318]

SENATOR KUEHN: Thank you. [LB318]

SENATOR MELLO: We will first hear from proponents for LB318. [LB318]

MARY BERLIE: (Exhibit 1) Hello, Chairman Mello and members of the Appropriations Committee. My name is Mary Berlie, M-a-r-y B-e-r-l-i-e. I serve as the executive vice president for the Grand Island Area Economic Development Corporation and also as a board member for the South Central Economic Development District. South Central's territory covers 13 counties including Hall, Howard, Merrick, Buffalo, Hamilton, Phelps, Kearney, Adams, Clay, Harlan, Franklin, Webster, and Nuckolls. In 2014 alone, South Central administered over \$1.5 million in grants for downtown revitalization, tourism, and community planning in various communities, including but not limited to the communities of Hastings, Superior, Minden, Wilcox, Blue Hill, and Central City. South Central also wrote 7 community development block grant applications, connected 9 other communities to other state and federal funding sources, guided 15 individual businesses through their expansions, and assisted with various community needs assessments and town hall meetings. Many times regional economic districts are a small community's only connection to state and federal funding, grant facilitation, and community planning needs. I believe it's funding opportunities like LB318 that needs to foster...that will help economic development districts not only widen their scope of work but also enhance economic development efforts and impact communities across Nebraska. I have offered a few letters of support regarding LB318 and am happy to answer any questions or deflect them to some of those experts behind me. [LB318]

SENATOR MELLO: Thank you so much for your testimony, Ms. Berlie. Are there any questions from the committee? Seeing none, thank you. Next proponent for LB318. [LB318]

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THOMAS HIGGINBOTHAM: (Exhibit 2) Thank you, Senator Mello and members of the Appropriations Committee, for the opportunity to testify on LB318 today for funding for development districts. My name is Tom Higginbotham, T-h-o-m-a-s H-i-g-g-i-n-b-o-t-h-a-m. I am the executive director of the Northeast Nebraska Economic Development District in Norfolk. I also serve on the board of directors for our statewide association. All eight development districts formed a statewide association a few years ago so we can provide statewide coverage. The Northeast Nebraska Economic Development District covers 17 counties in northeast Nebraska. Our total population is about 206,700, of which nearly 70,000 of that are made up of our 3 largest communities--Columbus, Norfolk, and Fremont. Of the 117 communities in our region, 110 of those have population of 2,500 or less so we're pretty rural. Our region faces many economic challenges common to communities throughout the country. We are currently supported by a combination of funds: a planning grant from the United States government by the Department of Commerce, local community membership dues, and special contracts such as administration of federal and state grants. We support this. Providing \$500,000 in funding through LB318 would create a partnership with the Department of Economic Development that would mutually benefit all entities and best meet the needs of our communities and serve the citizens in those...that live in those communities. It allows everyone to maximize the limited resources of all for a more effective outcome. Development districts provide the link between federal and state programs at the local level. As such, our district staff are regularly attending meetings and the local governments, county, cities and villages so we know what the needs are in those communities every day. We see this as an opportunity for the Department of Economic Development to utilize the district staff as an extension of their own through that partnership. This resource will allow the districts to expand to meet the needs of the state and the communities that we serve. Potential areas of service would fall under community, business, housing, and economic development activities. A little bit about us: We were formed back in 1977. But I am going to provide a little information. Since 2004, the Northeast Nebraska Economic Development District has assisted its community members with projects such as housing, street improvements, water and sanitary sewer improvements, libraries, fire halls, housing studies, comprehensive plans, preengineering studies, community strategic planning, and direct financing to businesses. During this time period, \$70.5 million in grants and loans were brought into the 17-county region, resulting in the creation and/or retention of over 3,500 full-time equivalent jobs. You know, these are examples of projects that are crucial to the viability and the growth of our communities. In closing, I urge you to support LB318 funding for the development districts. This funding will provide the additional resources necessary to build and strengthen the state of Nebraska, creating prosperous communities where people want to work, live, and raise families. Thank you again, Senator Mello and members of the Appropriations Committee, for the opportunity to testify in support of this important bill.
[LB318]

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SENATOR MELLO: Thank you for your testimony, Mr. Higginbotham. Are there any questions from the committee? Senator Haar. [LB318]

SENATOR HAAR: Yes, thanks for being here. You say the \$70.5 million in grants and loans were brought. Do you work with communities to get those or do you get the money directly and then grant it out? [LB318]

THOMAS HIGGINBOTHAM: A combination of both. Most of those dollars we work with our community members and they're actually the recipient of those funds. But we do have some regional programs. We do have a regional housing program for new construction, owner-occupied rehabilitation, and down payment assistance. We apply directly to the Department of Economic Development and get funding for that for our regional program. We also have a regional business loan program. We applied directly to the Department of Commerce EDA to get some seed capital for our business revolving loan fund. And we also apply to USDA. We get some USDA IRP funds and other funding from USDA for our business loan program, so it's a combination of both. [LB318]

SENATOR HAAR: But I would assume that in many cases, especially with a small town, they don't have maybe the experience or expertise to do the kind of grant writing that you (inaudible). [LB318]

THOMAS HIGGINBOTHAM: That is correct. That is correct. And, you know, they pay a membership due. And that's one of those services that we provide underneath their membership in our organization, is we help them do that. You know, we help them in any...I mean basically what I tell our communities and new members, you know, we're here to help you do anything you want us to do. And that's if that's write grants or research grants for them or opportunities for them, that's what we do. And the other important thing is we are professional experts in administration of those grants. You know, there's a lot of federal and state requirements that, quite frankly, the small communities just don't have the time or the expertise to deal with that. You know, typically in these small communities, you know, the go-to person is the clerk. Well, they have other things that they need to be worrying about other than, you know, stuff like this. And these are things that we can take care of for them. [LB318]

SENATOR HAAR: Do you work with the program we just heard about, the Main Street program? [LB318]

THOMAS HIGGINBOTHAM: We do. We assist...a lot of our communities participate in that program, and we help them facilitate through that process. If they feel that there's a need for them to utilize that program to further their organization, yes, we do. [LB318]

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SENATOR HAAR: Good. Thank you. [LB318]

THOMAS HIGGINBOTHAM: Thank you. [LB318]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you. [LB318]

THOMAS HIGGINBOTHAM: Thank you. [LB318]

SENATOR MELLO: Next proponent for LB318. [LB318]

