

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

Revenue Committee
February 20, 2015

[LB200 LB256 LB284 LB285]

The Committee on Revenue met at 1:30 p.m. on Friday, February 20, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB200, LB256, LB284, and LB285. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. We're going to get started. I'm Mike Gloor, I'm the senator from District 35 which is Grand Island, and I'm the Chair of the Revenue Committee. We're going to take the bills in the order listed on the back today, although with the last two bills--at the senator's request and because of the commonality of interests within those bills LB284 and LB285--we'll be taking those as a single hearing on both bills, not that it makes that much difference necessarily to folks in the audience, but we'll get that on record just in case I forget to make the announcement a little bit later. We have some general rules for the committee. First, please turn off cell phones, check your electronic devices, if you would, so that we're not interrupted by noise. We will--I think I already said it--take the bills in the order on the agendas posted in the back and elsewhere. If you plan to testify today, this is the order of testifying. We'll start with the introducer, the senator that's introducing the bill. We'll go to proponents, we'll go to opponents, we'll go to those in a neutral capacity, and we'll let the introducing senator have an opportunity to close. If you come up here to provide testimony, please give us your name, spell your name for us so we can make sure that those listening in to this eventually get it typed out correctly. In the back of the room you'll find green sheets. We need you to fill out one of those green sheets and hand it in to the clerk before you give your testimony. If you have handouts, we need 11 copies of those handouts. And if you don't have 11 copies for a handout right now, I would ask that you get the attention of pages and they'll be glad to make those 11 copies for you. If you would like your stance on a bill to be known but don't wish to testify, there are white sheets in the back. You can fill out those white sheets and we'll make sure that your stand on those bills is known. Speak into the microphone as best you are able, please, so that we're able to pick up every word that you say, because we're sure it's all golden and we want to make sure that it finds its way to the record. To my immediate right is committee counsel, Mary Jane Egr Edson. The clerk is Krissa Delka, who is on my left. And the research analyst is Kay Bergquist, at the end of the table. And I'm going to ask the senators to introduce themselves to you, starting with Senator Scheer.

SENATOR SCHEER: A switch up. I'm Jim Scheer, District 19, Madison and a little bit of Stanton County.

SENATOR SMITH: Jim Smith, District 14 in Sarpy County.

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

Revenue Committee
February 20, 2015

KATE SULLIVAN: Kate Sullivan of Cedar Rapids, representing District 41, a nine-county area in central Nebraska.

SENATOR DAVIS: Senator Al Davis, District 43, 13 counties in north-central and western Nebraska.

SENATOR HARR: Burke Harr, Legislative District 8, from Omaha.

LYDIA BRASCH: Lydia Brasch, Legislative District 16, Washington County, Burt County, Cuming County.

SENATOR GLOOR: And I'm sure Senator Schumacher will be joining us eventually. By looking in the audience, most of you understand the way this goes, but we have senators who have bills to introduce and so will be coming and going because of those other responsibilities they may have. Our pages are Colin from Wayne...and is Donnie going to be with us today? Okay, Donnie will eventually join us. He's the other page and Donnie is from Lincoln. And with that, we will start with our first bill, LB200. Senator Davis, welcome to your Revenue Committee. [LB200]

SENATOR DAVIS: Good afternoon, Chairman Gloor and fellow members of the Revenue Committee. My name is Al Davis, D-a-v-i-s, and I represent the 43rd Legislative District. I am here today to introduce LB200. LB200 would direct the first year of sales tax receipts on Internet transactions to the Property Tax Credit Cash Fund. Obviously, these receipts will only be available if the United States Congress enacts legislation that allows states to collect these taxes. Section 1 of the bill would allow the Department of Revenue to implement the tax collection process when the time comes. This federal legislation now in process in Congress is the Marketplace Fairness Act of 2013. If passed, it would allow states to start collecting these taxes after 18 months, once it is signed into law. Nebraska is already a member of the multistate Streamlined Sales and Use Tax Agreement, which is the mechanism the federal government would use to allow the states to collect these taxes. LB200 would further ensure that Nebraska has the statutory process in place to take immediate advantage of this change in federal law. I introduced this bill last year as LB1057 and it was advanced from the Revenue Committee on a 7-0 vote with one member not voting. It simply ran out of time to get on the agenda for General File debate before we adjourned. Why is marketplace fairness important to Nebraska retailers and Nebraska? Shoppers today have become very savvy and shrewd in trying to extract the final and best price for any particular purchase. Smartphones, portable computers, and the like make the determination of price points extremely easy to calculate. In most cases, a shopper is able to determine a price with shipping in a few keystrokes. Nebraska law requires the payment of sales tax by each resident. But in reality, it is impossible for the Department of Revenue to track individual purchases made by Nebraska residents. Therefore, any merchant with a presence in

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

Revenue Committee
February 20, 2015

Nebraska is required and obligated to collect the sales tax on behalf of the state and remit it to the Department of Revenue. This is not the case for merchants outside of Nebraska. And since most Nebraskans do not pay the appropriate taxes to the Department of Revenue, the on-line merchant has a 5.5 percent advantage over the resident merchant or an even higher advantage if the purchase is made in one of Nebraska's communities where local sales tax is collected. Resident brick and mortar retailers contribute to the state in ways that on-line merchants do not. Through their storefronts they pay rent, which contributes to property taxes for the site, which supports our local government entities. Brick and mortar retailers also employ individuals who make purchases at other locations, pay sales and income taxes, property taxes, vehicle taxes, and all the other local taxes which are necessary for the functioning of local government. We must support our Nebraska retailers and also support our local taxing entities when we have the opportunity. It's just good business. LB200 would make sense from a fiscal prospective as well as fairness to our Nebraska retailers. The Fiscal Office estimates that if federal legislation passes, this would generate additional sales tax revenue of \$45 million to \$60 million annually to the state. Section 2 of the bill specifies that the first year of these sales tax receipts would be designated for property tax relief. I don't have to tell anyone on this committee that property taxes in Nebraska are the number one issue of concern to Nebraskans. This significant addition of funds to the Property Tax Credit Fund would give a much needed boost to the fund itself and would send a message to Nebraskans that the Legislature is paying close attention to their pleas for relief. Putting a one-year limit on this designated use of the money would allow future legislators to make policy judgments about the best uses of the funds once they know the amount of revenue the tax generates. There is one other very important reason to pass LB200. This bill applies revenue that will be received to property tax reduction. In other words, Nebraska is using the funds for tax relief, not for additional spending. Some of our representatives in the House are reluctant to pass the federal legislation simply because it is viewed as a new tax. By passing LB200 we can send a new message to Washington that this is an issue of tax relief which should grease the wheels for the necessary legislation to move forward in the House and become law. This is an issue of tax fairness and it is an issue of tax relief, two worthy goals, two great objectives. It is rare that we see a bill that is a win for everyone, but that is what LB200 is. I urge you to move it to the floor for full debate. Thank you. I'd be happy to answer any questions. [LB200]

SENATOR GLOOR: Thank you, Senator Davis. And to make sure that it's stated clearly for the record this is, for all intents and purposes, the same bill that was introduced last year, the same bill that was voted out by the committee, made it to the floor but we ran out of time because it wasn't prioritized. Is my understanding of all that correct? [LB200]

SENATOR DAVIS: That's correct. That's correct. [LB200]

SENATOR GLOOR: Okay. Thank you. Other questions? Senator Smith. [LB200]

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

Revenue Committee
February 20, 2015

SENATOR SMITH: Thank you, Chairman Gloor. Senator Davis, is there speculation as to the amount of revenue? [LB200]

SENATOR DAVIS: It's \$45 million to \$60 million. I'm a little skeptical of that, but that's what the Fiscal Office estimated. [LB200]

SENATOR SMITH: You're skeptical that it's low or high? [LB200]

SENATOR DAVIS: I think it's probably too high. That seems like...if you figure that at 5.5 percent you can multiply that out and figure out what you've got in terms of sales to get there. So it seems like Nebraskans would be buying an awful lot on-line. But that's the Fiscal Office's estimate. [LB200]

SENATOR SMITH: All right. Thank you. [LB200]

SENATOR GLOOR: Any other questions? Seeing none, thank you. [LB200]

SENATOR DAVIS: Thank you. [LB200]

SENATOR GLOOR: We'll now move to proponents. Ms. Fry. [LB200]

RENEE FRY: (Exhibit 1) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, I'm the executive director of Open Sky Policy Institute. I'm going to skip a lot of my testimony. A lot of it is about property taxes and you've heard plenty from me on that issue this week. So I will save you from hearing more. I also will skip my testimony about the fairness issue, because I think that Senator Davis covered that issue, and skip down to say that if the Marketplace Fairness Act passes, utilizing the revenue to lower property taxes is a win-win for Nebraska. It would level the playing field for Nebraska's retailers and it would provide property tax relief for Nebraska's residents without diverting funding from the General Fund, which would take away resources from vital services such as education or from the Cash Reserve Fund, which is not sustainable and would deplete our savings. We would prefer to see a mechanism different from the property tax credit program to provide more targeted and meaningful relief or to direct it to the K-12 education which would also result in property tax reductions, but we support using the property tax credit program in the meantime. I would...real quickly, I do have some other estimates on the amount of revenue that would be collected. The Department of Revenue is estimating \$45 million to \$60 million. There was a Fox University of Tennessee study, but it's a little bit dated, and it did estimate \$37 million. But moving it up to a 2015 estimate would put it at \$83 million. And NCSL did an estimate as

