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Revenue Committee
January 22, 2016

[LB689 LB723 LB724 LB884]

The Committee on Revenue met at 1:30 p.m. on Friday, January 22, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB689, LB884, LB723, and LB724. 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. If I could have people be seated, we're going to get started with this hearing. Welcome to the Revenue Committee hearing. I'm Senator Mike Gloor. If we could have folks get seated, please. I'm Senator Mike Gloor, District 35, which is Grand Island, Chair of the Revenue Committee. The committee is going to take up the bills today in the order posted on the agenda outside the door. To better facilitate the hearings, we've got some general rules for those of you who aren't familiar with them. It's probably not a bad idea to run them for those of you who think you are. Please turn off your cell phones. That, first and foremost, is one of the things that can help us with any disruptions that are out there. If you're going to provide testimony today, we ask that you move up close to the front, if not the front chairs, so that we're not spending a lot of time with people going back and forth. The order of testimony is the introducer of the bill, proponents, opponents, those who are here in a neutral capacity, and then we always allow the introducer of the bill a chance for some closing comments if they choose to take them. We need you to sign in. Specifically, there are sign-in sheets if you plan to provide testimony here up front, fill one of those out and hand them to the clerk when you come up here. When you testify please give us your name so that we get that down for the record, and spell it for us, too, so that we get it down accurately. Be concise. We have a timer system to limit our comments to five minutes so we can be sure and get through our bills and give everybody a reasonable chance of comment. The light system is: green light when things are fine; you get a yellow light when you have a minute left; and when you get a red light, you need to wrap things up or count on me helping you wrap things up a little bit. So play along with us with that if you would, also, please. The microphones are new microphones. They're pretty sensitive, but on the other hand, we really do need you to face towards the microphone so that we, again, get all the testimony that you give us and get it down accurately. That also relates to the senators, themselves. I'd ask them to be sure and speak into the microphone so we can get their questions accurately. If you have materials to be distributed to the members of the committee, we need 11 copies. If you've just realized you don't have 11 copies, let the pages know so they can get the exact...the correct number for you. To my immediate right is committee council, Mary Jane Egr Edson. And Kay Bergquist is our research analyst, she's on my far right. And then Krissa Delka is the clerk of the committee, she's down on the far left. I'm going to ask the senators to introduce themselves to you. Senator Brasch, would you start us, please?

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SENATOR BRASCH: Thank you, Chairman Gloor. Lydia Brasch, Legislative District 16, that is Burt County, Cuming County, and Washington County.

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

SENATOR DAVIS: Al Davis, District 43, a 13-county area in north-central and western Nebraska.

SENATOR SCHEER: I'm the lonesome soldier over here on this side. I'm Jim Scheer from District 19, which is Madison and a small portion of Stanton County.

SENATOR GLOOR: And we do have other senators who are introducing bills elsewhere. You'll see some coming and going and that has to do with the very nature of that particular issue. So I think we'll be joined by others as the day wears on. I'm pretty sure of it since one of those missing has two bills in front of us in a little bit and would expect that he, in fact, will be here. Our pages today are Jordan from Oakland and Brenda from Wakefield. Some days I reverse where they're from, but today that's where they're from and I think that's fairly accurate. And with that, we'll start with our first bill, LB689. Senator Bloomfield, welcome.

SENATOR BLOOMFIELD: Good afternoon, Chairman Gloor and members of the Revenue Committee. For the record, my name is Senator Dave Bloomfield, B-l-o-o-m-f-i-e-l-d, and I represent the 17th Legislative District, in particular, but as well the whole state of Nebraska. I am here today to introduce LB689 to the committee for your consideration. It is a straightforward bill that I decided to bring this year after learning, while researching LB191 which I presented to you last year, that we allow exemptions for political reasons. Section 77-2704.10 deals with the exemption of sales and use tax. Currently, we allow exemptions of prepared food, food, and the food ingredients from public schools or private schools, school districts, student organizations, parent-teachers associations, churches, items served to patients and inmates of hospitals or other institutions licensed by the state for care of human beings. Food sold at political events by ballot question committees, candidate committees, independent committees, and political party committees, and food sold to the handicapped or recipients of supplemental security income. With LB689 we would be striking the exemption for food sold at political events by ballot question committees, candidate committees, independent committees, and political party committees. It is my opinion that if we cannot allow for the exemption of a veteran service organization that sells food, we certainly should not allow an exemption for political organizations and activities. This to me seems nearly vulgar. While under current law this may be legal, it is certainly wrong. Even if LB191 would have become law, this political carve out is, at best, unseemly. I have no idea what this committee will do with this proposal, but at least the

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people of Nebraska will have the opportunity to learn and understand where our priorities lie. Thank you for your time and I'd be willing to entertain any questions you may have. [LB689]

SENATOR GLOOR: Senator Bloomfield, I guess my question would be sort of a follow-up to some of the debate we had this morning and the concerns on one bill that money was coming into the state and being contributed to political campaigns that was going to influence people's decision on that particular bill. Well, as you well know, at least as relates to the only one of these that I can relate to which is my own campaign, we use that money to cover expenses, legitimate expenses that aren't covered by the state. And so what seems to be an unintended consequence if this were to become a statute is I have less money to spend on those things because a portion of it is going to pay sales tax, in which case I need to raise more money from outside interests, even though the outside interests may be somebody who supports my campaign who's an individual, not necessarily a big corporation. An unintended consequence for me is we may be taking more money from more individuals to cover the expenses since some of it we lost to taxes. Have you thought about that angle on this bill? [LB689]

SENATOR BLOOMFIELD: I have not necessarily looked at that angle, but I don't see it being an issue. Everybody else pays taxes...pays sales tax. I don't know why political people should be exempted from that. I understand where you're coming from, I'm in the same boat. [LB689]

SENATOR GLOOR: Sure. [LB689]

SENATOR BLOOMFIELD: But I didn't realize this until I was working on LB191 or you may have had this last year instead of LB191... [LB689]

SENATOR GLOOR: Okay. [LB689]

SENATOR BLOOMFIELD: ...because I just...I don't feel that we should have a political exemption on sales tax while we're making everybody else pay it. [LB689]

SENATOR GLOOR: Okay. Senator Brasch. [LB689]

SENATOR BRASCH: Thank you, Chairman Gloor; and thank you, Senator Bloomfield. I want to make sure that I'm completely understanding. I remember your bill last year, that you wanted to exempt the veterans clubs and organizations from their sales of food. Correct? [LB689]

SENATOR BLOOMFIELD: That was LB191, yes. [LB689]

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SENATOR BRASCH: And that's what you're referring to? [LB689]

SENATOR BLOOMFIELD: Yeah. [LB689]

SENATOR BRASCH: And so because that did not move forward, at this point you're looking closer into other organizations that are getting exempt or...? [LB689]

SENATOR BLOOMFIELD: No. I think, Senator Brasch... [LB689]

SENATOR BRASCH: Yes. [LB689]

SENATOR BLOOMFIELD: ...that even had that passed, this just feels a little creepy to me. I guess that's probably not the way to explain it, but that we...the Legislature has at some point--and I don't think anybody that is here now was here when this happened--carved out a sales tax exemption for themselves. And it just doesn't seem right to me. [LB689]

SENATOR BRASCH: And I guess my question here in trying to compare the two, which you know I did support your bill last year, but that...the discussion was that some of those are full-time competitors with other businesses in the community. That is their business. And these events are just for certain occasions, a day, an hour, etcetera, and not in competition with other businesses. Would that be correct? [LB689]

SENATOR BLOOMFIELD: Well, are they or are they not in competition? If you have a fundraiser in town, are you not competing with a restaurant? [LB689]

SENATOR BRASCH: But they're not... [LB689]

SENATOR BLOOMFIELD: And when we have a \$500 a plate fundraiser, you know, we're not taking money from poor people there. [LB689]

SENATOR BRASCH: And the difference I would see is that that is for a one-time event purpose and not an ongoing place...an establishment. It's not an establishment versus an event. And so... [LB689]

SENATOR BLOOMFIELD: I agree with you. But, Senator Brasch, I'm not tying the two bills together. [LB689]

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SENATOR BRASCH: Okay. [LB689]

SENATOR BLOOMFIELD: It is not a, you didn't do this so I'm doing this. [LB689]

SENATOR BRASCH: I would not discourage political enthusiasm; put it that way. I think we need to get more people to vote, more people to participate. I don't think that the food would make or break the event, however. And I don't think it's a sign of corruption or influence as well. Do you? [LB689]

SENATOR BLOOMFIELD: Certainly not of the people that are here now. When this was carved out--and I can't give you that date because I don't know it--I would have been a little suspect of it. It just, to me, seems, like I said, a little creepy that, well, we're politicians, we don't have to pay sales tax. But the store down the street does, the veterans do, anybody else that sells prepared food has to pay that sales tax; but seeing as how we're politicians, we don't need to do that. [LB689]