DAVID TALADAY: (Exhibit 3) Good afternoon. Thank you, Senator Mello and members of the Appropriations Committee, for the opportunity to testify on LB318. My testimony will be similar to Tom's, but it will be different because we are different districts. My name is David R. Taladay, D-a-v-i-d, R. Taladay, T-a-l-a-d-a-y, and I am the executive director of the Southeast Nebraska Development District. Our main office is in Lincoln and we have a small office in Humboldt and a staff office over in Bradshaw. I am also on the board of directors of the Nebraska Regional Officials Council. SENDD covers a 15-county region of the state, including 139 communities. Of that total, only six towns are above 5,000 population and only one of those is above 10,000. And 47 percent of the remaining communities are under 250 population. Many of the small communities face the economic challenges of rural areas common to communities throughout the country. I've passed out our performance report from our last fiscal year which identifies much of the makeup of our communities, our budget and where our funds come from, as well as a lot of the activities that our staff assists for those communities. We are funded similar to the Northeast District from a planning grant from the Department of Commerce, Economic Development Administration. This amounts to about 6 percent of our budget. We also have membership dues which accounts for about 20 percent of our budget. And the rest of our funding comes from special projects, both through federal and state programs at the local level as well as services directly to smaller communities. We support the providing of \$500,000 in LB318 because it will create a partnership with the Department of Economic Development which is beneficial to all the entities and meets the needs of the communities. It allows us to maximize our limited resources for effective outcomes. Development districts do provide a link between federal and state programs at the local level. Typically, we orient our communities and we say that we are shared staff. We are essentially identified as share staff, similar to urban development departments in Lincoln and Omaha. So we are an actual arm of their membership. Small towns with only sometimes a part-time clerk cannot and will not participate in identifying those programs for which they need assistance. SENDD has just celebrated our 40-year anniversary, starting in 1974 as the Vision-17 Areawide Planning Agency and expanding into the present 15-county region in 2009. I had started in 1980 and worked for 30 years as a programs manager. I think I was only 12, and for the last...I'm starting in my fifth year as the director. Over

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the last four years in our expanded 15-county, SENDD has generated a return on investment of over \$29 for every \$1 in local membership. So we do get about \$220,000 in local membership. About half of that goes to match other local...other programs for funding. And our return on investment is \$29 for every \$1 so that's about \$6 million a year in returned investment. During the last two years, SENDD has managed over 74 grant programs worth over \$14.5 million. In the past ten years, SENDD has assisted our members to leverage more than \$208 million in private investments for economic development initiatives and job creation and retention. And over the past decade, SENDD has been directly involved in projects that have retained over 535 jobs and created over 1,000 new jobs. And we're talking about 47 percent of our communities are under 250. As you note in the map on the NROC, our Regional Officials Council, Lancaster County sort of sits alone. Lancaster County has not been previously a member of a certified development district. However, we have begun discussions with the County Board of Commissioners to bring them and the communities of that county into the Southeast Nebraska Development District. I've been approached by the Lancaster County Planning Commission to take part in My Town of Lancaster County, which is a workshop next week. And we have a meeting with the Lancaster County chairman of their board next week to talk about membership. We actually do have a contract with Lancaster County to do work, but not as part of membership. So thank you for listening to our story. [LB318]

SENATOR MELLO: Thanks so much for your testimony, Mr. Taladay. Are there any questions from the committee? Senator Haar. [LB318]

SENATOR HAAR: Yes. How many people do you have in your office? [LB318]

DAVID TALADAY: We have...right now we have eight staff. I have seven people in my Lincoln office and one in my Humboldt office and one person in our Lincoln office actually has three days a week out in his home office in Bradshaw. And so we have down south, over to the west, and here in Lincoln. Our office is in Lincoln because my previous director of 30 years started the program with a one-man shop and lived here so why not have an office here, so. [LB318]

SENATOR HAAR: Sure. Now one of the services you have is public works. Is that the way towns, I mean for a small town with roads and all kinds of things? [LB318]

DAVID TALADAY: Surely. We don't do public works but we provide the planning and programming and fund procurement and then management of the projects when they come into play. As a matter of fact, I'm going to...I'm working with the village of Gilead, population 42 down in Thayer County, on developing an application for a wastewater lagoon expansion. It's about a \$300,000 project, partly funded by the Department of Economic Development through the block grant program which is federal funds, and the state revolving loan fund for water and

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wastewater. The difficulty is that small town has to purchase the property first before they can get the funding from DEQ. And so we've had to go through an acquisition process using the Uniform Relocation Act, which is a federal requirement, for them to get to that point. So our service as a membership, it's about a year and a half process for this small town to identify that they need the property, deal with the owner of that property, and come to an agreement to buy the property. [LB318]

SENATOR HAAR: In small towns, especially the ones that are decreasing, must have real problems with infrastructure. Right? [LB318]

DAVID TALADAY: All the infrastructure in Nebraska is old. But we find that many of those communities indeed are finding that streets is always a condition in our community surveys is always a problem. [LB318]

SENATOR HAAR: You can see those with sewers and water (inaudible). [LB318]

DAVID TALADAY: Water and wastewater typically are when a problem arises because the DEQ, especially with the water and wastewater, will identify here's the problem, you have an administrative order, now solve it. And so our job is to help them find resources to do that. [LB318]

SENATOR HAAR: Good. I really hadn't heard of these regional offices before so I'm fascinated by them. [LB318]

DAVID TALADAY: Well, I may be typical in that over my 35 years of working with the district I've had not an opportunity to come before the Legislature to testify, and I've been pretty good at that mission in my long years. But this is one that we feel needs some assistance. It will allow us to spread our wings and work directly with the communities more than we can right now. Typically, we go out when they ask for help. And this program may allow us to go out to more of those communities and let them know that programs and projects are out there. [LB318]

SENATOR HAAR: Then finally, do a lot of these communities you serve, are they also part of the League of Municipalities or is that mainly for larger? [LB318]

DAVID TALADAY: Typically, many of...most of the smaller communities are members of the League of Municipalities. And for legal activities, statutes, ordinances, they get that support through the League. But the League doesn't send them out to help them find funds for fixing the streets and sewer and the water. [LB318]

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SENATOR HAAR: Okay. Great. Thank you. [LB318]

SENATOR MELLO: Any other questions from the committee? Senator Hilkemann. [LB318]

SENATOR HILKEMANN: You mentioned that you've got an office in Humboldt. [LB318]

DAVID TALADAY: Yes. [LB318]

SENATOR HILKEMANN: But I don't see any projects there from Humboldt. [LB318]