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

Revenue Committee
February 20, 2015

well in 2012 and they estimated that that would bring in \$118 million and putting that into 2015 numbers would be \$159 million. So you can see that there is a pretty broad range of estimates in terms of revenue. So with that, I'd be happy to answer any questions. [LB200]

SENATOR GLOOR: Are there any questions for Ms. Fry? Senator Smith. [LB200]

SENATOR SMITH: Thank you, Chairman Gloor. So your support of this bill is because we would not have to find money elsewhere to provide property tax relief but we could use these funds to provide property tax relief? [LB200]

RENEE FRY: Correct. [LB200]

SENATOR SMITH: Would you also agree that this could be used for personal income tax relief? [LB200]

RENEE FRY: So, generally, we do not support reductions in income taxes. They are highly progressive and so when we reduce those income taxes, they benefit the wealthiest and don't do much to help middle-income families, whereas the property tax is more proportional. It is slightly regressive, but more proportional. [LB200]

SENATOR SMITH: I'm going to disagree with you on that. I do believe personal income tax does provide relief for all families. But I would like to have seen you come in a little bit more consistent on this with providing personal income tax, corporate income tax, as well as property tax. But thank you. [LB200]

RENEE FRY: So, I actually think this is very consistent. We made a...we've been talking a lot about property taxes for quite a while. We testified in support of this legislation last year. We've been working with Senator Davis, his constituents, and other groups to look for ways to provide property tax relief. [LB200]

SENATOR SMITH: I understand that. [LB200]

RENEE FRY: So this is very consistent with our position and we have consistently also opposed efforts to reduce income taxes. And I'll be talking a little bit more about regressivity and progressivity in the next bill. But that's a fundamental issue for us, so. [LB200]

SENATOR SMITH: Thank you. [LB200]

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

Revenue Committee
February 20, 2015

RENEE FRY: Thank you. [LB200]

SENATOR GLOOR: Other questions? Seeing none, thank you. [LB200]

RENEE FRY: Thank you. [LB200]

SENATOR GLOOR: Next proponent for this bill. Welcome, Mr. Wright. [LB200]

THOMAS WRIGHT: Thank you. Thomas Wright, W-r-i-g-h-t. My wife, Mary, and I have Wright's Jewelers here in Lincoln, Nebraska, have had our own store now for 36 years here in Lincoln. My main purpose here is naturally to show extreme support for the e-fairness issue and how important it is to the brick and mortar, basically to the commerce across our whole nation. The Internet being able to, in some ways, out compete those of us in a brick and mortar is naturally, to our thinking, extremely unfair. And it should be something that we should have a level playing field to be able to compete fairly on our ethics, our product knowledge, the quality of what we're selling without that burden of starting out a percentage behind the eight ball. The bill before you today I feel has importance because it sends a message to our people in Washington that our state is committed, does understand the issue at hand, and that we are fiscally responsible to have a plan for using what monies would come to us through the passage of this. That fiscal responsibility I think is extremely important to show them so that they understand that it is a good possible tax savings to the people of our state. And I would answer any questions. [LB200]

SENATOR GLOOR: Thank you. Are there any questions for Mr. Wright? [LB200]

THOMAS WRIGHT: Thank you. [LB200]

SENATOR GLOOR: I see none. Thank you for taking the time. Next proponent. And I forgot to make one announcement and that is, we appreciate your being here. We would ask that you keep your comments to as close to five minutes as possible. And if you run over a little bit, I'll probably be urging you to wrap things up. But we're not using the light system today. [LB200]

RON ROMERO: Okay. My name is Ron Romero, R-o-m-e-r-o, I am the president of Schaefer's TV and Appliance here in Lincoln, Nebraska; we've been in business since 1946. We've spoken about the impact that the Internet has on retail. It especially impacts our business as far as electronics. Electronics are easy to ship. They're a competitive item. And to have a 7 percent disadvantage starting out really impacts our business. We can compete with anybody on price and we offer the local service that we provide. But when you have a 7 percent disadvantage

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

Revenue Committee
February 20, 2015

going right into it, that is tough to compete with. And today's consumers are very savvy, they go on the Internet and price things. And if they find something lower they want you to match it and if we can match it, we do. And then they say, well, what about the sales tax. I've had people come out and say that this is not important. I've told them, wait a minute, don't your kids go to school here in Lincoln? Don't you drive on our cities? Don't you want the police and fire support? But on a big ticket item it can make a difference. If you're talking about a \$5 or \$10 item, it's not as big a difference. But if you're talking about \$1,000, \$2,000 flat screen television, it is a big deal. So we see people come in the store in what we call "show room." They come in and look at the product, touch it, feel it, get all the information from our sales staff and then pull out their Smartphones and see what they can buy it on-line for and save the sales tax. So that's kind of the background on why I'm for the e-fairness act. When I was back in Washington a couple of years ago I was asked how the states feel about this. What would they do with the money? What would happen? We need to get Washington's attention, to be able to get this passed in Washington, that we do have a vehicle to collect the tax and to use it fairly. And feel that you might say, well, they haven't passed this yet, so why don't we wait until later? But I think the fact that you would have this vehicle right there that it would say that we're serious about it. So I think that that is important for the fair share. I might also point out that, legally, residents in Nebraska are required to pay sales tax if it's not collected on-line. And there are a lot of people out there that don't remit that at the end of the year. As a retailer, I'm required if I purchase something for our business on-line to pay that tax. You know, we pay it when we remit our sales tax collection and so that's a vehicle that's in place for us . But there really isn't a vehicle for the residents of Nebraska to pay this tax other than their honesty on this. So I feel that by having everything in place it would be a good revenue stream to help offset taxes. [LB200]

SENATOR GLOOR: Thank you, Mr. Schaefer (sic.) [LB200]

RON ROMERO: Romero. [LB200]

SENATOR GLOOR: Romero, I'm sorry. Well, you're probably in the hearts of most people in this area (inaudible.) [LB200]

RON ROMERO: That's right. [LB200]

SENATOR GLOOR: Seeing no questions, thank you. [LB200]

RON ROMERO: Thank you. [LB200]

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

Revenue Committee
February 20, 2015

RYAN IRSIK: It's tough to follow a local celebrity. Ryan Irsik, Walmart public affairs, last name I-r-s-i-k. Mr. Chairman, members of the Revenue Committee, thank you so much for allowing us to testify today. Walmart appreciates the opportunity to present testimony in favor of LB200. We, at Walmart, are committed to the state of Nebraska and its prosperity. Our company employs more than 11,000 Nebraskans and operates 46 stores in the state. In 2014, Walmart collected on behalf of the state of Nebraska more than \$96.9 million in sales tax. For that same fiscal year we paid more than \$32.6 million in state and local taxes which went to support schools, police, firefighters, and other important services critical to local communities. In that same year, 2014, Walmart spent \$2.3 billion in merchandise and services with suppliers here in the state of Nebraska. As a result of Walmart's relationship with these suppliers, Walmart supports over 21,000 supplier jobs here in the state. Finally, again in 2014, Walmart Stores, Sam's Club locations, and the Walmart Foundation gave more than \$11.2 million in cash and in-kind donations to local organizations and the communities they serve here in the state of Nebraska. I outlined our dedication to Nebraska because we are currently operating at a 5 percent to 10 percent disadvantage to large, out-of-state, on-line retailers. We, along with thousands of other Nebraska businesses, face this daily disadvantage due to outdated laws that do not reflect today's realities. Walmart completely agrees with the gentleman that testified behind (sic) me. Our stores are being used as showrooms. People will come in and look at an iPod. They'll touch it, feel it, ask our associate questions, and then they'll go home and they'll purchase it on-line and have it shipped to their house because they enjoy that 5 percent to 10 percent sales advantage because of the way that the current sales tax is structured. We don't believe it's fair because obviously, again, we're trying to be a good community partner by paying our fair share of taxes, state and local. And these out-of-state, on-line only companies are getting a free ride on the backs of many of the brick and mortar retailers here in the state. So we'd ask that you support this bill. And thank you for your time. I'll stand for any questions. [LB200]

SENATOR GLOOR: Thank you, Mr. Irsik. Questions? [LB200]

RYAN IRSIK: Thank you. [LB200]

SENATOR GLOOR: Seeing none, thank you. Mr. Otto. [LB200]

JIM OTTO: (Exhibits 2, 3, 4) Senator Gloor and members of the committee, my name is Jim Otto, that's J-i-m O-t-t-o. I am president of the Nebraska Retail Federation and I'm here to testify in favor of LB200 on behalf of the Nebraska Retail Federation, and we thank Senator Davis sincerely for introducing it. You're receiving...one thing, you're receiving a letter from Alan Hirschfeld, the owner of Hirschfeld's Clothing in North Platte. He e-mailed it to me when it was too late to get it submitted into the committee statement. And also the Nebraska Cattlemen submitted a letter of support, but it was also too late. So you probably have a letter of support