SENATOR BRASCH: I do appreciate what you're saying, but at this point I'm inclined to say that democracy...it's not creepy. It is a part of something that we find, I believe, needing more spirit of I guess freedom and...you know, if you say what I'm saying, too. [LB689]

SENATOR BLOOMFIELD: Yes, I agree with you. [LB689]

SENATOR BRASCH: And why put a damper on some of their... [LB689]

SENATOR BLOOMFIELD: I agree with you that we need more involvement. I don't believe that candidates paying their fair share of sales tax is an infringement upon that candidate's rights. [LB689]

SENATOR BRASCH: Okay. I...thank you. I have no other questions. [LB689]

SENATOR BLOOMFIELD: Thank you. [LB689]

SENATOR BRASCH: We'll visit later. [LB689]

SENATOR BLOOMFIELD: Okay. [LB689]

SENATOR GLOOR: Other questions? Senator Davis. [LB689]

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SENATOR DAVIS: Thank you, Senator Gloor. Senator Bloomfield, just a question about it. You talked about the \$500 dinners. Sometimes where nonpolitical events, charitable events of some kind or another, the ticket might say the food is \$25, the donation is \$100. So do you envision this as being done that way or would it be tax on the whole \$500? I mean, you used that figure earlier. [LB689]

SENATOR BLOOMFIELD: I guess I hadn't really looked at that, but I would...I'm not looking for a tax on donations here, I am looking for a tax on the food. So if they put it in as the \$25 meal I guess would probably go that way. But what I would hate to see and what I fear seeing with that is that all of a sudden the food is free, it's just a donation. [LB689]

SENATOR DAVIS: Well, that would be a way to get around the law, wouldn't it? We see that that happens sometimes. [LB689]

SENATOR BLOOMFIELD: Well, yeah. [LB689]

SENATOR DAVIS: Thank you, Senator Bloomfield. It's a good bill. [LB689]

SENATOR BLOOMFIELD: You bet. [LB689]

SENATOR GLOOR: Other questions? And seeing none, thank you. I understand you need to get back to your own committee meeting. [LB689]

SENATOR BLOOMFIELD: I will not be here for closing. [LB689]

SENATOR GLOOR: Okay. [LB689]

SENATOR BLOOMFIELD: Thank you. [LB689]

SENATOR GLOOR: Thank you. We'll now go to proponents. Are there those who wish to speak in favor of this bill? We'll move to opponents. Anyone here who's in opposition to this bill? Is there anyone who would like to speak in a neutral capacity? I'm sure the whole afternoon is going to go this way. And the senator has waived closing and so that will end the hearing on LB689. We'll now move to LB884, Senator Scheer. [LB689]

SENATOR SCHEER: (Exhibit 1) Chairman Gloor and esteemed colleagues of the Revenue Committee, I wanted to give you a little information on why I'm even here today. I started

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thinking about this event center, whatever you want to classify them as, entertainment venues last year really during the floor debate in relationship to Ralston Arena; not really in the floor debate, but discussion here in regards to a bill that was presented. And so I decided to do a little more look at how we got to where we're at right now, what happened over the years and talked to several different entities. And out of the blue one day, La Vista came in and was talking about a proposal that they were looking at and I listened intently and thanked them for coming in and started thinking about what they had presented. So I started working on...with Spencer on trying to facilitate some type of commonality in relationship to what we have in front of us. From my perspective, the problem is ourselves, the Legislature. Every time someone has developed the idea to put up an arena or a center, we've adopted either a new bill or changed the parameters of that so there's no uniformity. All three have different parameters. So how can we expect any other ones to develop in the state without some type of commonality? And we've, to a certain extent, sort of done it to ourselves rather than either modifying a bill or a statute, we continued to add and dilute it and make each one a standalone. So, you know, we can talk about what are these places going to do? But, essentially, we authorized them and we authorized them each individually. They all came to us at some point in time, not when I was here certainly, but they all came at some point in time and they were all given different parameters. So what my bill will try to do is to simply put uniformity there so that regardless who is in front of us or who is out there and already there, everybody is going to play by the same rules. If it is easier to enforce, it's easier to look at, it will be easier for those communities that may, at some point in time, look at developing their own type. One of which...and actually I want to thank MJ because I had a opening and her review this morning was so precise that I'm going to use that as bullet points in my presentation. But one of the main things that I looked at is the availability of Norfolk. And Norfolk has no--at least that I'm aware of--has no immediate plans. I don't know that there's even anything on the board. I'm not privileged to that. Or, for example, Kearney or North Platte or somebody else that might want to put them up, but a small community really has no way of doing this under any of this legislation. Two years' time, if they put something up and we give them 24 months to develop any type of traffic or tax base to repay from, it's virtually impossible. So one of the things, and I'll put a...is we are change the time frame out to 84 months, because that helps those small communities not only develop retail in the area or perhaps housing and maybe hotels or motels, but at least it gives them the opportunity to do so. I mean, the way we've got it set up now, every store or every hotel and motel literally would have to be not on the drawing board, but about ready to bid, in order for it to be under the terms of our current statutes. So that's one of the things that would change. We would give everybody more time to fulfill those obligations and provide dollars. The benefit to that, by the way, is if they are producing more dollars, it also produces more dollars to the 30 percent fund for those rural communities to fund their other activities as well. So it's not just a benefit for those existing facilities, it puts more money out into the rest of the state. I expand some of the definitions. Right now a hotel...if my pen is an eighth of an inch in the hole it doesn't count. If my pen goes over the hole but some of it's outside, it doesn't count. It has to be inside the property. That doesn't make sense to me.

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Part of a hotel is in the framework. If it's outside of the line, fine. But if part of it...it should be involved in the funding of that facility. We don't do that right now. We definitionally say it has to be all in the area. I think that's pretty distinct and I think we need to liberalize that a little bit. We also, because we have varying lengths--one is at 250, one is at 450, one is at 600 yards--this would simply move it all to 600 yards; it makes them all the same. It also tells anyone that's looking at it, here's the baseline, it's 600 yards. We don't have to worry about people coming back to us. We have uniform compliance measures. Everybody knows what they're going to get before they ever start the project. It changes and expands the definition of a nearby retailer. It does a multitude of technical things. But, essentially, it tries to unify all the items that are available right now and it maximizes all of them. It doesn't change any of them, it just maximizes them. The one item that I did throw in that I thought made sense--and it was listening to La Vista that made me think of this, it was not something that I don't think they thought of and at least did not approach me with--but looking at their development and I could see other communities that might have ground that's available to them, and we give, we'll say, the 600 yards. But if there's a drainage gulch that's 200 yards wide going down the middle of it, they really don't have 600 yards of buildable ground; they maybe have 300. So this talks about usable, buildable ground within the 600, so that it will allow communities to use, perhaps, maybe some of the more undesirable parcels that they can develop and attract businesses and not have to worry about the loss of those square footages that would be, perhaps, maybe you could put a parking lot, but it's in the flood plain. You can't build on it, but it still would be counted within the 600 yards. So it allows those communities to utilize ground that isn't necessarily the prime ground that developers want. This isn't supposed to compete with the main arteries of the community, it's supposed to try to develop some of the areas that need help in development. It's pretty straightforward. My hope is that when--and with your help if it would come out committee and it would get passed--we aren't going to see these deals anymore. We have a process that is easily readable, it's uniform, everybody gets the same thing, people know the time limits, they know the dimensions. If it's not going to work, they're going to know that up front. But right now, we've continued to make carve outs or carve ins every time something has come up. So hopefully this provides us with the framework of a long-lasting agreement between the Legislature and communities or counties or whatever jurisdiction may want to utilize this. But at least, it's all fair. We're not treating anybody differently. We're not treating different entities differently, everybody gets the same fair shake. That's it. No better, no worse, just trying to be fair, trying to be uniform. [LB884]

SENATOR GLOOR: Thank you, Senator Scheer. Questions? Senator Brasch then Senator Davis. [LB884]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Senator Scheer. From the handout that you gave us, it lists entities that have been recipients of this grant. Is that correct? [LB884]

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SENATOR SCHEER: Yes, the 30 percent. [LB884]

SENATOR BRASCH: And would your uniformity act here change any of these? [LB884]

SENATOR SCHEER: No. No, it does not. [LB884]

SENATOR BRASCH: Would these have been affected one way or the other? [LB884]

SENATOR SCHEER: Well, technically, yes. It would provide you with more dollars because if, in some instances, some municipalities or one of the arenas possibly could pick up some additional retail or housing that would provide sales tax that then would be turned back. And that would, if you had another \$1,000, \$300 of that then goes into this fund. So, technically, this has a great opportunity to provide additional funding to those that are participating in outstate Nebraska for the 30 percent funding. [LB884]