DAVID TALADAY: Well, not in Humboldt necessarily right now but our staff works in the four and five counties down in that corner. The history is that back prior to 1984 there was a Southeast Nebraska Council of Governments which was the four counties down there and had a separate staff all by itself. And the director was leaving and the four counties still wanted service and so we merged at that point to those four counties so we had an eight-county region. And then in 2009 we expanded into the 15 counties now. But those four counties said, we want an office down here. So we have had as many as two people down there working so that most of the activities that happen in Falls City and Auburn and Stella and Rulo are because of the staff that are serviced out of our Humboldt office. It's a real small office. [LB318]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Mr. Taladay. [LB318]

DAVID TALADAY: Thank you. [LB318]

SENATOR MELLO: Other testifiers in support of LB318. [LB318]

CHERYL BRANDENBURGH: Good afternoon, Senator Mello and the Appropriations Committee. My name is Cheryl Brandenburgh, C-h-e-r-y-l B-r-a-n-d-e-n-b-u-r-g-h. I'm a certified economic developer and I'm speaking today and testifying on behalf of the Nebraska Economic Development Association. Also full disclosure, I work for Black Hills Energy and we are in support of this project and as well as I serve on the board of the Southeast Development District that Dave just spoke of. I'm on the executive board. The Nebraska Economic Developers Association is a statewide organization comprised of more than 500 economic developers and community developers. We work in partnership with these economic development districts. The development districts provide the hands-on direct assistance to communities and professionals in areas of community development, business development, housing, and also the nuisance abatement issues. Some of those projects you've heard about: housing, owner-occupied rehab,

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comprehensive plans, needs assessment, water/wastewater projects, grant writing, truly the funding opportunities that our communities need. The development district has partnered with numerous state and federal agencies, as you have heard. They are an integral part of our communities that we serve and the counties that we serve. The staff is regular attendees at village board meetings, city board meetings, county board meetings. They are a first-hands-on resource and do provide that direct assistance. The development district also serves as an integral part of the Department of Economic Development because they write the grants that go back into the Department of Economic Development and then in many cases for those communities help administer those grants and make sure that the paperwork is done once those grants are received back. And that goes to speak of the water and the wastewater questions that you had earlier. They're definitely an outreach for federal dollar funding from the EDA. The agencies generate a return on investment for every job and every dollar created. And I can't tell you how proud I am of their job creation and job retention that the development districts have done. Currently the development districts are funded by, you've heard, membership fees, government entities, federal funding, and administrative costs. These funding opportunities, however, do not permit them to do all the things that I think they're capable of. And as sources continue to dwindle from those, the administrative side of the paperwork continues to increase. NEDA fully supports a line-item appropriation of \$500,000 from the Legislature to the development districts to be distributed on the formula that has been represented. We believe this is an effective use of state funds and is the right investments in our communities and counties. Thank you for the opportunity; and if you have any questions, I'll be happy to answer them. [LB318]

SENATOR MELLO: Thank you for your testimony, Ms. Brandenburgh. Are there any questions from the committee? Senator Haar. [LB318]

SENATOR HAAR: Yeah. I should have probably asked this of someone who is actually a director, but do each of these councils have an elected board or an appointed board? [LB318]

CHERYL BRANDENBURGH: The board is comprised of city and county officials from each...as you'll see in the SENDD brochure, we're a large board because we have county officials, city officials, and then business members at large. And I happen to serve as a business member at large on the Southeast Development District Board. [LB318]

SENATOR HAAR: And who appointed you? [LB318]

CHERYL BRANDENBURGH: I was appointed by the board originally as a request to come on. For example, York Economic Development Director is on the board, but from the other side we have a Seward County Commissioner; we have a York County Commissioner; Fillmore County

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Commissioner. Most of the people that are on the board are actually county commissioners, but we do have also city representation. [LB318]

SENATOR HAAR: Yeah, we sort of have democracy with a vengeance in Nebraska. [LB318]

CHERYL BRANDENBURGH: (Laugh) Yes, absolutely. [LB318]

SENATOR MELLO: Any other questions from the committee? See none. Thank you, Cheryl. [LB318]

CHERYL BRANDENBURGH: Thank you. [LB318]

SENATOR MELLO: (Exhibit 4) Are there any other proponents for LB318? Seeing none, the committee should have received letters of support for LB318 from the city of Columbus; the Holdrege Chamber of Commerce; Chuck Mix, a Holdrege area Chamber of Commerce member; Phelps County Development Corporation; Superior Development Corporation; the city of Norfolk; the city of Pierce; the Grand Island Economic Development Corporation; the city of O'Neill; the city of Superior; Northeast Nebraska Economic Development District; West Central Nebraska Development District; South Central Economic Development District; the village of Elba; the city of Minden; Panhandle Area Development District; Norfolk Chamber; and the United Cities of Sarpy County. With that, is there anyone in opposition to LB318? Seeing none, is there anyone in a neutral capacity for LB318? Seeing none, Senator Kuehn, would you like to close? [LB318]

SENATOR KUEHN: Yeah, just real quickly. I share your fascination, Senator Haar, when I first encountered at a village board meeting actually some of the work that was being done in my district. These are professionals who are absolute rock stars in these communities. They know the communities. They're helping these small communities access the funds. They're providing expertise that they would otherwise not have access to. They're helping with the administration of these funds. And they are boots on the ground and they're doing it day in and day out. And as most of you probably noticed, they're doing it without a lot of recognition or even awareness that they're doing their great work. So I'm really happy to bring this forward and I encourage your support of it as well. So no questions, thank you. [LB318]

SENATOR MELLO: Thank you, Senator Kuehn. Are there any questions from the committee? [LB318]

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SENATOR HILKEMANN: I would just make a comment that the people from MAPA talked to me about this and thank you. [LB318]

SENATOR MELLO: See no further questions. Thank you, Senator Kuehn. That will close today's public hearing today on LB318 and take us to our next public hearing of the day, LB569 from Senator Brasch. Actually, Senator Brasch, would you mind if the committee took a brief one- or two-minute break before you got here? [LB318]

SENATOR BRASCH: Please do.

SENATOR MELLO: Is that all right?

SENATOR HAAR: Oh, thank you.

SENATOR MELLO: Okay.

SENATOR BRASCH: It's understandable.

SENATOR MELLO: The committee will take a brief two-minute recess.

SENATOR HAAR: I promise to be back.

SENATOR BRASCH: Okay.

BREAK

SENATOR MELLO: All right. The committee is going to reconvene. And starting off for the second half of our bills for the day we'll start off with LB569 from Senator Brasch. Good afternoon, Senator Brasch.