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

Revenue Committee
February 20, 2015

from Nebraska Cattlemen. I won't belabor the issue, you've heard the stories from our retailers. I would just simply say that marketplace fairness is the number one issue to brick and mortar retailers. The number two issue to brick and mortar retailers is marketplace fairness. And the number three issue to brick mortar retailers is marketplace fairness. It is an unfair playing field. One thing I would add is that there has been...were some questions last year and maybe this year about, what about...what if in the future you wouldn't want to dedicate all this to property tax? It might be hard to change once it's in place. But I do want to point out that Senator Davis' bill only commits the first 12 months to property tax. It's not an ongoing, forever situation. So with that, I would just say that...point out this map, that it is a federal issue, but it seems in these times that the states have to initiate things to get anything done at the federal level. And this map points out what is happening in states across the nation to encourage the federal government to take action so Nebraska is not alone in this. You can see there are a lot of states. With that, I'd be glad to answer any questions. [LB200]

SENATOR GLOOR: Any questions? I see none. Thank you. [LB200]

JIM OTTO: Thank you. [LB200]

SENATOR GLOOR: Any more proponents? Anyone in opposition to LB200? Anyone in a neutral capacity? Senator Davis, you're recognized to close. [LB200]

SENATOR DAVIS: Well, I could have waived closing but when you want the spotlight, you want the spotlight. But I think that the map says it all. And I think we need to be one of the first states to move forward with this and send a message because whatever we do with the money, we're sending a message to Washington that this is a terribly unfair advantage that we're giving to on-line merchants who aren't contributing to our state, aren't helping our state in any way, employmentwise, taxwise, or any other way. So we're shifting resources and livelihood to some other state. We can get some revenue for our state and support our local merchants. So it's just a complete win and I would urge the body to take it up as soon as we can exec it out of this committee. [LB200]

SENATOR GLOOR: Senator Davis, how similar is Senator Kintner's bill to your bill? [LB200]

SENATOR DAVIS: I haven't read Senator Kintner's bill but as I understand it, it's 50 percent property tax, 50 percent income tax. [LB200]

SENATOR GLOOR: You're not sure about the 12 month provision or those components?
[LB200]

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

Revenue Committee
February 20, 2015

SENATOR DAVIS: I'm not sure about that. Right. [LB200]

SENATOR GLOOR: Have you had any conversations with Senator Kintner about his bill yet? [LB200]

SENATOR DAVIS: No. [LB200]

SENATOR GLOOR: Okay. Senator Sullivan. [LB200]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Senator Davis. And just to clarify, you indicated that we should be one of the first states to send a message, but other states have already done this. [LB200]

SENATOR DAVIS: Right. But if you look at the map, I mean, we would be... [LB200]

SENATOR SULLIVAN: One of a growing number. [LB200]

SENATOR DAVIS: Right. [LB200]

SENATOR SULLIVAN: Okay. Very good. Thank you. [LB200]

SENATOR GLOOR: Seeing no further questions, thank you. [LB200]

SENATOR DAVIS: Thank you. [LB200]

SENATOR GLOOR: I'm sorry. There apparently was. [LB200]

SENATOR SCHUMACHER: I'll talk to you afterwards. [LB200]

SENATOR DAVIS: Thank you. [LB200]

SENATOR GLOOR: Okay. And that will close the hearing on LB200. We'll now move to LB256. Senator Bloomfield, welcome. [LB200 LB256]

SENATOR BLOOMFIELD: Good afternoon, Chairman Gloor and members of the Revenue Committee. For the record, my name is Senator Dave Bloomfield, D-a-v-e B-l-o-o-m-f-i-e-l-d, I

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

Revenue Committee
February 20, 2015

represent the 17th Legislative District. I'm here today to present LB256 to the committee for your consideration. I understand there's never a good time to increase taxes. You people of this committee know me and this is not something I do lightly. I'm not a fan of raising taxes, but we need to find a way to provide some property tax relief. In order to do that we must either cut spending or find another revenue stream. It seems there's no appetite in the legislative body to cut school funding. Therefore, we need to find dollars elsewhere. Our property tax owners in this state carry a heavy burden and they can no longer afford to do so. Since 2008, the Legislature has funded the Property Tax Credit Fund with available funds. LB256 would provide a more constant source to help fund property tax credit. Let me be clear. This is purely a tax shift. All funds from this .5 percent increase in sales tax would go directly to the Property Tax Credit Fund. We estimate approximately \$140 million a year. This is the estimate given to us by the Fiscal Office. I introduce this bill to start a discussion and look at other ways to provide property tax relief. Every little bit helps. I have the numbers in my office on my own personal property tax. In the last ten years they have more than tripled. And that's on the small, 300-acre place I live on. I am more than willing to share those numbers with you off the mike if anybody is interested. And with that, I'll try to answer any questions you might have. [LB256]

SENATOR GLOOR: Are there any questions for Senator Bloomfield? Senator Davis. [LB256]

SENATOR DAVIS: Senator Bloomfield, I know you said this. It's a half cent? [LB256]

SENATOR BLOOMFIELD: It would be a half a percent increase on the statewide sales tax. [LB256]

SENATOR DAVIS: On the statewide sales tax. So how does that put us in comparison to our neighboring states for sales tax? Do you know that or can we get that information? [LB256]

SENATOR BLOOMFIELD: We can get that information. I would have to look it up. I don't have the answers all the way around us. [LB256]

SENATOR DAVIS: Thank you. [LB256]

SENATOR GLOOR: Seeing no further questions, are you going to stay around? [LB256]

SENATOR BLOOMFIELD: I am not. I have to introduce a bill in Government directly, so I will waive closing. [LB256]

SENATOR GLOOR: We understand. [LB256]

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

Revenue Committee
February 20, 2015

SENATOR BLOOMFIELD: Thank you. [LB256]

SENATOR GLOOR: Thank you, Senator. We'll now move to proponents for LB256. We'll move to opponents for LB256. [LB256]

DICK CLARK: (Exhibit 1) Chairman Gloor, members of the Revenue Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm testifying today on behalf of the Platte Institute. Thank you for this opportunity to speak in opposition to LB256. Senator Bloomfield's bill would increase the state sales tax from 5.5 percent to 6 percent and then dedicate the new revenue to the property tax credit program. However, we are talking about collecting new tax dollars here. They'd be remitted to the Department of Revenue and as you've heard me express concern about before, appropriated through a process that could be easily tinkered with later resulting in a newer tax that doesn't necessarily lead to continuous relief for our property taxpayers. I think I understand though the point that Senator Bloomfield was here to make in introducing this bill. And I think it's one that I agree with him on, property tax relief has to be a priority, as I mentioned the other day in a hearing on a bill that similarly touched on property taxes. The Platte Institute has worked to address the causes of high property taxes in Nebraska and will continue to do so in the future. But the justifiable concern about those high property taxes should not be answered by simply shifting costs and hiking sales tax. Higher taxes do not make for a better, more vibrant state; they stifle growth and they slow innovation. And as you've heard me say before, Nebraska needs tax relief, not tax shifts or tax hikes. Thank you for the opportunity to testify today. I'd be happy to answer any questions. [LB256]

SENATOR GLOOR: Any questions for Mr. Clark? I see none. [LB256]

DICK CLARK: Thank you. [LB256]

SENATOR GLOOR: Thank you. [LB256]

RENEE FRY: (Exhibits 2, 3) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of Open Sky Policy Institute. While we appreciate the intent of LB256 to reduce Nebraska's heavy reliance on property taxes, we oppose the legislation because it will increase the proportion of earnings that low- and middle-income families pay in taxes while only benefiting the very highest earners in our state. As is typical in state and local systems across the country, lower- and middle-income families in Nebraska pay a greater share of their income in state and local taxes than high-income residents. The higher a household's income in Nebraska, the lower the share of income it pays in state and local taxes. While parts of the tax system, such as the income tax, are progressive so that higher income families pay higher rates, the system on the whole is

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

Revenue Committee
February 20, 2015

regressive. This means that moderate- and low-income families pay more of their income in taxes than do wealthier families, particularly because the sales and property taxes are regressive. And because the sales tax is more regressive than the property tax, LB256 would only serve to increase the regressivity of our tax system. An analysis from the Institute on Taxation and Economic Policy shows that the average taxpayer in every income group except for the top 5 percent of Nebraskans would pay more in sales tax than they would receive in a property tax reduction under LB256. This analysis assumes that every Nebraskan will receive tax reductions through the property tax credit program, including renters. Those who lose the most in this proposal are middle-income Nebraskans, those who make between \$37,000 and \$61,000 per year. They will pay an average of \$50 more in taxes while the average earner in the top 1 percent will experience a net tax reduction of \$588. LB256 will make our tax code more regressive by asking the vast majority of Nebraskans to pay more in taxes while providing reduction to the top 5 percent of taxpayers on average. Thank you for your time and I would be happy to answer any questions. [LB256]