SENATOR BRASCH: So if some got more would others get less? Where does the money come from, I guess, the additional revenues? Is it give and take? [LB884]

SENATOR SCHEER: Well, you get a percentage of the sales tax. So if you have...if you expand...if everyone has equal dimensional space that may mean, in some instances, for example, that a Kwik Shop might have not been totally in the perimeters--and I'll use Omaha because I think it's way past that--but as I recall up on Cass Street, there's a McDonald's about 24th (Street) or something like that. Well, that's way past the 600 yards, but just saying that if part of that happened to be in their parking lot was that, but not the building, now with the extension all that McDonald's is. That sales tax becomes part of the throwback. And so that would produce some additional dollars. The CenturyLink or MECA would get part of that and 30 percent of that additional would go into this fund to provide more dollars to those entities, those localities that choose to apply and get funded through this process. It doesn't change any of that. But my... [LB884]

SENATOR BRASCH: So you're saying everybody's a winner, there are no winners and losers in this but... [LB884]

SENATOR SCHEER: I don't think so. [LB884]

SENATOR BRASCH: Okay. I...it's very curious. It seems that if you were increasing someone's then there's additional, additional revenue. [LB884]

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SENATOR SCHEER: Well, I mean, let's be...I mean, I'm not going to hide from you that, yeah, there's winners and losers to the extent there is an A bill. And the Revenue Department, based on the fiscal note that I received--and I'm not going to argue with it, I mean, it is what it is--is about \$1.4 million the first year and about \$3.4 million the second year. So the state would lose some funding. Some of that will go to help those entities, 30 percent of that additional dollars...and I guess that's a pretty easy standpoint because that's what they will lose. So if you look at the \$3.478 (million) the second year, 30 percent of that additional funds will flow into these projects that you're looking at. So that would increase it by approximately \$1 million, so that fund would have been increased \$1 million every year to provide some assistance for other communities in outstate Nebraska to build additional facilities. [LB884]

SENATOR BRASCH: Okay. That is helpful. I just was trying to do the simple math on this and seeing where... [LB884]

SENATOR SCHEER: Okay. Sure. Yeah. Well, I don't have a calculator, Senator Brasch, but I think I'm pretty close. [LB884]

SENATOR BRASCH: It sounds like it. [LB884]

SENATOR SCHEER: Thank you. [LB884]

SENATOR BRASCH: Thank you. [LB884]

SENATOR GLOOR: Senator Davis. [LB884]

SENATOR DAVIS: Thank you, Senator Gloor. Senator Scheer, a few questions. I guess the first one that sort of stepped out at me was the discussion of the area of the unusable or...so am I to understand that the square footage that would be in that area would be...the city would be allowed to use that on some other corridor or some other property elsewhere? [LB884]

SENATOR SCHEER: Well, no. Let me try to rephrase it to see if I can maybe definitionally articulate what I'm talking about. If this happens to be the plane and we'll say this is the 600 yard square. If there happened to be a river or a creek that comes through downtown Columbus and it goes through the middle, that's 100 yards across. Well, you can't build up to the area of that, so you've probably lost we'll say 150 or 175 yards of this 600. What it would do is allow you to go out the additional 150 yards that you're losing in the middle as far as that additional tax base because you can't build on it. You shouldn't be penalized for using pieces of property that are

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nonconstructable. And that was the intent, was to being able to allow them to still be able to have their full constructable area. [LB884]

SENATOR DAVIS: And that...so my...to try to explain where I was coming from, I gathered that was the point you were trying to make but I was concerned that maybe the square footage was going to be allowed to be put out in corridors...that might... [LB884]

SENATOR SCHEER: No, no, no. It's contiguous. It's contiguous. It just allows it to expand farther with the realm of that being as nonconstructable, they get additional yardage past that point. [LB884]

SENATOR DAVIS: You've extended the time period from two to seven years. Is there a reason why you did that? [LB884]

SENATOR SCHEER: Absolutely. If we are trying to be uniform and we're trying to be equitable to small communities as well, I'm looking at again I...my...most obvious to me would be Norfolk. I'll use Norfolk. If they were to build a facility, it would probably be on the edge of town, it would probably be in a field, maybe a half a quarter so you're going to have 80, 40 acres, maybe 60 by the time you get your ground bought. But there's probably not going to be much around it. So in those small communities it's going to take a little while to develop those areas as far as retail. I don't know that they ever may be able to develop hotels or motels in that area, but they might be able to get restaurants and some other type of shopping. But if you only give them 24 months to do that, I'm going to venture to say that most small communities would not have the ability to functionally get those new partners located in there and constructed in a quick enough proximity. It will take time. And I think that's...if we're going to be honest, I think that's one of the problems that happened with Ralston is, it was a small community, a area that was vacant that was somewhat detached from their current mainstream retail space and it took longer than expected--at least probably they expected--to develop that type of continuous growth that would produce any dollars to help offset the cost. I just don't want that to happen to anybody else. And to me, that seems like a logical time frame. I'm not trying to make it ongoing, that it will last forever. There has to be some time limit, obviously. But I want to make sure that we aren't necessarily shutting the door on smaller communities and the ability to invest in themselves and participate in some of the same programs that larger communities get to. And there's no magic to it, Senator Davis. That's just a number. [LB884]

SENATOR DAVIS: And you may remember the discussion--and I don't mind, we can talk about this later--but with the Ralston situation, they also were using TIF financing in that particular property. So in some respects, it was a little bit of a double dip for the city. But under item 4 on the first page of the...Mary Jane's reconciliation, it talks about, expands the use of turnback funds

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to capital improvements of a facility. Can you elaborate on what...how you intend to make that work specifically any time there was an improvement in the property or... [LB884]

SENATOR SCHEER: Yeah, that would be my assessment. I think that you build something, it may not...build it..I mean, you screw up, you don't functionally think of this or that, it would help offset those additional costs. [LB884]

SENATOR DAVIS: So as I understand the current bill, maybe I'm wrong about it, but when the bonds are paid off, the turnback piece of it goes away. Is that incorrect? [LB884]

SENATOR SCHEER: That would be my understanding, but I'm not an attorney. Like I said, I think I've developed some friends along the way that might be able to answer that better than I, but that would be my understanding. [LB884]

SENATOR DAVIS: Then the last question deals with the associated hotel from publicly owned facility to private. I think I understand where you're going with that, but just to make sure that the private hotels that are in the zone are...the turnback taxes is going towards the purposes of the bill. Correct? [LB884]

SENATOR SCHEER: Correct. Correct. [LB884]

SENATOR DAVIS: Okay, thank you. [LB884]

SENATOR GLOOR: Senator Harr. [LB884]

SENATOR HARR: Thank you, Senator Gloor. Thank you, Senator Scheer. This turnback tax is something I've worked with a lot. I had occasion to enhance a bill a couple of years ago, so I'm somewhat familiar with these. And I hope you will be able to answer some of my questions I have; maybe some people coming after you can. [LB884]

SENATOR SCHEER: Senator Harr, if you don't know it and you've worked on it, I'm not saying my mind is going to be a lot better, but I'll give her a shot. [LB884]

SENATOR HARR: All right. So let's start with the commonality. You want the two bills to be common, not exactly the same, but similar. Is that correct? [LB884]

SENATOR SCHEER: As similar or as unified as possible, put it that way. [LB884]

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SENATOR HARR: Okay. I guess I'll start with retail. Why do we have two different definitions of retail between the Sports Arena Facility Financing Assistance Act and the Sports Facility Act? [LB884]

SENATOR SCHEER: Can't tell you. If there is, it was unintentional on our part. That may be the difference between you and I, Senator Harr. I don't have a legal mind. We tried to think of... [LB884]

SENATOR HARR: Well, no, I mean it's the words on the page that are different. [LB884]

SENATOR SCHEER: I understand. We obviously did not catch that, Senator Harr, so I don't see any reason to have a different definition. Let me put it that way. [LB884]

SENATOR HARR: Okay. And we might be under the same...on page 3, on page 4 of the bill, the board for...it says the state assistance under the Convention Act says: may be used to pay back the bonds. It doesn't require them to. [LB884]

SENATOR SCHEER: Excuse me, but where are we at, Senator Harr? [LB884]

SENATOR HARR: Page 4, first line. [LB884]

SENATOR SCHEER: Well, Senator Harr, I don't change that so that terminology is... [LB884]

SENATOR HARR: Well, and that's my point is, you don't change it. And yet under the Sports Facility, (13)-3103, is: This money shall be used. And my concern is... [LB884]

SENATOR SCHEER: Where would that be? [LB884]

SENATOR HARR: Section...I'm not sure if we have (13)-3103. [LB884]

SENATOR SCHEER: And I guess, again, Senator Harr, if it is something that we overlooked to harmonize... [LB884]