SENATOR BRASCH: Good afternoon and thank you, Chairman Mello. And good afternoon, members of the Appropriations Committee. I am Lydia Brasch, L-y-d-i-a B-r-a-s-c-h, and I represent the 16th District in the Nebraska Legislature. As I begin my fifth year in the Legislature, this is my very first time in front of the Appropriations Committee. I wasn't sure of what to expect, so now I guess I'll find out. But I want to thank you and I am here to introduce LB569, which I have brought to you at the request of the Department of Economic Development. The primary intention of LB569 is fairly straightforward. The bill seeks to modify certain

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provisions in the Business Innovation Act to add flexibility to the programs authorized under the act to continue encouraging and supporting the development of Nebraska-based technology and innovation in rural and urban areas. The main way this intention is accomplished is by increasing the dollar maximums per category within the Business Innovation Act. The BIA awards funding to a variety of programs. Currently, the phase one/matching Small Business Innovation Research initiative program, the prototyping program, and the value-added agriculture program may award no more than \$1 million. The commercialization program may currently award no more than \$2 million. And the research and development program may award no more than \$3 million. LB569 would raise all of these categories to award limits of \$4 million. Importantly, there is no additional funding being asked by the Legislature. This bill basically and simply seeks to raise the award limits and give the Department of Economic Development greater flexibility to allocate funding among the various programs. In addition, the bill includes the Small Business Technology Transfer grant program into the definition of the federal grant program. This grant program is an important small business program that expands funding opportunities in the federal innovation research and development area. Central to this program is the expansion of the public and private sector partnership to include the joint venture opportunities for small business and nonprofit research institutions. The bill also increases the maximum for prototyping grants from \$50,000 to \$150,000 and clarifies the matching requirement for the commercialization program to a one-to-one matching ratio. Finally, the bill establishes confidentiality of information, since most information submitted involves innovative ideas and company information, with an exception for information required to the Department of Economic Development's annual report. As stated earlier, this bill is not intended to ask for additional funding for the programs within the BIA but simply to increase the amount of maximums to give the Department of Economic Development more room for allocating their funds to the various programs. As I conclude, I would like to thank the Department of Economic Development for bringing this bill to me and help in introducing the bill. If you have any questions about the program discussed, I am sure they would be more willing to answer those questions in detail. Again, thank you for your time. I would be happy to answer questions. [LB569]

SENATOR MELLO: Thank you, Senator Brasch. Are there any questions from the committee? Senator Haar. [LB569]

SENATOR HAAR: Senator Brasch, I'm sure Senator Kintner will tell you we only want you to come to this committee if you want more money. (Laughter) [LB569]

SENATOR BRASCH: Well, if you would like the generosity to offer more money, I don't think they would be offended at all, but not this time. [LB569]

SENATOR HAAR: Thank you very much. [LB569]

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SENATOR BRASCH: Thank you. [LB569]

SENATOR HAAR: Appreciate it. [LB569]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Senator Brasch. [LB569]

SENATOR BRASCH: Thank you. [LB569]

SENATOR MELLO: We'll first hear from proponents for LB569. [LB569]

BRENDA HICKS-SORENSEN: (Exhibit 1) Good afternoon, Chairman Mello and members of the Appropriations Committee. For the record, my name is Brenda Hicks-Sorensen, B-r-e-n-d-a H-i-c-k-s hyphen S-o-r-e-n-s-e-n, and I am the director of the Nebraska Department of Economic Development. I appear to you today in support of LB569. I want to thank Senator Brasch for introducing LB569 on behalf of the department. The Business Innovation Act authorizes the department to administer several different programs, programs which assist Nebraska businesses and entrepreneurs across the state with innovative and technological ideas. The programs include the following: grants and other financial assistance to match the federal Small Business Innovation Research, SBIR, program; financial assistance for prototyping of products or processes; assistance for commercializing a new product or process; an industry-university applied research grant program; a value-added agricultural grant program; and a microenterprise assistance program. The act also requires the department to prepare an action plan by January 1 of each even-numbered year that addresses the department's plan for administering each of these programs. This action plan is made available for public review and comment prior to submission to the Governor. I will briefly outline the changes made to the Business Innovation Act through LB569 and the department's reason for requesting such changes. First, LB569 authorizes grants and other financial assistance to match the federal Small Business Technology Transfer, STTR, grant program in addition to the Small Business Innovation Research program, SBIR. The STTR grant program is a federal grant program that is similar to the SBIR program in that it expands opportunities in the research and development arena. Eleven federal agencies participate in the SBIR program, and five federal agencies participate in the STTR program. I have a handout for you which provides a list of the federal agencies that participate in each program. The department would like to be able to provide the same assistance to businesses that apply for and/or receive STTR grants that we provide for those that apply for and/or receive SBIR grants. Second, LB569 increases the maximum amount of grant that can be awarded for a prototyping project to \$150,000 from \$50,000. The cost of making a prototype can vary greatly depending upon the technology involved. The department would like to have the ability to award a greater amount of funds for the creation of a prototype when appropriate. The program has received

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some requests for promising prototypes that cost more than \$300,000 to design and build, such as complex medical devices and those requiring precision machining and programming. The award amount for a prototype will be determined based upon the cost of developing the prototype, the market potential for the product or process, and the ability of the business to follow through with the development efforts. Third, LB569 clarifies that the matching requirements for the commercialization program are a one-to-one match, and this is simply a technical correction to the language of the act. Fourth, LB569 increases the limitation for certain programs authorized under the act to \$4 million. As was highlighted, this does not result in a request for increased funding for the act but allows the department more flexibility in allocating funding among programs, which is accomplished through the action plan process. Finally, LB569 adds language regarding confidentiality of program information with the exception of information required in annual reports. The information we receive and work with in regard to these programs can be sensitive and it involves innovative ideas and processes. The department would like assurances in the statute that this information can remain confidential. The department has been successful in assisting high growth, high technological companies, small businesses, and microenterprises through the programs authorized under the act. The ability to continue to support these businesses through these programs is an important component of continuing to address the state's need for innovation development and in increasing jobs and investment within the state. The department believes that the changes proposed in LB569 will improve the department's ability to encourage and support Nebraska-based technology and innovation. Thank you for your time today. I would be happy to answer any questions you may have. [LB569]

SENATOR MELLO: Thank you for your testimony today, Director. Are there any questions from the committee? I've got one question and it may lead to a couple more. The only question I've got in general is regarding the annual report from the Business Innovation Act in regards to how much information does the department provide in that report, because everything else in the bill I understand, completely support, think it's good policy. I'm a little nervous in regards to shielding any and all. I believe that the language is: Information received, developed, created, or otherwise maintained by the department in administering the act. It's fairly broad, that's very broad language in comparison to any of our other public records laws that we've got. And I just...I think I know what's on the...in the existing report, but if you could give a little background, that would be helpful. [LB569]