SENATOR GLOOR: Any questions for Ms. Fry? I would ask, and I meant to ask Mr. Clark, do you know how we compare to other states? [LB256]

RENEE FRY: I do. In sales tax? [LB256]

SENATOR GLOOR: In sales tax, I'm sorry. [LB256]

RENEE FRY: And I left it over there. In terms of our ranking in sales tax I think that we rank 28th, according to census data. [LB256]

SENATOR GLOOR: How about compared to some of our contiguous states? [LB256]

RENEE FRY: I don't know that, but we can certainly look and I can get back to you with that pretty shortly. [LB256]

SENATOR GLOOR: I am pretty sure that in some of the hearings we've had so far that information has...is available or I've seen it in my own files, but thank you. [LB256]

RENEE FRY: Yeah, I know South Dakota will be a lot higher. They don't have the income tax so their sales tax is a lot higher than ours. [LB256]

SENATOR GLOOR: Yeah, my recollection is that South Dakota was the highest of our contiguous. Senator Davis. [LB256]

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

Revenue Committee
February 20, 2015

SENATOR DAVIS: Thank you, Senator Gloor. Thank you, Ms. Fry. So you say you think we're 28th. So the question I have is we're raising...we're 28th in terms of the percentage or we're 28th in terms of per capita dollars raised per resident or...? [LB256]

RENEE FRY: Per capita. Yeah, per capita. Right. [LB256]

SENATOR DAVIS: Per capita. Okay, because I think about tax exemptions. [LB256]

RENEE FRY: Sure. [LB256]

SENATOR DAVIS: That's why I asked the question. Thank you. [LB256]

RENEE FRY: So it would be...yeah, revenue rates per capita. [LB256]

SENATOR GLOOR: Seeing no further questions, thank you. [LB256]

RENEE FRY: Thank you. [LB256]

SENATOR GLOOR: (See also Exhibits 4, 5) Other opponents? Anyone who is here in a neutral capacity? Seeing none, Senator Bloomfield waived closing. We will end the hearing on LB256. Senator Riepe and I have discussed LB284 and LB285. And given their similarity, we're going to roll them both together. And so we'll hold a combined hearing for both of these. That will give him an opportunity to open once. And I believe because of the importance of bills in his Health and Human Services Committee, he's probably going to close. But for those of you who want to wait around to make a statement for LB285, understand that your comments on behalf or in opposition are being made for both. So we'll be going through this just once. And with that, we'll open the hearings on LB284 and LB285. [LB256]

SENATOR RIEPE: (Exhibit 1) Thank you. I have my little red jug here just in case I get the throat problem, so I appreciate that. Thank you, Chairman Gloor and members of the Revenue Committee, for the opportunity to introduce LB284 and LB285. I am Senator Merv Riepe; that is spelled M-e-r-v, last name is R-i-e-p-e. I'm from District 12 which is the Omaha, Millard, and Ralston area. LB284 and LB285 address changes regarding a couple of terms in the Sports Arena Facility Financing Assistance Act. I also have an amendment that combines LB284 and LB285 into one bill and addresses retroactive issues regarding arenas that have been aided by the Sports Arena Facility Financing Assistance Act. As the law currently stands, if a new retailer sets up shop within 600 yards of a qualified arena, the new retailer will fall within the turnback tax provisions of this act. However, this only applies to new retailers that set up shop within two

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

Revenue Committee
February 20, 2015

years of occupancy of the qualifying arena. Two years is a very short time for a business model to develop and for a new retailer to be fully operational as required by the act. LB284 and LB285 essentially extend the turnback tax from two years to ten years so if a new retailer sets up shop within ten years from the date of occupancy of the qualifying arena, the new retailer will qualify for the turnback tax. LB284 and LB285 also are looking to extend the turnback tax from 600 yards to 1,000 yards. This may allow the political subdivision that benefits from the act to extend into the downtown areas of their cities. In Ralston, the mayor, Don Groesser has worked very hard to bring additional retailers to the city of Ralston including Menards. Mayor Groesser is here today and will testify to the work involved with bringing Menards and the benefits Menards has brought through the collection of state sales tax. The enactment of LB284 and LB285 will increase the likelihood of bringing potential retailers into the area. Not only do LB284 and LB285 create economic development for Ralston, but also for other Nebraska cities that are considering the benefits of a new qualifying sports arena. Thank you for your consideration of LB284 and LB285. And thank you for combining them, and I gladly accept any questions that any of you may have through the Chairman. [LB284 LB285]

SENATOR GLOOR: Any questions for the senator? Senator Scheer. [LB284 LB285]

SENATOR SCHEER: Sorry, just one, is the reason behind this that the arena is not going to cash flow so that you need this additional footage going out to pick up additional retailers to provide more income in order to do the debt service on this, as well as extending it from the two year to the ten year? I mean it looks like we're trying to grab some dollars somewhere. So I'm just wondering, it's not cash flowing as it is now, or this is just something that they thought they had to begin with. [LB284 LB285]

SENATOR RIEPE: Well, I'm going to let Mayor Groesser talk a little bit about that. But it's my understanding that there's two things. First of all, it helps for economic development for Ralston, if you will, because it can be an incentive to bring in additional new retailers. And I also think that the two-year period as originally established is a short period of time. Quite frankly, my experience is that most businesses take no less than three years to try to get up and get the oxygen and to get their feet on the ground to be successful. But he'll be able to address that in greater detail. [LB284 LB285]

SENATOR SCHEER: Okay. Thank you. [LB284 LB285]

SENATOR GLOOR: Other questions? Seeing none, thank you, Senator. [LB284 LB285]

SENATOR RIEPE: Thank you. [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR GLOOR: You might want to leave that bottle of Cepacol here. There are other...is that? I'm sure sooner or later we'll all need some. [LB284 LB285]

SENATOR RIEPE: I would but I'd have to have \$3 to leave it. (Laughter) This is the Revenue Committee. [LB284 LB285]

SENATOR GLOOR: You won't find \$3 out of this committee very easily. [LB284 LB285]

SENATOR RIEPE: Okay. Thank you. [LB284 LB285]

SENATOR GLOOR: Thank you. We'll move to proponents for this bill...for these bills. Good afternoon. [LB284 LB285]

DONALD GROESSER: Good afternoon. My name is Donald Groesser, D-o-n-a-l-d G-r-o-e-s-s-e-r, and I'm the mayor of the city of Ralston. Mr. Chairman and fellow Revenue Committee members, thank you very much for allowing me to testify in favor of LB284 and LB285 today. I wanted to just start off with a little bit of history about the original legislation. Four years ago, we created a bill, LB779. And it was the Sports Arena Facility Financing Assistance Act which enabled and was enacted by the Nebraska Legislature. That legislation created a method for smaller cities throughout the whole state of Nebraska to consider constructing arenas by allowing the city to receive 70 percent of the state sales tax within a 600-yard radius up to 20 years for the retirement of bond indebtedness which we would use to acquire land, to develop, build, and outfit a facility. The original legislation allowed the city to receive 70 percent of any increase over the existing sales tax base for existing businesses and then 70 percent of state sales tax collected on new businesses developed within the two years of opening the arena and within that 600 yards. During the last legislative session, legislation was introduced to tweak the existing legislation to allow cities to be paid their portion of the 70 percent sales tax collected on a quarterly basis versus waiting for a full year to receive funds already collected by the state. This legislation was supported overwhelmingly by the Legislature and passed. LB284 and LB285 are also tweaks to that original legislation. LB284 increases the original from 600 yards to 1,000 yards. This tweak primarily benefits smaller cities such as ours and Gering and other cities throughout the state. Smaller communities' new business development primarily occurs on the outside of our cities. And with the 600...by increasing the 1,000 yards, this will provide us with the needed distance to incorporate new business development inside the required radius as well as incorporate its downtown area as well. While the increase of 400 yards may seem miniscule, it can be quite a difference to us both in potential business development and in redevelopment of our downtowns. The reason for LB285 is that it's virtually impossible for a business to develop a business plan, select a site, clear all the requirement, permitting obligations, build a project, bid it, and hire the needed employees within that two-year