SENATOR HARR: So you wouldn't be adverse to that change? [LB884]

SENATOR SCHEER: No. Not at all. [LB884]

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SENATOR HARR: Okay. There's also within this you change, on page--now I'm a little confused--page (inaudible) I don't have it in front of me. You change the definition of minority or the poverty area for cities of...and you provide a fuller definition. And (inaudible) find it. On page 6, that number (4), you...for purposes of this subsection, any area of high concentration of poverty means an area within corporation limits of a primary class, and then you give a definition. On page 5, I think it is, we talk about--on line 6--areas of high concentration of poverty and this is for areas of a...for Omaha. And it's not defined. Would you object to having that definition apply here as well? [LB884]

SENATOR SCHEER: Not at all. [LB884]

SENATOR HARR: Okay. Okay. I'm just trying to make sure the two bills are as consistent with each other as possible. [LB884]

SENATOR SCHEER: I appreciate that and I have...I don't...and there's not ownership in that to the extent that...if you find something additional, that's fine as well. [LB884]

SENATOR HARR: And so, I guess, what I'm...and we're getting at there, these two programs have been used--and correct me if I'm wrong--they were used for Omaha, for the area around MECA, which is then, CenturyLink. What else? Qwest, now CenturyLink and the Omaha Convention Center. [LB884]

SENATOR SCHEER: Correct. [LB884]

SENATOR HARR: Next it was...we amended the bill--as you stated so correctly--we amended the bill again and we added...because Lincoln had different geography. So we said, all right, let's change it and they built the Pinnacle Bank Arena. And now we...Ralston came in and said, we want to do something else. Our geographics are different, change the boundaries. And we did. We came up with the new Sports Financing (inaudible). I think this may have been used on the Breslow's arena, I'm not sure or not. [LB884]

SENATOR SCHEER: That I can't speak to. [LB884]

SENATOR HARR: Which will get to a question...well, let me go with that question right now. What happens if you have two sports, two facilities that overlap that use this turnback dollars? Which one would get that money? If they both do within the...now we've expanded the period to 84 months, we have two facilities near each other, separately financed, separate bonds, and they

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overlap. Is it first in time or do you split it down the middle? How do we determine who gets what money? [LB884]

SENATOR SCHEER: Well, we can...I suppose we can write the bill any way we'd like to, Senator. I guess from my vantage point, I would prefer it to be first come, first serve, because they're the ones that originally are dependent upon that funding. So I think by even trying to say that you will split it would be unfair to the first one because they're already depending upon it. [LB884]

SENATOR HARR: Okay. And you're amenable to that change as well? [LB884]

SENATOR SCHEER: Yes. [LB884]

SENATOR HARR: So now, we have this new definition or we have a new facility that wants turn back, and that's La Vista. And we say we're changing the definition for commonality and we're letting everyone from behind in. But really we're doing the same thing we've done before in that we're creating a new definition that suits where this facility wants to go. [LB884]

SENATOR SCHEER: Well, Senator, I wouldn't necessarily agree with that assessment. Well, let me just respond to that portion, please. I don't think that I've done anything specifically in relationship to La Vista. When they talked to me and simply just showed a proposal that they were thinking about doing--and I'm not sure that that's even a live proposal or if it's been changed or not; that was immaterial to me--when they were showing me the plat of the ground, one of their concerns was that some of the area wasn't usable. They have talked to me, the singular time that I've talked to them, thinking about asking someone--not me, but I'm on the Revenue Committee just like the rest of us are and get talked to periodically--about expanding the area. And I just thanked them and they went on their way. But as I was thinking about it later, I thought they really do have a point because it probably should have been defined as buildable to begin with. From my perspective, it opens the range of ground that is available to communities far more so than the restriction of just having that from the 600, period. You are able to use perhaps, I know the term blighted and substandard is not a real happy one to some people in the area, but it truly would be substandard; it's nonbuildable. [LB884]

SENATOR HARR: Okay. [LB884]

SENATOR SCHEER: So for us to include that, I thought was inappropriate. So that is part of my change...that would be one of the changes I made individually, trying to rectify problems that I could foresee in the future so that we don't have to revisit that, because if we didn't, I can tell you

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that at some point in time, I don't care if it's Norfolk or if it's another facility in Lincoln or another facility in Omaha or one, perhaps, in Grand Island, somebody is going to say, God, that's a great spot, but it just doesn't quite fit, because it's banked up against a wall here, so a cliff or whatever the case might be, in this great setting, but we just don't have enough or we can't get enough retail or whatever it might be to facilitate enough dollars to help offset the cost. [LB884]

SENATOR HARR: So let me ask you this, then, based on that. Let's pretend we were building the Qwest Center today. It abuts the Missouri River and it abuts another state. [LB884]

SENATOR SCHEER: Okay. [LB884]

SENATOR HARR: Unusable. So would they be able to take that land that they lost to 600 to the east and apply that somewhere else and expand their area? [LB884]

SENATOR SCHEER: It would have a total...I mean, it's really no different to me, Senator,...again getting back to my piece of paper. If the area was going to be in the middle or if it's going to be in the back, you still get the same composite of space. [LB884]

SENATOR HARR: So I'm confused. You have a building in the middle and it's...the area around it, is that correct? [LB884]

SENATOR SCHEER: Well, certainly my intent...let me explain that my intent would not necessarily mean to go across state borders. The jurisdiction that we deal with is within the confines of Nebraska, so. [LB884]

SENATOR HARR: But it's unusable. Let's say it's a flood plain on the other side. [LB884]

SENATOR SCHEER: Okay. [LB884]

SENATOR HARR: And so never mind that it's Iowa. It is, it's unusable. Does then Omaha get to move that 600 somewhere else? Does it get to move it, let's say, to the west? If they lose that 600 yards behind them...those 400 yards behind them, can they then take that 400 yards they've lost because of the river and a flood plain on the other side--not their property, but nonetheless unbuildable,--and take it and apply it to the (inaudible) on the west? [LB884]

SENATOR SCHEER: Senator, I don't necessarily...I don't have a problem with that. I think everybody should have the same dimensional, buildable area available to them. Now, I'm not sure

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that I completely comprehend the description you're giving me. But if there is an impediment to construction within the area confined definitionally, then they would get to exceed that by that amount of space. [LB884]

SENATOR HARR: Okay. I'm just trying to figure out how this 600 that we've moving in...I'm still a little...I'll be honest with you and I'm not playing you, a little skeptical that we aren't again changing the boundaries to fit a new project. Now you say La Vista wasn't conceived with this necessarily in mind. I guess my question then is, looking at the fiscal note--it's up to almost \$6 million in four years--does that fiscal note include or not include La Vista? [LB884]

SENATOR SCHEER: I don't...I couldn't tell you. I didn't do the fiscal note. I... [LB884]

SENATOR HARR: And it doesn't say in there either so I didn't know if you... [LB884]

SENATOR SCHEER: Well, I'm going to guess it doesn't because if there is a project and I did see somebody here that I recognize from that discussion, so they may be able to speak to that. But from my experience with the A portions before, they only deal with the here and now. And so if it's not here and now, I would doubt that anything on anybody's drawing board would be considered in that. [LB884]

SENATOR HARR: So it's conceivable this fiscal note would be a lot larger then. [LB884]

SENATOR SCHEER: Well, it could be. You know, it could be triple or quadruple, Senator, if Norfolk chose to utilize it, if Grand Island chose to utilize it, if North Platte chose to utilize it, if McCook chose to utilize it. [LB884]

SENATOR HARR: Okay. And so... [LB884]

SENATOR SCHEER: Anything that we have that provides some relief as a statute, not per location...and that's part of the problem. Every one of our statutes was developed about a location rather than a concept. And I think we need to start going back to the concept. [LB884]

SENATOR HARR: And I couldn't agree with you more, and that's where my cynicism comes in. It's because I did exactly what you talked about--and you're going to hear the League in support of this today--and when I did that you know what they did to my bill? [LB884]

SENATOR SCHEER: I have no idea. [LB884]

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SENATOR HARR: They didn't support it. When it was a concept bill, when there wasn't a project in mind, it was, hey, here's a great idea. Let's pass some legislation and see what happens. And they weren't there. They didn't have my back. [LB884]

SENATOR SCHEER: Well, I'll count you on board. [LB884]

SENATOR HARR: And so what I see now is this is still project driven, because there is a specific project in mind. [LB884]

SENATOR SCHEER: Well, I...okay. Senator, I will tell you that is not the case. I personally developed this. [LB884]

SENATOR HARR: Well, I'll look forward to talking with you and ask what the difference is. [LB884]

SENATOR SCHEER: There is certainly...on this bill, my introduction has nothing to do with any contemplated construction. I am aware from my one meeting with La Vista, looking at the picture of the plat--and perhaps they showed that to you as well... [LB884]