BRENDA HICKS-SORENSEN: The requirements in the report are outlined in the statute, and we can definitely get you copies of the past report if you'd like. [LB569]

SENATOR MELLO: Okay. That would be good. Maybe just to give the committee a copy of the... [LB569]

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BRENDA HICKS-SORENSEN: Sure. [LB569]

SENATOR MELLO: ...most recent BIA report would be good. [LB569]

BRENDA HICKS-SORENSEN: Okay. [LB569]

SENATOR MELLO: Any other questions from the committee? Seeing none, thank you, Director. [LB569]

BRENDA HICKS-SORENSEN: Thank you. [LB569]

SENATOR MELLO: Next proponent for LB569. [LB569]

MICHAEL DIXON: (Exhibit 2) Hi. Thank you, Chairman Mello, members of the Appropriations Committee. My name is Michael Dixon, M-i-c-h-a-e-l D-i-x-o-n. I'm president and CEO of the UNeMed Corporation. We are the technology transfer and commercialization entity for the University of Nebraska Medical Center. I'm here on behalf of the University of Nebraska to testify in support of LB569. A brief background on myself and UNeMed, again, we are the group that takes all the ideas that come out of the research, around \$120 million worth of research occurring at the university. Those new ideas are then evaluated by us, patented, and we try to find people to commercialize those. But we're more than just a technology portfolio. We have individuals on my staff out trying to seek companies which will develop our technologies both locally and out of state. In addition to my role in UNeMed, I also service a role on the board of directors of Invest Nebraska, a not-for-profit venture development corporation that funds high-tech, high-growth companies, as well as a mentor in Straight Shot and NMotion, venture accelerators here in Nebraska, in Lincoln, and Pipeline, which is a regional accelerator and mentorship program. So what I want to stress is that I see this from different angles on both the venture side, the academic side, and partly the business side. With that, I want to express strong support for LB569. I think the Business Innovation Act has been a very strong driver for high growth, high technology businesses here in Nebraska. The provisions in LB569 which help, including STTRs, that's a big one for us as academics. The differentiation between SBIR and STTR are very...they're very similar yet they're different. And one of the major differences is faculty members can apply for STTR grants, which are grants which allow researchers to take ideas and give that developmental money to fund the development of ideas, which is often called the "valley of death." And it's called that because there's not much funding. This is where STTRs come in handy. Now the reason faculty like STTRs is because they don't have to leave their job at the university to file for one. So if they want to file for an SBIR, they can't be the principal investigator unless they're outside the university. So we see many more STTR applications and, with that, having this addition, we'll be able to see more activity within the Business Innovation

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Act with those STTR applications. I wanted to highlight some of the value of the Business Innovation Act. I think it was in 2013 the World-Herald reported that 23 Nebraska-based start-ups attracted \$43 million of investment. But more importantly, there were at least 11 venture capital firms from outside the state, places like New York, Chicago, Silicon Valley investing in companies in Nebraska. They did deals worth \$19.3 million that year. So we compare that to the 2010 Battelle report in which the state contracted with Battelle to do an assessment. At that time we lagged pretty much all of our peers. We were last in small business research grants and ahead of only Oklahoma for venture investment in companies. I haven't seen the most recent stats, but I can tell you, from being in the ecosystem, we are making great strides and I think the Business Innovation Act has been one of the key components of that. Specifically, in the University of Nebraska Medical Center since 2011 we've helped spin out 11 companies. Six of those companies have been approved for grants or matching as part of the Business Innovation Act, and we expect that those companies will raise more than \$10 million within the next year. There's significant activity occurring and these are companies that may not have started here if not for some of the incentives supplied in the Business Innovation Act, nor would they be able to grow here without the ability to attract venture capital from outside the state. And again, venture capital is attracted by matching funds. In conclusion, I'd like to give kudos to both the Nebraska Legislature and the Department of Economic Development for the successful start and the implementation of the Business Innovation Act to help the companies facing the "valley of death." I think it's important to be patient as the biotech companies that we're trying to create take a long time to grow. They're very high risk but they are very high reward. Thank you. If there are any questions, I'm happy to answer them. [LB569]

SENATOR MELLO: Thank you for your testimony, Mr. Dixon. Are there any questions from the committee? Senator Haar. [LB569]

SENATOR HAAR: Just real quickly, if I'm at the university and I develop something, do I share in that or does it all go to the university? [LB569]

MICHAEL DIXON: No. No, absolutely, federal laws and university policy require a splitting of proceeds. And at the University of Nebraska Medical Center, the policy is inventors, faculty members who invent, are able to earn one-third of net proceeds. So one-third goes to the pool of inventors, two-thirds goes back to the university, and we use that to fund translational research. So we actually use that to fund that "valley of death" research internally. [LB569]

SENATOR HAAR: A revolving fund (inaudible). [LB569]

MICHAEL DIXON: Absolutely. We try to keep it as evergreen as possible. [LB569]

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SENATOR HAAR: Oh, thank you. [LB569]

SENATOR KINTNER: There you go. [LB569]

SENATOR MELLO: Any other questions from the committee? See none. Thank you, Mr. Dixon. [LB569]

MICHAEL DIXON: Thank you very much. [LB569]

SENATOR MELLO: Next proponent for LB569. [LB569]

RON SEDLACEK: Good afternoon, Chairman Mello and members of the Appropriations Committee. For the record, my name is Ron Sedlacek, that's R-o-n S-e-d-l-a-c-e-k. I'm here today on behalf of the Nebraska Chamber of Commerce and Industry in support of LB569. I think you received a lot of factual information from the previous testifier particularly, Mr. Dixon, and do not want to be repetitive. And since I do have five minutes, there's no rule that says I have to use it all for that purpose. But I would like to just mention one thing and that is that the State Chamber of Commerce had looked at this particular Business Innovation Act, as it was written. And through our initiative called "Forging Nebraska's Future," that dealt with taxes, economic development, education, work force development, and so forth, they identified this program and the desire to increase prototype development but more than not was to provide some flexibility for the department to implement the program. So this bill was introduced. We were contemplating doing something similar to this, this year. So we're just very happy and thank Senator Brasch for introducing the bill. [LB569]

SENATOR MELLO: Thank you, Mr. Sedlacek. Are there any questions from the committee? See none. Thank you, Ron. [LB569]

RON SEDLACEK: Thank you. [LB569]