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

Revenue Committee
February 20, 2015

requirement. Remember that we are talking about new business opportunities that bring jobs, create sales tax, income tax, and add to the quality of life to our Nebraska citizens. There is really no downside to LB285, increasing two years to ten years. It just allows the cities like Ralston to go out and continue recruiting new businesses that would create additional sales tax to help retire the bonded indebtedness that we have sooner. Once the original bill...once these bonds are retired, the state receives all of that sales tax money. Remember, if cities are not given the opportunity to recruit new businesses, then there are no new businesses and there's no new sales tax. The Revenue Department may issue a fiscal note for this legislation. However, if you considered that our existing businesses and existing legislation only allows the arena to receive the percentage of increase in sales tax, the state continues to receive the sales tax generated to the...prior to the increase and without any impact to the state, that the arena would receive 70 percent of the state sales tax for new business development. Again, if the cities are not given the opportunity to recruit new business, there is no new business, and there is no new sales tax for the state. As an aside, the Ralston Arena project created 120 construction jobs. It has created 80 related jobs. And as a result, the arena has an unprecedented cooperation between the city of Omaha, the Corps of Engineers, the NRD, the state of Nebraska, and Ralston. Menards is now open on 72nd and L Street and is the largest store of this type in the Ralston area. The Menards economic development project roughly gives us \$1.8 million in new state sales tax: 70 percent going to the Ralston Arena and 30 percent going to community development as a statewide project. Since the Ralston Arena has opened, we've had 300 different events, we've taken over half a million people into attendance in our arena within those last two years. A new Holiday Inn Express hotel has been constructed and is open adjoining the arena. Hundreds of thousands of dollars in sales tax have been generated. Part-time jobs, full-time jobs have been created. Community projects have been funded with the 30 percent across our whole state. And this legislation has benefited Nebraska as a whole. I appreciate the Revenue Committee and the Legislature for support in the original legislation and, last year, tweaks...and for last year's tweaks, and ask for your support on LB284 and LB285 again. I'd be happy to answer any questions you have. And thank you for the opportunity to speak today. [LB284 LB285]

SENATOR GLOOR: Thank you, Mayor Groesser. Senator Scheer. [LB284 LB285]

SENATOR SCHEER: Restate my question, you had mentioned Menards specifically. So is that within the 600 feet...600 yards? [LB284 LB285]

DONALD GROESSER: Yes, it is. Yeah. [LB284 LB285]

SENATOR SCHEER: So is there something there we're trying to gain by going to the 1,000? [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: Basically, economic development opportunity for our city and for the state. I don't have any particular...there's no particular Menards laying out there that we're going to get. But I would like to have the opportunity to go out and try to get some of those businesses to come into my area and to come into my city. I think it's really, really important. [LB284 LB285]

SENATOR SCHEER: But I guess in asking for this, are things going per what you thought from your projections? [LB284 LB285]

DONALD GROESSER: I think that's a really fair question. You know, we've been open for two years. Last year, we did lose money and it was stated in the paper. A lot of that money was through depreciation. It was a write-off, so it was a bigger loss than we really anticipated having. So our actual cash loss last year was somewhere around \$600,000. This year, we're right on track to break even. I think we'll be in really good shape. And next year we're going to start making money. Any new business that you start--I don't know whether you've all started businesses--but you know, it takes a while to get it rolling, get it under...get people to recognize it's there. You know, I think that we're getting more radio advertising. We're getting more...all kinds of opportunities to let the people know that the Ralston Arena is there. [LB284 LB285]

SENATOR SCHEER: Fair enough. But I guess what I was...simplistically, is this something you absolutely have to have in order for you to survive, or this is just something nice that you would like to have? [LB284 LB285]

DONALD GROESSER: No, I don't...I wouldn't say it that way. But I really feel that my hands were tied. You know, why do I want to go out and try to generate a lot of new business if I don't get some real impact. I think the other key part of this is that these revenues...if I generate more sales tax, these bonds are paid off earlier. And the state is going to start receiving money earlier. You know, it's a 20-year commitment. If I pay the bonds off in 15 years, the state starts getting their sales tax money 5 years sooner. So it works in that way. So anything I can do to generate more opportunity and generate more sales and sales tax, why, the faster I'll pay off my bonds. [LB284 LB285]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB284 LB285]

SENATOR GLOOR: I have assumed maybe erroneously that part of the reason behind the extension in time frame has been to help pick up what you're looking at as potential lost revenue from losing UNO hockey. Is there...am I thinking...I mean certainly that would be understandable... [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: Sure. [LB284 LB285]

SENATOR GLOOR: ...if, as you're projecting out, you realize there's going to be a downtick in those revenues, you've got to pick it up when and if that eventually occurs. I'm not sure what the status is anymore. [LB284 LB285]

DONALD GROESSER: It's not UNO hockey. It's UNO basketball... [LB284 LB285]

SENATOR GLOOR: Basketball. [LB284 LB285]

DONALD GROESSER: ...men's basketball that we have. The CenturyLink is going to be losing the men's hockey. [LB284 LB285]

SENATOR GLOOR: That's right. [LB284 LB285]

DONALD GROESSER: But we've been having...we have about eight or nine games of UNO basketball. We've had an attendance of 600 to 1,500 people. And so it's really not a big impact on our arena. You know, we make so much...we really make our money off of the food and beverage that comes in per person. And they...our Lancer hockey, our Beef football all are bringing in 2,000 to 3,000 people in. So what we're looking to do is replace all of those UNO dates with some really great concerts. And we also have some other things on the table that I really can't talk about. But we are going to replace all that. I think we'll be beneficial. It'll be really beneficial to us to have them move on and we move something else in there. [LB284 LB285]

SENATOR GLOOR: Okay. [LB284 LB285]

DONALD GROESSER: I'm not worried about that at all. [LB284 LB285]

SENATOR GLOOR: Okay. Thank you. Senator Schumacher. [LB284 LB285]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Mayor, for your testimony. I'm just trying to figure out how this all works. Let's say I was--you used Menards--a Menards looking for a place to hang out a shingle. What is it about this program that would make me want to hang out the shingle within the 600 feet or the 1,000 feet? What do I get out of it that I don't get outside of the 1,000 feet? [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: As a company coming in, you really don't get anything. I can offer...you know, I don't really, as a city, be able to offer any incentives for you to move in or anything like that. It just gives me an opportunity to say if you could move in within this district, it helps you bring people to the area. I can help you with the arena. You know, we can work together to generate more sales and that kind of thing. But there's really no...you know, if they moved outside the 1,000 yards, I would still receive the sales tax and the state would receive their 5.5 percent on their sales too. [LB284 LB285]

SENATOR SCHUMACHER: So if I've got to spend the same amount of money to build the store and the parking lot and stock the store and everything, what do these bonds pay for then? I mean it's got...somehow or another this money that the state is forgoing has got to end up somewhere. What does it do? [LB284 LB285]

DONALD GROESSER: It's paying the bonds of the arena. It's paying for the arena bonds. I constructed the arena, bought the ground, constructed the arena and all those...put the...you know, all of the infrastructure into the arena and that kind of thing. And that's what those bonds are paying for. So what this LB779 does is gives me the funds to pay those bonds back. And if I can find a way to bring in more business to create those...to pay those bonds back faster, the state gets their money faster. [LB284 LB285]

SENATOR SCHUMACHER: But the arena is already built. [LB284 LB285]

DONALD GROESSER: Yes. [LB284 LB285]

SENATOR SCHUMACHER: This isn't to build a new arena. [LB284 LB285]

DONALD GROESSER: No. [LB284 LB285]

SENATOR SCHUMACHER: This is to pay off an old arena. [LB284 LB285]

DONALD GROESSER: It is. But I want to continue to try to generate new business to come to our city within that 1,000 yards. [LB284 LB285]

SENATOR SCHUMACHER: You're going to do that anyway though. I mean you're just not going to walk away if you don't get this tax money. [LB284 LB285]

DONALD GROESSER: Okay. [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR SCHUMACHER: So I guess what I'm trying to get at is a decision was made to build an arena. It must have looked good enough for somebody to say, okay, let's do it. Everybody knew the terms and conditions of this particular program, apparently was satisfied with it. And now the state essentially is being asked to--for an awfully long period of time--commit its sales tax revenue to pay off what it already has, and because there is additional incentive to try to bring people in there and spend their money there, you know, jobs are created. They're not really created because chances are those people already are in Nebraska. And it's just a job shift admirably to your community for a new job...a different job. But that has to come from another community somewhere else. And the chances are that community is not out of state. So I'm just trying to see...I understand clearly now what's in it for you because you're paying off a bill that you owe. But I'm not sure what I see for the state in it. [LB284 LB285]

DONALD GROESSER: Well, if I pay that bill off early, Senator, the state will start receiving their funds, their state sales tax sooner. That's the win for both of us. [LB284 LB285]

SENATOR SCHUMACHER: So we don't, the state doesn't get any state sales tax money until the bonds are paid off? [LB284 LB285]

DONALD GROESSER: That's right, within that 600 yards, or that 1,000 yards. And it goes on for 20 years. So if I can generate new business within that 1,000 yards and pay those bonds off in 15 years instead of 20, you and I both win because I pay my building off and you start receiving the state sales tax at an earlier date. [LB284 LB285]

SENATOR SCHUMACHER: Then explain to me why...I thought I saw two years was what the time period is now. And we want to shift it to ten years. [LB284 LB285]

DONALD GROESSER: Yes. [LB284 LB285]

SENATOR SCHUMACHER: And how does that work in with the 20 years you just talked about? [LB284 LB285]

DONALD GROESSER: What happened is that when they originally put LB779 together, they gave me astute...two-year stipulation on new businesses coming into the state...into my city. And two years is not a very long period of time for me to try to continue to bring new business into that area, you know. I'm always going to try to bring new business in the area just like you say. But if I can try to get it into that 1,000 yards and really build up that whole area of my downtown and everything so that it makes a destination location. So if you want to come to the Ralston Arena and come to a concert, you might come and have a dinner at a nice new restaurant right