SENATOR HARR: They didn't show me that. [LB884]

SENATOR SCHEER: Okay. In looking at that, after they left, Spencer and I sat down and talked about the inability to utilize that. And I'm thinking, why would we want to expand all the locations or have to write now a separate bill for, again, another entity than just having some common language that everybody can live with. [LB884]

SENATOR HARR: Okay. So, Senator Scheer, Senator Riepe had a bill last year, something similar that expanded the time line and the zone; didn't make it out of committee. How does your bill differ from his? [LB884]

SENATOR SCHEER: My bill differs I guess extensively to the extent that, as I recall, Senator Riepe's bill dealt with exclusively Ralston. [LB884]

SENATOR HARR: It dealt with the...no. [LB884]

SENATOR SCHEER: Well, that portion. I mean, if we're going to be honest, it dealt only with the parameters of that one project. [LB884]

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SENATOR HARR: So one...the Sports Arena, not the Convention. And that's the difference for you is because yours have both? [LB884]

SENATOR SCHEER: I'm trying to unify both and develop one common program that regardless of what community...and I don't care if it's Lincoln or Bellevue or Omaha or South Sioux City or whoever wants to use it, we should have a piece of legislation that they can look at and know what the rules are and what they're dealing with. [LB884]

SENATOR HARR: But the rules are there now. [LB884]

SENATOR SCHEER: No, they're not, because we keep changing them every time. [LB884]

SENATOR HARR: But we're changing them again. [LB884]

SENATOR SCHEER: I'm not changing them because I have a project in front of me. I'm changing them to try to be fair enough for the rest of the state to participate and trying to look at the impediments that may be in front of anybody that utilizes that. [LB884]

SENATOR HARR: But the rules are there now and they're very clear. If there's someone that wants to (inaudible) it now...let me ask my... [LB884]

SENATOR SCHEER: Well, Senator Harr, they may be there, but I personally don't think that they're workable for the vast majority of the state. [LB884]

SENATOR HARR: Okay. So they don't think it's workable, which means... [LB884]

SENATOR SCHEER: No. I don't think it's workable. [LB884]

SENATOR HARR: You don't think they're workable, okay. Which means this one--and I'll be done with this--is all we do here with this bill--not all--but the majority of what we do is expand the time line and the distance, which means more state dollars leaving the state coffers and going to pay for projects in the cities. [LB884]

SENATOR SCHEER: Well, that would be an effect of it, yes. [LB884]

SENATOR HARR: Well, what other effect is there? [LB884]

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SENATOR SCHEER: From my vantage point, I'm trying to set rules that we can go on from this point forward without having to change them. I've tried to do some forethought rather than, as you pointed out, having a project in mind and crafting legislation only and exclusively for that piece of investment. I'm trying to develop something without necessarily having an impediment to try to determine how to craft something. I'm trying to craft something so that regardless of who it is, it should work. And if it doesn't, they're going to know it right up front. [LB884]

SENATOR HARR: Okay. And I just want to ask one more definition. You have: Unbuildable property means any real property that the political subdivision determines is not suitable for the construction of or location of residential, commercial, or other buildings or facilities, including but not limited to, located in a floodway, environmentally protected areas, or right-of-way. That would seem to be very broad. I could make an argument, I can't build in that area because it's not marketable today. [LB884]

SENATOR SCHEER: Senator, if you would like to offer or if you would like to work on a change in definition...I think I've been clear on my intent. If you think it's too broad, if you think it has the availability of abuse, certainly that's not my intent. I'm just trying to come up with a definition that still allows communities to be able to use ground that is probably not prime developmental ground, that could house that, because in some communities--and again, I'll go back to Norfolk--the availability of ground to put something on that would be really part of the community, even at the outskirts, probably is not, as a whole, a real constructable piece of property. I'm just, you know, looking around. There are a few, but there are some that have ravines or whatever the case, a sanitation gulch going down the middle of it by our lake up in northeast the area. Maybe that might be an area for development, but again, it's not all constructable ground. I'm not trying to give a community a carte blanche...well, we'll just say this isn't, so we're going to take another 50 or 100 yards. So if, indeed, you see a definitional area of abuse that's available, certainly I'd be more than happy to work on that. [LB884]

SENATOR HARR: Good. And I appreciate that, because what I'm concerned about is someone says, hey, that's not buildable because there's already a building on there. And so they say, oh, it's unbuildable and it's more than 25 percent. Let's go ahead and move over here where it is buildable and we get that money. And so... [LB884]

SENATOR SCHEER: No, that's certainly not the intent. Fair enough. And... [LB884]

SENATOR HARR: As we learned yesterday on transfer on death, there are a lot of words that we think we know what the intent is and it's interpreted differently by the department and others, so. [LB884]

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SENATOR SCHEER: Absolutely. And I would be more than happy to work on that. [LB884]

SENATOR HARR: Okay. That's my concern. I just want to get it on the record. [LB884]

SENATOR SCHEER: I'm not necessarily feeling that this is a finished product. And to a certain extent it could be somewhat conceptual, but I think that it has merit or I wouldn't have brought it. [LB884]

SENATOR HARR: Okay. And I appreciate your time. Thank you. [LB884]

SENATOR GLOOR: Senator Sullivan: [LB884]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Senator Scheer. And I appreciate your quest for uniformity, but I can also see Senator Harr's point. So it strikes me that, number one, perhaps a litmus test is, what's good for the goose is good for the gander. I think that's what you're trying to do. But would you also admit that as new projects come to the fore, it's kind of like the state aid formula, there's always a potential to offer and suggest changes? [LB884]

SENATOR SCHEER: Certainly, Senator, you are absolutely right, there's always that opportunity. Regardless if I brought this bill, I'm sure that at some point in time somebody would bring another one. My hope is that we develop something that is sustainable enough that that's not needed anymore. And I think we will have a transcript of this hearing. And if the body is saying, look, we don't want to screw around with this type of project anymore, we're going to try to develop some type of a fair, uniform process that we think will work regardless of where it is located in the state of Nebraska and that's it. Now, does that stop anybody? That doesn't...I mean, no. Anybody can sue me. I can't pass a bill that stops that, but that doesn't mean that it will be well "recepted" or if we do it right, I think most communities will be able to work within those boundaries. [LB884]

SENATOR SULLIVAN: A certain percentage of the funds received in some cases have to go to poverty, right? [LB884]

SENATOR SCHEER: In...the only thing that I know of right now, if I'm correct, is I believe there's 10 percent of Omaha's that is dedicated to development in the north Omaha area. [LB884]

SENATOR SULLIVAN: And the way you have it designated, according to size of city, that's the only city that would be bound by that? [LB884]

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SENATOR SCHEER: That one is...I did not change that simply because I'm not trying to cause a problem with any agreements that were made during that. There is permissive legislation in the other one that would also allow others to do that. [LB884]

SENATOR SULLIVAN: Oh, that's right. Okay. All right. And then the operative date is October of this year, but that includes...that involves any new projects going forward? [LB884]

SENATOR SCHEER: Correct. Correct. [LB884]

SENATOR SULLIVAN: Okay. All right. [LB884]

SENATOR GLOOR: Senator Smith. [LB884]

SENATOR SMITH: Thank you, Mr. Chair. And, Senator Scheer, thanks for bringing this legislation. It's not an easy task, but I think it's something that's really important to do to try to create greater certainty on development of these projects and to provide for the clean-up and the clarity of the language. So I appreciate you bringing this forward and taking on this challenge to do this. I think something worth underscoring is that these types of projects across our state not only provide for economic development in these communities in helping to create a sense of community, but also to provide for quality of life in many of our smaller communities. So I think if there's any way possible that we can do this financially, I think this is the right direction to go to get this clean-up and this clarity of language. So thanks for bringing it. [LB884]

SENATOR SCHEER: Well, I would respond, I think that is one of the challenges, especially for what I'll call the larger small communities throughout the state. I know from my perspective in Norfolk, when we especially are recruiting individuals, either medical or other people to come into the community from literally outside the state, one of the first things they do is look around the community and see, you know, I may be able to buy a really nice house really cheap--if I'm coming from California--but do we have shopping? Do we have good groceries? And what do we have to do with our family other than watch TV? And I think that is going to be more and more important to communities across the state of Nebraska to be able to develop those type of life choices, those community involvement activities in order for them to sustain themselves in the not near future but on an ongoing basis, because that trend will not change. People will expect amenities within communities or at least in close proximity. This is not going to work in Battle Creek. It's not going to work in Cedar Rapids. But it could work in Norfolk. It may work in Columbus. It certainly could work in Grand Island or Hastings. So it's just trying to give those different areas in the state the same opportunities to provide those annuities to their community and close by communities to try to maintain the populations. [LB884]