SENATOR MELLO: (Exhibits 3 and 4) Are there any other proponents for LB569? Seeing none, the committee should have received letters of support from the University of Nebraska-Lincoln from Dr. Jim Linder, interim president; and from the Lincoln Chamber of Commerce from executive vice president Bruce Bohrer. Are there any opponents to LB569? Seeing none, is there anyone here in the neutral capacity on LB569? Seeing none, Senator Brasch, would you like to close? I'm not going to let you waive closing, Senator Brasch. You've got to come up and close. (Laughter) Senator Brasch waives closing. That will end today's public hearing on LB569 and take us to our next hearing of the day, LB449. [LB569]

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SENATOR HILKEMANN: Good afternoon again. We're going to begin the hearing for LB449. [LB449]

SENATOR MELLO: (Exhibit 1) Good afternoon, Vice Chairman Hilkemann, members of the Appropriations Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. I'm here this afternoon to introduce LB449 which would update the small business investment program authorized under the Business Innovation Act to provide strategic investments for small business economic development. The small business investment program was created in 2011 through LB387 and provides for the delivery of microloans to businesses that have ten or fewer employees and technical assistance for clients that reside in distressed urban and rural areas of Nebraska. In the short time that these microloans and technical assistance efforts have been in place, the state has seen the beneficial effects of these programs. The Nebraska Small Business Collaborative, which administers the Business Innovation Act microloans and technical assistance for the state, estimates that they have created or retained 862 jobs through loans and 1,853 jobs through their technical assistance program. The vast majority of the training provided through the act has been directed to low-income Nebraskans who can benefit most of these services. Over 8,000 clients have been served and over 400 loans have been arranged in urban as well as rural parts of the state. I believe this is a success story that needs to be built upon and expanded. In their experience running these programs, the staff at the Small Business Collaborative have come to the position that the most effective way to use these funds for economic development would be increase their ability to focus on the technical assistance side of the program, which would help more people overcome the skills gap that prevent them from becoming successful entrepreneurs and business owners. Currently, state statute requires that 70 percent of aid funding be used for microloans and 30 percent for technical assistance. LB449 would balance these two percentages at 50 percent each. Additionally, LB449 recognizes the importance of investing in developing entrepreneurial talent by increasing the minimum and maximum total funding to be disbursed through the Small Business Investment Program. Under LB449, the minimum amount to be used for loans and technical assistance to microenterprises and developing entrepreneurs is \$1 million per year. The maximum cap is capped at \$2 million per year. We found something that works and when you find something that works, especially in an area as important as small business economic development, you should try to do more of it. Right now there are people in Nebraska that have a vision and drive to become entrepreneurs but either do not have the access to the capital needed to build their vision or lack the skills, knowledge, and bankability necessary to make it a reality. The small business investment program has helped many Nebraskans make that transition while creating thousands of jobs along the way. My office received a letter from the Department of Economic Development that contains some suggestions for streamlining the process of administering the small business investment program. I look forward to working with the LB449 stakeholders and the Department of Economic Development in discussing ways to improve the language in the bill, and most efficiently achieve the goals of the program. Testifiers behind me

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will speak further to how the small business investment program works, the benefits that Nebraska has seen through their efforts, and why we should invest more heavily in the technical assistance side that the small business investment program delivers. Thank you for your time and I'd be happy to answer any questions you may have. A small oversight on my part in regards to drafting LB449, and we gave the committee an amendment. There's a component at the very end of LB449 that strikes out the dollar amount for the Business Innovation Act and replaces it with three Xs, I believe, if you look at the bill. It was an oversight in our effort. We were looking possibly considering an increase in the appropriation in the Business Innovation Act and decided along the way that that was probably not a prudent decision as the Department of Economic Development was going through some staffing transitions. It was not something we were going to be able to bring up with them prior to introducing the bill, and so we...I inadvertently left that language in the bill. As you can see, with the amendment we simply strike it and leave it at the \$7 million appropriation, as it currently is in statute. With that, I'd be happy to answer any questions, Mr. Chairman. [LB449]

SENATOR HILKEMANN: Thank you, Senator Mello. Do we have questions for Senator Mello? Seeing none, are there other testifiers for LB449? [LB449]

JEFF REYNOLDS: (Exhibit 2) Good afternoon, Senator Hilkemann, members of the Appropriations Committee. My name is Jeff Reynolds, J-e-f-f, last name R-e-y-n-o-l-d-s. I'm the director of the Rural Enterprise Assistance Project, REAP, a program of the Center for Rural Affairs. I'm also the chief operating officer of the Rural Investment Corporation, a community development financial institution that is a subsidiary corporation of the Center for Rural Affairs. REAP, along with community development resources in Lincoln and Catholic Charities in Omaha, provides microenterprise and small business development services on a statewide basis through the Nebraska Small Business Collaborative. The basic objectives of the dynamic collaborative can be found in Attachment C in what's coming around to you. Other collaboration partners here today include Rick Wallace, who's the executive director of Community Development Resources, and John Synowiecki is here from Catholic Charities. Not able to make it today was Mabel Alarcon, who is the director of the micro program at Catholic Charities. The Nebraska Small Business Collaborative has been the recipient of the Business Innovation Act fund since 2012, the technical assistance portion. The results of that work can be reviewed in Attachment B in your attachments that come around. The report clearly shows that the impressive production of the collaborative is very impressive. It also shows that we're good stewards of the state's money. As explained in Attachment A, which is the final attachment that you have, this is a noncontroversial bill that makes common-sense changes to the Nebraska microenterprise assistance program section of the Business Innovation Act. These changes were carefully thought through with the Nebraska Department of Economic Development over the past three years. And through implementation we're confident that what is presented in LB449 is the way it needs to be, and through the diligence the last three years we think we can prove that