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

Revenue Committee
February 20, 2015

there. And then go take a walk and go over to the arena and have...you know, do your entertainment. But it benefits us all to get these bonds paid off as quickly as we can because that way I don't have bond payments anymore. You receive the sales tax in the state coffers. And we all benefit. [LB284 LB285]

SENATOR SCHUMACHER: Well, if 1,000 feet is good, wouldn't 2,000 feet be better? [LB284 LB285]

DONALD GROESSER: Sure, I'd love to have 2,000. No, I mean seriously, 1,000 yards means a lot to me in the city. It incorporates all of my downtown where right now 600 yards goes to the edge of my downtown. This arena is built on 72nd and Q. So we're about...it's 600 yards to...halfway to downtown. The rest of it would be downtown. And you know, I've been the mayor for 18 years. I've redeveloped downtown Ralston. We're all completely ADA in our whole entire city. There isn't a building that's not ADA compliant. And I've just done a ton of work to try to get people to move to our downtown. And I just think this would give us one more opportunity to really emphasize the building of downtown Ralston and then also try to just benefit from getting all of our bills paid faster and the bond. [LB284 LB285]

SENATOR SCHUMACHER: But your town is in the fortunate position of being near a half a million people and a critical mass. Once you get 60 miles away from your town, there is no critical mass. You have small operations that probably can't take advantage of this to any degree. So isn't that a little disproportionate contribution from the rest of the taxpayers to...and maybe that's good. I don't know. [LB284 LB285]

DONALD GROESSER: One of the things that we've done with this bill is 70 percent of the money goes in to pay the bonds, 30 percent of the money goes into a fund that all the cities across the state of Nebraska can use to redevelop their parks, their downtown, that kind of thing. So the money is going out to outer state. And I thought when we put this bill together originally, we really thought that was very important because, you know, the proportion is around my area. And I'm very lucky to have that. But I want to give to everybody else. And I know York has benefited. I don't have the list with me today. I could provide that to you. But we've had a lot of cities across the state of Nebraska that's really benefited from this 30 percent money we've been putting in there. And I want to continue doing that. So that's really important. [LB284 LB285]

SENATOR SCHUMACHER: Thank you. [LB284 LB285]

DONALD GROESSER: You're welcome. [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR GLOOR: Senator Smith. [LB284 LB285]

SENATOR SMITH: Thank you, Chairman Gloor. Mayor Groesser, thanks for coming and testifying in front of the Revenue Committee today. [LB284 LB285]

DONALD GROESSER: You bet. [LB284 LB285]

SENATOR SMITH: Now Ralston is the city that has that fantastic Independence Day celebration, right? [LB284 LB285]

DONALD GROESSER: We have the biggest in the state. [LB284 LB285]

SENATOR SMITH: The biggest in the state on 4th of July. I just want to give you a plug. (Laughter) [LB284 LB285]

DONALD GROESSER: Thank you very much. [LB284 LB285]

SENATOR SMITH: For those of you who don't know, Mayor Groesser and I, we're old neighbors. So he's done a fantastic job in the city of Ralston and the downtown area, remarkable improvements. And whenever this funding went into place, I think it was probably...well, it was certainly a leader in making use of this type of a funding mechanism. And there are some things that you've learned as you've moved down the path on this. And so you're realizing the economic footprint that such an arena brings and how to maybe better structure this, and I think that's what some of these tweaks are that you're coming back to and occurring. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR SMITH: Then going to a quarterly basis, has that helped the city? [LB284 LB285]

DONALD GROESSER: It's helped us a lot. One of the reasons for our...the loss in revenue that you were talking about is that I had to borrow money to make the bond payments because I was waiting for my LB779 funds to come in. And I've paid that back now. [LB284 LB285]

SENATOR SMITH: And that was a timing issue. [LB284 LB285]

DONALD GROESSER: It was a timing issue. You bet. That was really... [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR SMITH: It was putting a hardship on the city otherwise. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR SMITH: So that's something that worked well. Would you say that the recession that we've experienced over the last number of years has slowed some of the development time line, and maybe this is being driven by that to some degree? [LB284 LB285]

DONALD GROESSER: I think so. We built the arena. We had a piece of property. It was the nine-hole golf course called Lakeview Golf Course, and it went bankrupt. And we were able to take that piece of property and develop this arena on it. And that was kind of our whole thing. But we've certainly...you know, I tried to get all kinds of retail to come into that area and those kind of things. And during the recession, 2008, 2009, 2010, we just couldn't convince anybody that it was time to build. The arena has really increased. I was talking about we have 500,000 people that's been through the doors now. You know, we're just...we had a sellout crowd the last two concerts we've had. It's really starting to pick up and people know that we're there. And we're really trying to be part of the whole community, the whole metro area that we serve there with a million people, why, it's all really important to keep. The Ralston Arena is just an integral part anymore. It's really neat. [LB284 LB285]

SENATOR SMITH: You're doing a great job, Mayor. [LB284 LB285]

DONALD GROESSER: Thank you very much. [LB284 LB285]

SENATOR SMITH: Thanks. [LB284 LB285]

SENATOR GLOOR: Senator Davis. [LB284 LB285]

SENATOR DAVIS: So I need to understand a little bit more about the mechanics of what happens. So I've got a business that's operating there today, or was there when this came into being, right. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR DAVIS: So then for the entire, for this two-year period, any additional sales tax generating at that business goes to fund your arena, correct? [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: Right. [LB284 LB285]

SENATOR DAVIS: You want to extend that to ten years. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR DAVIS: Now what about a new business that starts there within that area? [LB284 LB285]

DONALD GROESSER: Right now I get...if the new business starts within that two-year period, I get that money that comes in. If it's after the two years, I don't get any money from that new business that would start. [LB284 LB285]

SENATOR DAVIS: So the restaurant business being kind of a notorious business for quick turnarounds... [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR DAVIS: If a restaurant lasted for two years and then closed and a new restaurant came in, do you get that money from that new restaurant then? [LB284 LB285]

DONALD GROESSER: I don't know the answer to that question. I'm sorry. I would hope so because the business has been established. It's been a restaurant. Now it's not but it is... [LB284 LB285]

SENATOR DAVIS: But I mean it's under a new ownership. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR DAVIS: So does a new business, any time a new business moves into an old established business, you get the revenue from that for two years, correct? [LB284 LB285]

DONALD GROESSER: I'll get that for 20 years. [LB284 LB285]

SENATOR DAVIS: Twenty years. [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: Or until the bonds are paid off. [LB284 LB285]

SENATOR DAVIS: So why are we extending this to ten years then? [LB284 LB285]

DONALD GROESSER: Well, if I can have an opportunity to bring in new businesses, you know, to add new business to that 1,000 yards, why, then I'll start receiving the sales tax off of that. And I can use that to pay the bonds. And then the bonds will get paid at a faster rate so that I get paid...so we get the bonds released and then the state starts receiving their sales tax at a sooner time. [LB284 LB285]

SENATOR DAVIS: Okay. And then a lot of cities have used tax increment financing to do a lot of projects. Was the Menards store put in there with TIF money? [LB284 LB285]

DONALD GROESSER: Yes. It was an Omaha TIF fund though. [LB284 LB285]

SENATOR DAVIS: And the Holiday Inn was also TIF money? [LB284 LB285]

DONALD GROESSER: Yes. [LB284 LB285]

SENATOR DAVIS: So there's quite a bit of tax loss, if you want to call it that, that the state is incurring by permitting this to happen. [LB284 LB285]

DONALD GROESSER: You know, I've used TIF for a quite a long time in the city. I've been there for 18 years now. And our state law allows TIF to be for 15 years. [LB284 LB285]

SENATOR DAVIS: Right. [LB284 LB285]

DONALD GROESSER: Most every business that we've helped out or that we've used TIF on have paid off in eight or nine years. [LB284 LB285]

SENATOR DAVIS: But still though, you are taking the sales tax that belongs to the...the property tax that would belong to the schools, the community colleges, the NRDs, and you're using that for your own purposes. [LB284 LB285]

DONALD GROESSER: That's the TIF side. [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR DAVIS: Right. [LB284 LB285]

DONALD GROESSER: Not the sales tax side. [LB284 LB285]

SENATOR DAVIS: I understand that. But, I mean, you've got a lot of help going to what you're trying to do now. [LB284 LB285]

DONALD GROESSER: But I'll have to say that I don't...it wouldn't be there without this. We'd have nothing. There would be no business. I wouldn't have any sales tax coming in at all. So if we wouldn't have passed LB779, there would have been no way for a city of 6,000 people to generate a \$24 million arena and create what it's created and bring in the jobs and the sales tax. [LB284 LB285]

SENATOR DAVIS: Well, I'm not arguing with you about that. [LB284 LB285]

DONALD GROESSER: Okay. [LB284 LB285]

SENATOR DAVIS: I'm just trying to make some points. So is there anything in the existing legislation then that requires you to take all the excess revenue to pay off the bonds, or are you just simply on a schedule with those bonds? [LB284 LB285]

DONALD GROESSER: It is required that I use that money for the bonds. I can't use it to go out and buy a new tractor. [LB284 LB285]