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SENATOR GLOOR: Senator Scheer, I notice, at least under the Convention Center Facility Financing provision, that this change would also allow for capital improvements. Is that...that doesn't look to be a uniformity component to me. That looks like it's a new provision. Am I correct in that? [LB884]

SENATOR SCHEER: You'd have to tell me where you're looking at, Senator. I want to tell you, there's a lot here and... [LB884]

SENATOR GLOOR: Page 4, line 8. [LB884]

SENATOR SCHEER: Okay, thank you. [LB884]

SENATOR GLOOR: To pay for capital improvements to eligible facilities. [LB884]

SENATOR SCHEER: Correct. [LB884]

SENATOR GLOOR: But that...if we're talking about uniformity, I don't think that's uniformity. I think that's a new provision. [LB884]

SENATOR SCHEER: It is intended to be, so if there needs to be some harmonization in that respect, I would be more than happy to do so. [LB884]

SENATOR GLOOR: Well, I think that...my concern isn't initially harmonization, my concern is that I can see a scenario whereby a center, arena is struggling and decides, you know, if we were just to build a sports bar with keno, we'd do better. Or if we were to add another hotel with accommodations attached to this, we'd do better. And we find ourselves literally and figuratively giving people a way to dig themselves a deeper hole. [LB884]

SENATOR SCHEER: Well, that would not be my interpretation of that. And, again, Senator, I am not an attorney, but it talks about eligible facilities. And to me that would mean the arena itself or the facility itself. So you're right, capital improvement might be remodeling part of that to be--for the lack of a better term--of a casino facility if they think that will help draw a continuous traffic flow. But that doesn't necessarily mean that you take money and use the north parking lot and put up a new structure that would be a casino/restaurant. [LB884]

SENATOR GLOOR: Okay. And maybe somebody can speak to it that's in the audience. Are there any...Senator Schumacher. [LB884]

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SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you, Senator Scheer, for bringing this for discussion here today. Kind of tracing through the definition of eligible facility, one of the...it talks in terms of a publicly or privately owned convention and meeting center. What private facilities are included in this? [LB884]

SENATOR SCHEER: Where are you reading that, sir? [LB884]

SENATOR SCHUMACHER: Top of page 3, definition of eligible facilities or any public or privately owned convention and meeting center facility. Could you give me an example of the private facility? [LB884]

SENATOR SCHEER: Well, it talks about before June of 2007, if I'm reading a little bit farther down, so I'm assuming that...I don't know, perhaps somebody behind me would follow, but my inclination would be that might necessarily even mean the Qwest Center, because that is handled by MECA. It is technically owned by MECA which is not necessarily part of the city. That is a different entity, so that could be considered a privately owned facility. So I'm not trying to imply that that is the answer, but off the top of my head that's what I would assume they're talking... [LB884]

SENATOR SCHUMACHER: But there's no limit on that. I mean, we're talking private facility. [LB884]

SENATOR SCHEER: Well, there is a limit because it talks about on or before 2007. [LB884]

SENATOR SCHUMACHER: Well, then it finishes up that paragraph after 2007. The 2007, on or before, appears to be some throwback to the Qwest Center stuff. And then you have any public or privately owned convention and meeting center owned, acquired, constructed after June of 2007, in the second part of that paragraph. [LB884]

SENATOR SCHEER: Okay. [LB884]

SENATOR SCHUMACHER: And I'm just curious what type of private...are we talking about a church auditorium? [LB884]

SENATOR SCHEER: No, I don't believe that would be the case. [LB884]

SENATOR SCHUMACHER: But that isn't included in the...excluded. Going on then, a convention and meeting center facility, which is what this money can go to, if you go to the bottom of page 2, it means something that has heating and air conditioning that's used for conventions or meetings. No specification on how big a convention--it could be a county political convention where three people show up--including an auditorium or an exhibit hall. It has to have a place where you put food and a parking lot and an office with a computer or some type of administrative office somewhere inside the building. So basically, we're talking about all kinds of different facilities here. [LB884]

SENATOR SCHEER: Oh, absolutely. And I would respond to that, Senator, what...it certainly...to one extreme it can be the Qwest Center. The other extreme, it might be Cozad trying to put up something very much smaller but still providing a community enhancement to itself. Definitely different sizes, but if it still has the same mechanism, it certainly would qualify. [LB884]

SENATOR SCHUMACHER: So then, and let's just go on a little bit farther to the operative language starting at the bottom of page 3, any political subdivision that has acquired or has approved a general obligation to acquire one of these auditoriums with heating and air conditioning may apply for assistance. And one of the things, to pay for capital improvements to eligible facilities. Could--once they acquire it or issue a bond to approve it--doesn't it become a public facility then? I mean, how would you issue a bond to give a private facility money to improve its auditorium? [LB884]

SENATOR SCHEER: Well, I am not quite certain. I am not one of your brethren in the legal field, but perhaps somebody behind me might...this is not new language so what you're asking me is previous language and perhaps somebody that was involved with the original discussion might be able to answer that. [LB884]

SENATOR SCHUMACHER: So is it your impression, then, that any one of these auditoriums for this, whatever it is, 600 feet or 1,800 feet, whatever works out, any sales tax generated within that range of one of these facilities, all that sales tax money then gets kicked back to the funding mechanism? [LB884]

SENATOR SCHEER: Yes. How else would they...I look at it from a different perspective perhaps than you, but I'm looking, for example, at a Norfolk, a Columbus, a Grand Island. They may have a large grocery store that may be downtown that they can buy at a fairly inexpensive cost. And they can turn it into some type of a event center; modify it, but still use the space and some of the bones of the building. They've acquired a building that now allows them to do additional construction to that to make it whatever it is. And if it's downtown in Grand Island, if

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it's on Locust Street, it might be on Locust Street, but that doesn't prohibit them from then being able to utilize that area to help offset the cost--that's what the program is--any more so than when they started Qwest and they said, well, gosh, you know, some of downtown is already there. Well, obviously, but that didn't stop them from being able to utilize that funding stream, any more than it stopped Lincoln from using some of the funding stream of existing facilities already there. [LB884]

SENATOR SCHUMACHER: So as you would view that this would be permitting, if a Walmart, for one, it often has a big facility and it moves to a bigger facility in a town, leaving the old facility--which isn't so old--vacant. So in your view, if the city went in there and made sure it was heated and air conditioning and had a food service and an office in the back and made an application to be a convention center, that suddenly within whatever it is, 600 yards or whatever zone we would make, the city would be able to capture all that sales tax revenue? [LB884]

SENATOR SCHEER: Senator, that's available to them right now. [LB884]

SENATOR SCHUMACHER: Is that good policy? [LB884]

SENATOR SCHEER: If we're going to allow additional growth in some communities, I wouldn't take that away from them because sometimes in small communities, that might be the only structure that's available. [LB884]

SENATOR SCHUMACHER: I don't have any further questions. [LB884]

SENATOR GLOOR: Okay. Thank you, Senator Scheer. I'm sure if there are more questions, you're probably going to close? [LB884]

SENATOR SCHEER: I will. [LB884]

SENATOR GLOOR: This will give us a chance to direct some of those questions to some of the people that you were talking about (inaudible). [LB884]

SENATOR SCHEER: All right. Thank you very much. [LB884]

SENATOR GLOOR: Thank you, Senator Scheer. We'll move to proponents. Mr. Mayor. [LB884]

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CHRIS BEUTLER: (Exhibit 2) Mr. Chairman, members of the committee, it's a little late to be welcoming you to Lincoln, I guess, but this is my first occasion to testify before a legislative committee this time around. And I do want to welcome you to Lincoln. I want you to know that the rhythms of the city are such that when the students come back in September and when the Legislature comes back in January, believe it or not, on both occasions we feel good and joyful about the activity, the increased and enhanced activity in the city that is so meaningful for the people of the state in both regards. [LB884]

SENATOR GLOOR: I'm glad that you can tell the difference between the two groups. [LB884]