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point. The bill is supported by many, including the Nebraska Economic Developers Association, or NEDA, the South Platte United Chambers of Commerce, to name just a few of the proponents. The reason we're all here, I'll tell you just a very quick story, I could tell you 100 stories about entrepreneurs that we've worked with. It's hot in the room, though, and I'm sure I can catch you at another time to do that. But going clear out to Scottsbluff, this is a classic example of a business person we work with. Rick Camacho, Sr. was out of work. He was a construction worker. He was laid off from his work with no prospects for new employment. So he did what I would do. He started his own business. Problem is Rick was not able to get financing through the bank so he came to Jerry Terwilliger, who's our REAP loan specialist out in the Panhandle area and in Senator Stinner's district. We were able to package a loan for Mr. Camacho through the REAP Program, though the local 840 funds, and a small portion actually from Senator Stinner's bank. And he was able to start his business. This was three years ago, a guy that was out of work, had nowhere to go. I called Jerry Terwilliger this morning and as of today CST Mechanical employs 12 full-time employees. So instead of being desperate to find a job, he is now a job provider. In the Panhandle, 12 jobs, that's like 100 somewhere else, huge employer, he continues to grow. This is one story. I could go on to 99 more if we had time, but that's just to give you a quick example. Again, very briefly, I know we're short on time, the proposed changes, LB449, increases the award amount to \$1 million. It's been at \$1 million since inception, as Senator Mello said. Two, LB449 provides for a change in how the funds are awarded, moving to 50 percent. When you look at the back of exhibit A, Attachment A, you'll see why. The jobs created with loans is staying static, which is okay. The jobs created with technical assistance, like what was provided Mr. Camacho, is on an upward trend. We need to put more money into the technical assistance. The loan capital will be fine the way it's at. Keep in mind that loan capital can be matched 7 to 1 in some cases, bringing in federal dollars. The technical assistance funds are very rare, very scarce, so critically needed. So if this happens, we expect to see the metric raised on numbers of jobs created through technical assistance and we're prepared for that challenge. For these and all other reasons offered, we support LB449 and ask the committee to advance it to the full Legislature. Thank you for your consideration. And if I could answer any questions whatsoever, I would be glad to do so. [LB449]

SENATOR HILKEMANN: Thank you, Mr. Reynolds, for your testimony. Are there questions for Mr. Reynolds? Seeing none, are there additional proponents for LB449? [LB449]

RITCHIE WALLACE: (Exhibit 3) Good afternoon, Mr. Chairman, committee members. My name is Ritchie R. Wallace and I am the executive director of Community Development Resources. That's spelled R-i-t-c-h-i-e R. W-a-l-l-a-c-e. And I'm obviously here in support of these changes as we have partnered with REAP under this Business Innovation Act and to simply say that, as I think Jeff has covered most of the ground on this, but I will just extenuate that this is a program that impacts all small businesses in Nebraska. It's not confined to a geographic area. Particularly it helps, if you will, those businesses that we may not even see as

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potential growth businesses. No, they're not high growth businesses that are looking for big investors. But we also at Community Development Resources, we are an SBA 504 real estate lender and we are currently now seeing the fruits of this labor as we have a business now, a manufacturer here, that's been operating for 35 years that we will see this business buy their own real estate and grow, retain 15 employees and continue to be a profitable small business here in the state. I will just take a quick minute to say and give a quick example of a small business here in Lincoln, Schrock Innovation, that started with the idea that they wanted to compete with the big computer companies by customizing and building their own computers. And so we've deployed capital into this business to help them do that. They have three stores, two in Omaha, one in Lincoln, and they have a radio show here in Lincoln on Saturday mornings and one Sunday in Omaha. So this is, if you will, kind of a profile of what we're looking at and helping. And these changes that are being suggested truly, truly will make a difference in being able to, if you will, grow these numbers that as Jeff mentioned in part of the attachment of the report. So we are very appreciative of Senator Mello for introducing this bill on Nebraska economic development, for supporting this. And I also have a letter here from Lance Hedquist with South Sioux City. I'm sorry, I didn't make copies. I've just received it. But you could just take that and present them with copies of it. And as Jeff said, we have broad support for this. And so with that, I will say...I'll close and if there's any questions, I'll be sure glad to address any. [LB449]

SENATOR HILKEMANN: Thank you for your testimony, Mr. Wallace. Are there questions of the committee to Mr. Wallace? Thank you very much. [LB449]

RITCHIE WALLACE: Thank you. [LB449]

SENATOR HILKEMANN: Are there additional proponents for LB449? Seeing none, are there any opponents to LB449? Is there anyone here that wishes to testify in the neutral capacity on LB449? Seeing none, Senator Mello, would you wish to close on LB449? [LB449]

SENATOR MELLO: (Exhibit 4) Very briefly. Thank you, Vice Chairman Hilkemann, members of the committee. I think the one caveat I'll remind the committee, the Department of Economic Development did provide a letter in a neutral capacity on LB449 and gave what I think are two very good options for not just myself and the supporters but the committee to consider in regards to assisting the department in their administration of the Business Innovation Act, particularly as it relates to the microenterprise program that we're discussing in LB449. And I look forward to talking more with the department and the supporters of the bill to find an option for the committee to consider. So with that, I'll take any questions the committee may have. [LB449]

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SENATOR HILKEMANN: Do we have any additional questions for Senator Mello? Seeing none, this will close the public hearing on LB449. We'll now open the hearing for LB450 with Senator Mello. [LB449]

SENATOR MELLO: (Exhibit 1) Good afternoon, Vice Chairman Hilkemann, members of the Appropriations Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. I'm here this afternoon, to introduce LB450, a bill that would update provisions of law governing the Nebraska Tourism Commission. As Nebraska's third largest industry, tourism plays a key economic development role in the long-term success and growth of our state. The Nebraska Tourism Commission was created in 2012 by LB1053, a bill I cosponsored in an effort with Senator Harms and...former-Senator Harms and former-Senator Loudon to elevate Nebraska's tourism development efforts from a division of the Department of Economic Development to an independent state agency. As a relatively new state agency, updating the statutes governing the Nebraska Tourism Commission at this time is what I believe a necessary step to assist with the fiscal stability and transparency of this new agency. Over the interim, I worked collaboratively with our Legislative Fiscal Office and the executive director, Kathy McKillip, of the commission to examine and draft language that will increase the accountability of the agency, provide technical guidance to its functions, and codify the grant process to bring it in line with other state agencies of a very similar nature, primarily the Nebraska Arts Council. The language in LB450 does the following. First, it establishes the process by which the salary for the executive director of the commission is set by the actual commission. Second, it clarifies that revenue from gifts, bequests, or other contributions from public or private entities may be deposited to the State Visitors Promotion Fund. Third, it directs the commission to develop a process for the review and approval of marketing grants. Fourth, it states legislative intent for collaboration between the Nebraska Tourism Commission and state agencies operating grant programs encouraging and/or supporting tourism. And fifth, it creates the Tourism Conference Cash Fund. It should be noted that the Tourism Conference Cash Fund was administratively created to separately account for conference-related fees and defray the cost of holding conferences. The agency has asked that this fund be permanently established in law in accordance with Section 81-1111.04, which requires that state agencies codify administratively created cash funds that remain in existence after two fiscal years. As you'll see in the fiscal note under LB450, LB450 is estimated to have no fiscal impact. This bill provides a framework so that the agency can continue to do their great work and to bring their fiscal policy in line with accountability standards and best practices that we see in other smaller agencies. Again, this is an issue that was brought to my attention over the interim and I welcome any further clarifications or any additional measures that may come up through this legislative process. Establishing clear accountability and technical process measures for the Nebraska Tourism Commission is critical as Nebraska's tourism industry continues to grow and have an extremely positive effect on economic development and growth across the state of Nebraska. Thank you for your time and I'd be happy to answer any questions you may have. [LB450]