SENATOR DAVIS: I understand, but my question really is this. If this, by passing this bill, we generate another \$5 million that you didn't anticipate, is there statutory language already in law that says that \$5 million goes to pay the bond off this year? [LB284 LB285]

DONALD GROESSER: I think it does, yes. [LB284 LB285]

SENATOR DAVIS: Do you know for a fact or do you just think so? [LB284 LB285]

DONALD GROESSER: I guess I don't know for a fact, but I certainly would think that that would be the way it would be. I mean that's the way I would do it, you know. [LB284 LB285]

SENATOR DAVIS: Well, that's the way it should be. [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: I'd want that. [LB284 LB285]

SENATOR DAVIS: That's the way it should be. [LB284 LB285]

DONALD GROESSER: That's the way it should be, and if it's not, we should fix it so it is. [LB284 LB285]

SENATOR DAVIS: Right. Thank you, sir. [LB284 LB285]

DONALD GROESSER: I'm really all for getting these bonds paid off. [LB284 LB285]

SENATOR DAVIS: Thank you very much. [LB284 LB285]

DONALD GROESSER: I don't like to have debt, so. [LB284 LB285]

SENATOR GLOOR: Other questions? Senator Schumacher. Thank you. [LB284 LB285]

SENATOR SCHUMACHER: Thank you, Senator Gloor. These are revenue bonds though. They don't affect your general fund obligations, do they? [LB284 LB285]

DONALD GROESSER: No. [LB284 LB285]

SENATOR SCHUMACHER: So this is...if the arena were to go under, the city of Ralston wouldn't have any exposure other than having a big building to do something with. [LB284 LB285]

DONALD GROESSER: Right. [LB284 LB285]

SENATOR SCHUMACHER: Thank you. [LB284 LB285]

SENATOR GLOOR: Senator Davis...Smith. [LB284 LB285]

SENATOR SMITH: Thank you, Chairman Gloor. Mayor Groesser, if you look at LB284 and LB285, I know they go together here, we're having the same hearing. But if you had to make a choice between these two, I mean which one do you see as being the most critical? [LB284 LB285]

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

Revenue Committee
February 20, 2015

DONALD GROESSER: Well, I think the two years to ten years would be more critical if I had to make a choice. I mean I think that they're both important issues for me to expand. But you know, I'm so...I would really like to have the opportunity to go out and get more businesses and bring them in within that 600 yards. I don't know whether...the 600 yards is really limiting to me. There's not a lot of property left. I'm pretty well...I'm landlocked with the city of Omaha. So the 600 yards just extends me into my...the 1,000 yards extends me into my downtown area so I can try to generate. I have 13 empty lots in downtown. And I would like to put in 13 businesses down there. And if I could do that and use that money to pay the bonds, that would be great. [LB284 LB285]

SENATOR SMITH: Has there been any surprises to you in terms of the economic footprint of the arena? Evidently originally you felt the 600 was good. But were you surprised as to what that economic footprint looked like that resulted from the arena? [LB284 LB285]

DONALD GROESSER: Actually, our original draft of LB779 was 1,000 yards and it was cut back to 600. And we let the process go through because without the opportunity to have LB779, we wouldn't have an arena at all. But I see...you know, we always knew the Menards was coming in...not that they were coming in. We always knew that Menards had a piece of property bought within the 600 yards. And they sat on that property for six years before they developed. And I went up to Wisconsin and met with all the people in there and convinced them that, you know, they should build it. And helped them look at the overall impact that would make to their bottom line, their impact to the city. And they own three other locations and they were worried about whether the money would be drawn out of those stores into this store. We showed them the impact of that. So it was really critical that we got Menards. I'd like to go find more Menards or more different kinds of businesses to bring in to work there in that area. [LB284 LB285]

SENATOR SMITH: Great. Thanks. [LB284 LB285]

SENATOR GLOOR: Senator Davis. [LB284 LB285]

SENATOR DAVIS: One more question, and, Mayor, I'm not trying to badger you. I want you to know that, but if that Menards hadn't been there, would there be any change in state sales tax do you think? Do you think people would replace that purchase at your Menards with another box store somewhere else? [LB284 LB285]

DONALD GROESSER: Well, I guess, Senator, Menards owned that ground for six years. And they...I think they were going to walk away without the impact of having the arena, the people. See, the arena draws a lot of people. We've driven a half million people into our area. Menards likes that, you know. They want people to come. And we have hockey all day long. We have

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

Revenue Committee
February 20, 2015

curling. We have all different kinds of sports activities going on. There's something that's going on in that arena every day, all day long. We actually have a retail spot in that arena that we sell Husker gear. So there's reason for people to come, and Menards really thought that that was huge benefit to have that arena there. If the arena wasn't going to be built, Menards would never have built. I think the property would still be vacant. Does that answer your question? [LB284 LB285]

SENATOR DAVIS: Yeah, it does. How many facilities statewide are there like yours that are going to benefit from this modification? [LB284 LB285]

DONALD GROESSER: You know, this legislation was put together for smaller cities across the state. I know Gering is looking at it. I've talked to North Platte. And Norfolk talked to me a little bit. I think, you know, how many of these can the state hold? Grand Island has one. That's a tri-city area out there. They're doing really well with theirs. But I think that...you know, I'm a small town mayor. I could be in this big city and I could look at all these millions of people around me, but I'll guarantee you, I came from Weeping Water. And I believe in small towns, and I believe that I love small towns. And I keep Ralston as a small town environment within the big suburb of the whole thing. I'd like to...I've been to Gering to testify in front of their council to try to help them figure out a way to do it. And I'd be happy to do that across the state. So I guess I can't tell you how many we're going to build, but the opportunity is there to do that here. And without that, our small towns, we can't generate new sales tax, new businesses. We really need to have something that's driving the impact. [LB284 LB285]

SENATOR DAVIS: And I recognize that. And sometimes on this committee I end up editorializing. But you know, when we have a lack of resources for our schools and we have so many unequalized districts because of that, it concerns me that we have special interest communities coming in for tax breaks. [LB284 LB285]

DONALD GROESSER: Well, you know, I want to clarify maybe my statement on TIF. The school never lost a nickel as far as...they get paid the same amount of money off the property tax that they did before. All I'm doing is, you know...you receive the same amount of money, but you have the opportunity to make it grow and you get more money at the end of the day. And my school district understands that. I talk to my school district every time we talk about a TIF project. And they're in total favor of my TIFing. [LB284 LB285]

SENATOR DAVIS: Thank you, sir. [LB284 LB285]

DONALD GROESSER: You bet. [LB284 LB285]

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

Revenue Committee
February 20, 2015

SENATOR GLOOR: Senator Schumacher. [LB284 LB285]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Just a...I mean my mind is churning here a little bit as to what's going on in the big picture. We're seeing dramatic movement of population in this state to an area within 60 miles of 16th and Farnam. That's where the action is happening. We are bellyaching a lot about, well, the depopulation of rural Nebraska. You look at the towns of 20,000 population, there's no way a meaningful arena is going to work there, particularly those that aren't situated on the Interstate. So for all practical purposes, the meat of this legislation is directed at the communities that are within 60 miles of 16th and Farnam. And that's a policy decision to make those communities more attractive. And I think this is part of what's happening here. And I guess, to what extent are we at odds with ourselves or that it's wise to choose to try to continue the acceleration of growth in the area that you're in while recognizing that probably the rest of the state is in depopulation mode? [LB284 LB285]

DONALD GROESSER: You know, let's look at it from this perspective. To go from two years to ten years on this LB285, if I don't get that and we don't try to go out and create new businesses and don't do anything, you know, there will be no state sales tax received for you anyway in this area. So it gives me a more incentive to go out and try to create more opportunity here. And the other part of that is that I get 70 percent, but the outstate Nebraska gets 30 percent to go out and take this money and take their downtowns and take their parks and swimming pools and that kind of stuff and put some money into those. That's what's going on. [LB284 LB285]

SENATOR SCHUMACHER: But in the larger picture though, that 30 percent is spread over 900,000 people outside of the 16th and Farnam zone. And the bulk of the money is spread inside and to vitalize those areas to attract population and jobs to those areas. And I guess that's part of the quandary. You guys have got a lot of stuff going for you already. You've got shopping centers. You're close to an airport that can fly a decent airplane out. You've got the arenas. You've got casinos. You've got lots of restaurants in comparison to the rest of the state. And you've got interstate highways, lots of things going for you. And here, I guess what you're asking us to do is try to help accelerate that and bring in new stores, new Menards, new activities into that zone. And maybe, it almost seems to me that's happening anyway. If it were just as easy to reverse it by saying, no, we're going to shut down this program and the reverse flow would happen, but you guys are in really good shape the way it is. You're where it's going to happen it looks. [LB284 LB285]

DONALD GROESSER: But I don't think it'll happen as fast. Without the ten year...without these two bills, it won't happen as fast, I'll guarantee it. But the one thing I would say is that we...the state is going to benefit from this. The faster I can make things happen, whether it's good for the outstate or whether it's good for whatever, the faster you can give me the opportunity to make