CHRIS BEUTLER: Yes. You guys look a lot younger. That's what you're referring to, right? My name is Chris Beutler, mayor the city of Lincoln. And I'm also testifying today on behalf of the Lincoln Chamber of Commerce for the bill. I believed back in 2007 when I first ran for mayor that Lincoln's future was dependent upon growth and related community building projects that would keep young people in the community from leaving, attract new businesses and other people to the city, and overall enhance our quality of life. Cities are becoming very competitive in this world today. Following a process that actually began back in 2004 by preceding mayors and community leaders, Lincoln voters in the year 2010 made the final decision to build an arena by approving \$25 million in bond financing, turnback bond financing to be paid with turnback sales tax dollars. That was a giant step forward for us. To date, the arena has been in operation for more than two years and it's to date over \$3 millions in turnback tax has benefited the paying off of our bonds since that 2013 opening. All of the money has been dedicated to paying back those bonds. The arena state sales tax revenue turnback accounted for approximately \$900,000 of this amount in its first year of operation. It's not surprising that the arena has generated so much in state sales taxes with a whole number of shows being performed at Pinnacle Bank Arena over that period of time, Michael Buble, the Eagles, Bon Jovi, Pink, Elton John, Paul McCartney, and on and on and on. This positive revenue stream from the concerts will continue with future shows that have already sold out, including Blake Shelton and Carrie Underwood and Justin Bieber and Maroon 5, to name a few. In short, the turnback financed a 16,000 seat arena which enables Lincoln to attract these high quality events. The arena's partnership with UNL's men's and women's basketball program, of course, obviously also contributes to the success of the project. Our first priority with turnback revenue is to pay back the bonds, of course, which are payable over a period of 25 years. And expanding the turnback zone in cities of the primary class will capture revenues in our case from one additional hotel. And, in addition, it will allow the city to apply the turnback money to the bond debt, but as well it adds flexibility in expending and allowing us to expend turnback tax dollars received for paying for capital improvements that we might need down the road in that period of 25 years. Examples of such improvements could include, when the time comes: new kitchen equipment, replacement of outdated technologies, and heightened security. Following the model of previous legislation, a small portion of the money received may also be used to invest in nearby high poverty areas for needed moderate-

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income housing. The Pinnacle Bank Arena has been a huge success. It has inspired huge private investment in the West Haymarket area. I think most of you are aware of this. Since the arena's opening, the Railyard entertainment complex has provided patrons with a unique access to many restaurants, bars, outdoor seating, and family entertainment events with outdoor movies and ice skating. The arena has caused diverse restaurants to open in the Haymarket area, encouraging more people to dine, enjoy an event at the arena or the Railyard and/or patronize local shops and galleries. By the way, somewhere in the neighborhood of 30 percent of the people who come to our arena for events are from out of state, so that's an important element. But all of this positive and vibrant development is attractive to our young workforce and will help keep them in Lincoln. High-tech businesses, such as Hudl, who employ hundreds and hundreds...actually thousands in our city has decided to build its headquarters in the West Haymarket and other existing businesses have expanded and opened offices in the area. And we're looking forward to a couple of more big announcements in that area in short order. New housing developments have attracted these employees to not only dine and attend events in the West Haymarket, but also to live in this inviting urban community. And with that, Mr. Chairman, I see my red light is on, so I will most certainly stop at this point. [LB884]

SENATOR GLOOR: Thank you. Are there questions? Senator Harr. [LB884]

SENATOR HARR: Thank you. Thank you for coming, Mayor. When you built your facility, did you know what the rules were? [LB884]

CHRIS BEUTLER: Did we know what the rules were? [LB884]

SENATOR HARR: Did you know what the turnback area was? [LB884]

CHRIS BEUTLER: Yeah, I assume we did. We thought we did. [LB884]

SENATOR HARR: Okay. And you knew the time frame? And you knew the time period... [LB884]

CHRIS BEUTLER: Sure. [LB884]

SENATOR HARR: ...that you had to build the new development, didn't you? [LB884]

CHRIS BEUTLER: Sure. [LB884]

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SENATOR HARR: And based on that you were still able to build, is that correct? [LB884]

CHRIS BEUTLER: Right. [LB884]

SENATOR HARR: Okay. That's all I have. [LB884]

SENATOR GLOOR: Other questions? Seeing none, thank you for your testimony. [LB884]

CHRIS BEUTLER: Okay. Thank you. [LB884]

SENATOR GLOOR: Next proponent. [LB884]

MARTIN BILEK: (Exhibit 3) Good afternoon, Senator Gloor, Senators, members of the Revenue Committee. My name is Marty Bilek, I'm the chief of staff for Mayor Stothert and I am representing her here today to address this issue. We support LB884 because Omaha's riverfront is both its history and its future. Mayor Jean Stothert and the Omaha Chamber of Commerce as well as Omaha leaders realize that if downtown Omaha and the adjacent riverfront are going to remain a vibrant destination for visitors, we must do more to incentivize economic development in the area. Recent studies, including an assessment from the Urban Land Institute, otherwise known as ULI, provides us with a framework for the future. LB884 will change the Convention Center Facility Financing Assistance Act in a way that will generate additional sales tax revenues and provide us with greater flexibility as we move forward with our downtown plans for redevelopment. This bill will expand the turnback radius from 200 yards to 600 yards around the CenturyLink Convention Center and allow sales tax dollars to be returned from both public and privately owned hotels. Preliminary figures indicate revenue returned to Omaha from this act will increase from the current \$2.5 million to approximately \$6 million. And actually, the real good news here is that eventually the bonds for these facilities will be paid off. And because of the new development that occurs in Omaha and the downtown area and hopefully in the riverfront, both in the near future and 20 years to come, all of that development will generate state sales tax that will come back to the state coffers. So we see this as a benefit on the near term and also in the long term as a benefit to the state as well. Having said that, I'd be glad to take your questions. [LB884]

SENATOR GLOOR: Thank you, Mr. Bilek. Senator Sullivan. [LB884]

SENATOR SULLIVAN: Thank you, Senator Gloor. And thank you for your comments. Could you just clarify in your comments the public and the private? [LB884]

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MARTIN BILEK: Absolutely. The way the bill is written, at least the way we read it, is that the way it is right now privately owned hotels in the Omaha area wouldn't cause sales tax to be turned back to us. If this bill is past, it would. So we would both benefit from the publicly owned hotel, because the city of Omaha owns a hotel in downtown Omaha that benefits from this turnback. We would like you now to add privately owned hotels within the 600 yard turnback area. [LB884]

SENATOR SULLIVAN: Got you. [LB884]

SENATOR GLOOR: And could I ask, how do you determine or define capital improvements? [LB884]

MARTIN BILEK: You know, I'll tell you exactly how that happened. We had a discussion in our office and we decided, again, talking about flexibility, if we had the flexibility to not only pay off the bonds with this money but also make capital improvements, that would be beneficial. Now to answer your question, it doesn't mean venture capital. So we're not...we have no intention whatsoever to go off on a tangent, have keno. Basically, what we're talking about...in fact, the examples we used at our meeting was, for example, if there needs to be a new roof on the facility or other major improvements that all would agree that were capital improvements, that's the additional use that we would like to add as far as the permissible expenses of the turnback revenues. And if you would like language that would clarify that, I'll be fine with it. [LB884]

SENATOR GLOOR: Okay. Thank you. Senator Davis. [LB884]

SENATOR DAVIS: And so just for clarification, sir, because I tried to ask Senator Scheer this but I guess I'm still not getting it with this talk about capital improvements. Do you see that as during the phase of the turnback tax while it's in place in Omaha, so after the turnback goes away for this property, there would be no availability of that or do you see it in another manner? [LB884]

MARTIN BILEK: The former. Once the...for example, there's a cap on all of this. And, for example, if we hit our cap then the turnback is over, no matter whether we're using it to pay off debt or whether we're using it for capital improvements. [LB884]

SENATOR DAVIS: Thank you. [LB884]

MARTIN BILEK: You're welcome. [LB884]

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SENATOR GLOOR: Senator Brasch and then Senator Harr. [LB884]

SENATOR BRASCH: Thank you. Thank you for your testimony. [LB884]

MARTIN BILEK: You're welcome. [LB884]

SENATOR BRASCH: Mayor Beutler had also brought up the word hotel, you brought up the word hotel to clarify that this is bringing an advantage in gaining some taxes from hotels that previously were not a part of the convention or sports arena. Right? It's more revenue. [LB884]

MARTIN BILEK: That's exactly right. [LB884]

SENATOR BRASCH: And that would be within...because I know hotels have lodging tax and then more taxes and fees, so the tax wouldn't increase, would it? Or just tax shifting around on that sales tax portion or how do they...how does the tax work on that? And maybe that will be a question for Senator Scheer. [LB884]

MARTIN BILEK: Well, let me answer that. Basically, what happens now is there's a hotel in downtown Omaha and the state's portion of the sales taxes turnback to us and then there's the rest of the formula that's 70 percent of the 10 percent. If this bill were to pass in its current form, not only would you expand the turnback zone, but you would also expand the zone so that now it includes privately owned hotels that are also paying sales tax to you. And that money would be turned back to benefit us and the cost of the arena until the cap is met. [LB884]

SENATOR BRASCH: So the state would be giving up their portion of that sales tax received, correct? [LB884]

MARTIN BILEK: That's...as I understand it, yes. But don't forget there's also possibilities for development in downtown Omaha that might not exist if not for these incentives. So, for example, if we develop one of the lots or other areas in downtown Omaha and do so because now we have incentive to do so, now eventually you'll benefit from that sales tax that doesn't exist. Kind of...yeah. [LB884]

SENATOR BRASCH: Thank you. And I do understand. It's just an additional, above and beyond the current statutes by adding the hotel portion. [LB884]