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SENATOR HILKEMANN: Thank you for your testimony, Senator Mello. Are there questions for Senator? Seeing none, thank you. [LB450]

SENATOR MELLO: Thank you. [LB450]

SENATOR HILKEMANN: Are there additional proponents for LB450? [LB450]

KATHY MCKILLIP: (Exhibit 2) I sure hope we're not the reason we cleared the room, but we will be quick so we can all get on with our evening here. Thank you for having me. I'm Kathy McKillip, K-a-t-h-y, McKillip, M-c-K-i-l-l-i-p. I'm the director with the Nebraska Tourism Commission. I want to thank Senator Mello for this opportunity, and the committee members here for discussing this topic. As he mentioned, you're aware that the Nebraska Tourism Commission recently completed a statewide strategic plan. This occurred in 2011. That plan was under the direction of LB684 and it charged the commission with evaluating several key elements with the tourism industry. Components that came under review were organizational structure, staffing, marketing, regional growth, funding sources, and an overall statewide assessment of assets and tourism potential. As Tourism was preparing to release those findings in the summer of 2012, in May LB1053, passed by the legislative body, moved Nebraska Tourism out of the Department of Economic Development and into the newly created Nebraska Tourism Commission or Agency 91. A great deal has occurred for Nebraska Tourism in the past three and a half years, most significantly the building of partnerships and momentum in our opportunities that we have brought across the state. I am here today to discuss three specific topics: Maintaining, one is, our General Funds for our statewide marketing programs; creating the Tourism Conference Cash Fund; seeking permission to increase access to our cash funds, which we need to do; and seeking permission to have our General Funds reappropriated due to the nature and timing of the state's reimbursement process. Most of this was covered earlier under our budget, but I want to wrap this in because it is...it's kind of tidying up the fact that we're a new agency. So I just want to make sure you're aware we are not asking for additional funds. We just want to show clarity here. When the Nebraska Tourism departed from Agency 72, DED, and became Nebraska Tourism Commission, Agency 91, the transition and move occurred within 60 days--no small feat for development of a new commission or a state agency. The transition was rapid and tough and we were able to address several issues that impact our...we were unable to address issues that impact our annual conference funds at that time. We also had no opportunity to conduct an analysis specifically to find current or potential staffing positions. The commission worked with the University of Nebraska--Omaha, Public Policy and Research Department, upon the recommendations of Senator Harms to conduct desk audits of current staff positions. The findings from this research would better prepare us to present a more precise staffing analysis and recommendations for considerations within the 2015-17 state budget cycle. At this time, our current PSL, or personal services limit, is adequate for us to fill some of the recommended positions. And it's really not for discussion but it's to help with the committee, to show that this

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was a question asked last year. We completed that. We attached it to our budget and we have those findings and we worked with the Policy Research Department and we feel comfortable right now with the position that we're at. So that's just clarity for the committee. I have been with Nebraska Tourism for four years, when I was first hired to implement LB684, then hired as a division director, then rehired again by the commission as the director, all through national searches. During that time, we have collectively seen an increase in our cash funds by 24 percent. Though I cannot nor would not claim the success in increase myself, it truly represents the results of collective efforts across the industry, building stronger partnerships and opportunities within our state, including statewide associations, agencies, nonprofits, and the private sector. We work in tandem with our contractual agencies, Bailey Lauerman and Swanson Russell, to be as cost-efficient and productive as possible. At this time, the Nebraska Tourism Commission is asking for your support in our request to maintain the General Funds, permit reappropriation, increase the allotment of our cash funds, as stated, and create the Tourism Conference Cash Fund. We would like to thank Senator Mello and the committee for bringing the value and importance of tourism before the body today and believe that the future of tourism plays an important role when it comes to generating revenue for the communities, counties, and state of Nebraska, as it is a key segment of Nebraska's state economic base. We are one of the few agencies that makes money for the state of Nebraska. With that, I want to thank you all for your service and I will answer any questions. I know that when earlier we handed out when we were coming in, I believe you also received handouts from us, those are our marketing grant criteria as they currently stand. What's required from applicants and it's also those that were funded through our marketing programs in the last two years, so you have that information available. Should you have any questions about that, I would certainly attempt to address those. [LB450]

SENATOR HILKEMANN: Thank you, Ms. McKillip, for your testimony. Are there questions from the committee? Seeing none, thank you very much. [LB450]

KATHY MCKILLIP: Well, the bonus of being the end of the day. Thank you so much. [LB450]

SENATOR HILKEMANN: (Exhibit 3) Are there other proponents for LB450? Seeing none, I also ought to add that we have a letter of support from the Nebraska Hotel and Motel Association regarding supporting of LB450. Are there opponents to LB450? Is there anyone here that would like to testify in the neutral position on LB450? Seeing none, Senator Mello, would you wish to close? [LB450]

SENATOR MELLO: I've got about a 25-minute closing so I'll keep it as brief as I can. Thank you, Vice Chairman Hilkemann, members of the committee. It's more than anything else, I want to once again thank Director McKillip and the commission for supporting the bill today. I want

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to reiterate that there's nothing wrong going on, in my view, with the commission which necessitated this bill. There's just some process issues that when drafting the bill in 2012 and passing it we just, to some extent, weren't as thorough, let's say, in creating a new state agency as other agencies have been when they were created. There are some processes and gaps that were noticed by the Legislative Fiscal Office in respects to cash funds, in respect to some general authority when dealing with grants, that in discussing it with the Legislative Fiscal Office and Director McKillip, it was a way to ensure that the commission has the authority they need and it's laid out in statute to ensure protection from both the director and for the commissioners in regards to how they operate. Nothing in the bill obviously rises I think to any concern that anyone has, as discussing this issue with a number of individuals, but it's more of a way to be able to assist the commission operating, moving forward. It's a way for obviously the Appropriations Committee to be able to track cash funds more in the future as well as a general, I would say, best practices in regards to small agencies who give out grants of how they go about dealing with those grant processes, as many of those processes are laid out in state statute. So with that, I'd be happy to answer any questions anyone may have. [LB450]

SENATOR HILKEMANN: Does anyone on the committee have questions of Senator Mello? [LB450]

SENATOR MELLO: Senator Haar, (laughter) no questions. [LB450]

SENATOR HAAR: Are we done? [LB450]

SENATOR HILKEMANN: Seeing no questions, that will close the hearing on LB450 today. [LB450]