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

Revenue Committee
February 20, 2015

things happen, the faster the state is going to receive your sales tax money. And you're going to be able to use it to do whatever you do with your sales tax money. I don't know what you do with it all. But you're going to get it sooner. It'll be a benefit to you as a state, that's a whole state of Nebraska. [LB284 LB285]

SENATOR SCHUMACHER: Thank you. [LB284 LB285]

DONALD GROESSER: You're welcome. [LB284 LB285]

SENATOR GLOOR: Seeing no further questions, thank you. [LB284 LB285]

DONALD GROESSER: You're welcome. Thanks for the time. [LB284 LB285]

SENATOR GLOOR: We'll continue with proponents. We'll move to opponents. Anyone in opposition to this bill? Anyone in a neutral capacity? [LB284 LB285]

JACK CHELOHA: (Exhibits 2-5) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Jack Cheloha; the first name is spelled J-a-c-k, and the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha, and I want to testify on LB284 today in a neutral capacity. I guess first of all, let me say I'm asking the pages to hand out a couple of things. As they come along, I have a letter of support from my city council for LB284 but with a proviso. It says if amended. And what amendment we're asking for is one of the documents being handed out. So I have the letter. I have the amendment. And then I've also included a couple of items relative to Omaha's CenturyLink convention center and arena, our debt service plan, and then also the amount of turnback revenue that we have received as a result of legislation passed by the Legislature to assist Omaha in financing the building of our arena in Omaha. Probably the best place to start would be just to let you know that there's three arenas in the state right now that receive assistance from the state of Nebraska to help pay off their bonds and to help facilitate the building of them. It all began in about 1999 when the city of Omaha first approached this very same committee, different members at the time, and asked for assistance. We wanted to build the convention center and arena in Omaha, as we had studies that it was a needed facility. And it truly was going to be something for not only Omaha and its community, but for the state of Nebraska. The state of Nebraska had never seen a convention center of that size of magnitude, or for that case, an arena of that magnitude. And in order to get the project done, we had to take on debt from the city of Omaha. We had to solicit, if you will, private donations. And then we also sought and were able to gain support from the Nebraska Legislature and the state of Nebraska to help pay for it. So that bill was passed. We went forward. The arena opened in I believe 2003. During the initial years of the building, we came back with a bill in 2007. The original formula to help fund it was a little too complex. The

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

Revenue Committee
February 20, 2015

Legislature and this committee agreed. And so what we did basically under the Convention Center Facility Financing Assistance Act, we created basically a sales tax turnaround or turnback, if you will. And what Omaha gained at that time was the ability to have the state sales tax on the convention center, the arena, and any adjoining hotels. We have one adjoining hotel, which is a Hilton brand. And those are the things that we now receive turnback on, any sales tax generated there. After that fact, Lincoln moved forward. They wanted a bill to help with their, now known as, Pinnacle Bank Arena. The Legislature saw the wisdom in that. Thought we needed another great facility in our state. Basically, their deal became sales tax generated in the Pinnacle Bank as well as any hotel within I think it was 450 yards of the building. And so then we moved along. You heard from Mayor Don Groesser of Ralston. The city of Ralston did their studies and due diligence, decided to build an arena. They were able to successfully pass LB779. It became a sports arena-type financing bill with a little bit different mechanism in order to make it work for Ralston. As you know from what you've heard from the mayor, their extension goes out to 600 yards for retail sales around them. It's not limited to hotels, but it's all retail. And so this leads me to why I'm here today. And it's really only on that one point. We'd like to see an amendment to the 600 yards and have it extend out to 1,000 yards, but for all of those who qualify for state assistance. And right now, as I stated, it's limited to those three entities: the one in Omaha, the one in Lincoln, and then Ralston. But with our amendment, we're not asking for all the retail, we just want to extend out to the 1,000 yards for any hotels that might be in proximity to our facilities. So for Lincoln, you know, they would gain roughly 550 yards. And for Omaha, we would get that 1,000 yards circle if you roll around the CenturyLink. And that would help us gain maybe a few hotels that are not actually adjoining to our facility now, if you will. And so that's what I'm asking for. And in terms of...you know, we'd like to be able to support the bill if it's moved forward from this committee. And we will support it, but we'd like to see the amendment to treat all the cities, if you will, the same in terms of the distance from the facility for that turnback. Let's see what else I can talk about a little bit. On this amendment that I've handed out, Senator Riepe's office was kind enough to allow us to get this drafted under his name up on the third floor. And so as it states there, we're trying to extend out the yardage to 1,000 yards. And it's only under...because it's only under the Convention Center Facility Financing Assistance Act, which is an act that Omaha and Lincoln qualified for, it only applies to hotels. So I'm trying to be clear there on that. I handed out our debt service. Omaha is allowed to get turnback essentially for the life of the bonds. I've got a schedule here that shows that we're on track to pay off our total indebtedness in the year 2027. And then the last handout, if you will, shows the amount of turnback we're currently receiving, if you will, for the last six years once we modified the law to say sales tax returned at the convention center arena and the adjoining hotel. So roughly, it looks like we average about \$2.4 million in turnback. And for Omaha and Lincoln, if I could add, we have the same deal. We get 70 percent of the amount of sales tax, 30 percent goes back into the fund which is eligible for all the rest of the state of Nebraska to apply for and help renovate and modify, maybe even build facilities for them. So with that, I'll try to summarize and just say we think it's best to be consistent and we'd like to have the same 1,000

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

Revenue Committee
February 20, 2015

yards for Omaha and Lincoln as well. Thank you. I'll try to answer any questions. [LB284 LB285]

SENATOR GLOOR: Questions? Senator Scheer. [LB284 LB285]

SENATOR SCHEER: Any idea of the fiscal impact? [LB284 LB285]

JACK CHELOHA: I really don't right now, Senator. [LB284 LB285]

SENATOR SCHEER: I'm thinking for Lincoln that's a huge chunk of change because that gets them all the way past the Embassy and the Holiday Inn. And I think it would be substantial for Lincoln. [LB284 LB285]

JACK CHELOHA: I think for Lincoln it would add a couple of hotels. In Omaha, I think we have some smaller ones along Dodge or Douglas Street that would be within the 1,000 yards. [LB284 LB285]

SENATOR SCHEER: How about the ones up on Cass? Have you picked those up? [LB284 LB285]

JACK CHELOHA: I think we may have kept some of those within the 1,000 yards, which as you know would be roughly about--what's that--3,000 feet or roughly... [LB284 LB285]

SENATOR SCHEER: A little over a half a mile. [LB284 LB285]

JACK CHELOHA: ...a little over half a mile. So I think some of those would come into as well. I don't have their market studies right now. Those hotels are primarily busy during a two-week period when the College World Series is involved and going on in the city of Omaha. But yet at the same time there would the chance for some additional turnback. [LB284 LB285]

SENATOR SCHEER: Okay. Thank you. [LB284 LB285]

SENATOR GLOOR: Senator Schumacher. [LB284 LB285]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony today. Now would these be new hotels or existing hotels that if this were extended out? [LB284 LB285]

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

Revenue Committee
February 20, 2015

JACK CHELOHA: These would be ones that are already existing and/or new ones if any are built. That's how we would like to have it worded. And if it's not clear, we could clarify that. But we would like to have existing and/or new ones, any hotel within 1,000 yards of the facility. [LB284 LB285]

SENATOR SCHUMACHER: So if there's a hotel like that existing now and it's paying the state sales tax or collecting it, the city is getting a little chunk of it, the state essentially would say we're going to forgo that sales tax so that Omaha can have it to put down on its bond. [LB284 LB285]

JACK CHELOHA: That's what we're asking for. But of course, it's always negotiable. [LB284 LB285]

SENATOR SCHUMACHER: Okay. I just wanted to understand how the money worked. [LB284 LB285]

JACK CHELOHA: You got it. [LB284 LB285]

SENATOR GLOOR: Don't see any additional questions, Jack. [LB284 LB285]

JACK CHELOHA: Okay. Thank you very much. [LB284 LB285]

SENATOR GLOOR: Thank you. Anyone else in a neutral capacity? Seeing none, we know the good senator is not closing. He just left. So that will end the hearing on LB284 and LB285. I thank you all for attending today. We are going to be going into Executive Session, so I would appreciate your trying to leave the hearing room as quickly as possible so we can conduct the rest of our business. [LB284 LB285]

KRISSA DELKA: Senator Gloor, read these into the record. [LB284 LB285]

SENATOR GLOOR: (Exhibits 6-8) Oh, yes. I need to read in a couple of letters. On LB284: Pete Festerson, Omaha City Council is a proponent; as are Lynn Rex, League of Municipalities; and Todd Kirshenbaum, York Area Chamber of Commerce; also the Omaha City Council. On LB285: also Lynn Rex, League of Municipalities; and Todd Kirshenbaum, York Area Chamber of Commerce. Too late to do Jack Anderson, Sheridan County Commissioner; and Katie Pitts, Nebraska Appleseed. Proponent, Jack Anderson on LB256. Opponent, Katie Pitts, LB256, for Nebraska Appleseed. [LB284 LB285 LB256]