MARTIN BILEK: The private hotel portion. [LB884]

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SENATOR BRASCH: Yes. Yes. [LB884]

MARTIN BILEK: That's correct. [LB884]

SENATOR BRASCH: Okay, very good. I just wanted to be clear on that. Thank you. [LB884]

SENATOR GLOOR: Senator Harr. [LB884]

SENATOR HARR: Thank you. First I'm going to start with what I asked earlier. Currently the law says, state assistance may be used to pay for the bonds and you've added capital improvements. You'd have no problem with saying, shall be used to pay for them? [LB884]

MARTIN BILEK: Finish. It shall be used to pay for... [LB884]

SENATOR HARR: For the bonds and capital improvements. What I fear is, there's nothing in the statute currently that prevents you from using these turnback dollars to pay for pensions. So you wouldn't have a problem making the convention center consistent with the sports finance saying, shall be used for? [LB884]

MARTIN BILEK: Well, I guess that short answer is going to be, yes, because that's the assumption I'm making all along, that that's the purpose of those dollars. [LB884]

SENATOR HARR: Perfect. Okay. And now, explain it to me. I'm confused how this can be used for Omaha since I thought the turnback was we expanded it to 84 months from when the facility was completed and CenturyLink has been completed for more than 84 months. [LB884]

MARTIN BILEK: I'm not sure that that limitation pertains to the act that we fall under. It pertains to the other one. Our limitation is a \$75 million ceiling. [LB884]

SENATOR HARR: Okay. So it's just \$75 (million)? You can do it at any time? So I might have the sports arena is limited to? [LB884]

MARTIN BILEK: Right. [LB884]

SENATOR HARR: You can only take the turnback dollars for the first...okay. [LB884]

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MARTIN BILEK: That's correct. [LB884]

SENATOR HARR: Now...and...maybe I need to talk to someone because I'm still confused because I see the limitations being different, too. I'll just...I'll come back to that. I'll ask someone off the record then. But I'm going to quote for you something Speaker Hadley said to me, questioned me with when I came with a turnback tax that helped Omaha. He said, quote, I guess, Senator Harr, I'm going to be honest and say I have trouble that we're giving up state funds for the city of Omaha. I guess I just...give me a rationale that we're going to have less in the General Fund that might fund Medicaid recipients, might fund TEEOSA, because we want to help Omaha. [LB884]

MARTIN BILEK: Well, I think that, with all respect to Senator Hadley, I mean, I get his point for sure. But you could also make the argument that how goes downtown Omaha, so goes the rest of the state. So if downtown Omaha benefits, if downtown Omaha becomes a destination, if downtown Omaha becomes vibrant and is further developed, you're generating state sales tax that eventually come into the state coffers and benefit the entire state. Now if you're looking for a short-term gratification, maybe it's not coming. But I believe and I suspect everybody would agree that if downtown Omaha developed successfully, particularly the riverfront, we're going to benefit in Omaha, but the rest of the state will benefit as well somewhat. [LB884]

SENATOR HARR: So Shamrock is already building their hotel, whether we have this turnback or not. Right? Now Omaha would receive that money from the Shamrock Development. Correct? [LB884]

MARTIN BILEK: Under this bill, yes, they would. [LB884]

SENATOR HARR: And so, I guess my question...you talked about further incentives. Are you talking about development on lot B? [LB884]

MARTIN BILEK: I'm not going to...it would be way too early to speculate that way, but let's just say, I wouldn't rule it out whether it be lot B or anywhere else along the riverfront. Bear in mind, we have a 600-yard restriction here. [LB884]

SENATOR HARR: Okay. Since we're playing hypothetical, let's pretend we build lot B. [LB884]

MARTIN BILEK: Okay. [LB884]

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SENATOR HARR: Okay. And a building goes up there and it's new retail/restaurants. Okay? That money would then be... [LB884]

MARTIN BILEK: Can I interrupt for a second? If it's retail, I don't know...it has to be a hotel, for us. [LB884]

SENATOR HARR: Okay. All right. So it has to be a hotel. That was going to be my question as it related...would that be considered related to? I think you've answered my question. So a restaurant going on lot B would not be considered related to the CenturyLink Center? [LB884]

MARTIN BILEK: The way I understand this bill, that's correct. [LB884]

SENATOR HARR: That's how I understand it, too. Perfect. Thank you. [LB884]

SENATOR GLOOR: Seeing no further questions, thank you for your testimony. [LB884]

MARTIN BILEK: Thank you, Senators. [LB884]

SENATOR GLOOR: Next proponent. [LB884]

SHANE WEIDNER: (Exhibit 4) Good afternoon, Senator Gloor and members of the Revenue Committee. My name is Shane Weidner, S-h-a-n-e W-e-i-d-n-e-r, and I'm the city administrator of Norfolk. Thanks for your service to our state. And thank you, Senator Scheer, for introducing LB884. The city of Norfolk is in support of LB884. The Convention Center Facility Financing Assistance Act has been a great success in Nebraska metro areas and in outstate places like northeast Nebraska. Obviously, the convention centers and arenas in Omaha and Lincoln metro areas are fantastic large scale places to attract, develop, and maintain a high quality of life for all of our citizens. Just as important is the opportunity that the Civic and Community Center Financing Fund provides for the smaller first and second class cities and villages in places like Chadron, St. Paul, and Plainview. The fact that these smaller communities can apply for grant funds to help build libraries, civic and wellness centers, and aquatic facilities is proof positive that the Legislature cares deeply about the continued success of all of the communities across the state. I can tell you that my community, Norfolk, applied last year for funding to support the completion of a remodel and long overdue addition to our community library. Although we were not successful, we are taking the pointers we were given from the Department of Economic Development and applying again this year with high hopes of being one the of the selected cities. The dollars received from the fund will allow us to further renovate and expand our public library. Our library is a major area attraction and a significant benefit to the quality of life in

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Norfolk and northeast Nebraska. Many of our citizens use our library to access critical information and governmental programs that are only available through the Internet. A successful grant application to the Civil and Community Center Financing Fund has potential to greatly enhance our ability to provide these services and increase the quality of life in northeast Nebraska. Thank you for your time and I'd be happy to try to answer any questions that you would have of me. [LB884]

SENATOR GLOOR: Thank you for your testimony. Do you know, was one of the reasons that you were not successful related to the amount of dollars that was in the CCCFF fund? [LB884]

SHANE WEIDNER: Well, the pointers that they gave us, they said our project wasn't quite developed far enough. The time to get it developed, we had to do some work which we've been doing over the last year to get it further along in our application. So, no, I don't believe that was necessarily the case last year for us, in particular. But I think in other cases over the years that has been the case. [LB884]

SENATOR GLOOR: Okay. Thank you. Other questions? Seeing none, thank you for your testimony. [LB884]

SHANE WEIDNER: Thank you, Senator. [LB884]

DOUGLAS KINDIG: (Exhibit 5) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Douglas Kindig, K-i-n-d-i-g, and I serve as the mayor of the city of La Vista. While I'm here today to speak in support of LB884 primarily on behalf of La Vista, I also represent the United Cities of Sarpy County, which includes the cities of Gretna, Papillion, Springfield who also support this proposed legislation. As you may or may not be aware, the Nebraska Multisport Complex, a 501(c)(3) nonprofit corporation has announced plans for the development of its state of the art championship athletic complex in the city of La Vista located near the I-80 interchange. The proposed development would be a local, regional, and national destination for swimming, diving, soccer, and tennis. The cost of this proposed athletic facilities are anticipated to be in excess of \$125 million and will be funded primarily with proceeds from certain donations, grants, and gifts within the framework of anticipated lease-structured conduit financing. There are substantial public benefits to be realized from this proposed development of the Multisport Complex not only for La Vista, but also for Omaha and other communities of the metro area. For that matter, the entire state would benefit from this project. La Vista residents also would benefit in a unique way. La Vista's outdoor swimming pool is nearing the end of its useful life and because our residents will be able to access the multisport facilities at preferred rates, it won't be necessary for the city to build a replacement swimming pool. The city would hold title to the project as required by the Sports Arena Facility Financing

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Assistance Act. The city would issue revenue bonds to finance construction of the project and lease it to the Nebraska Multisport whose lease payments would be used to pay the bonds. State statute allows the city to provide this type of financing. I want to make it clear, city taxes would not be obligated to make bond payments or maintain the facility. If there was a default by the Nebraska Multisport on its lease payments, bondholders' only resource would be to pursue Nebraska Multisport and any collateral provided for the financing. In the interest of public health, safety, and welfare, additional city public infrastructure and permits will be necessary to ensure, among other things, sufficient public streets, public off-street parking, and uncongested traffic flows along streets in and around the Giles Road and I-80 interchange. The city's cost for infrastructure improvements currently are estimated to be \$10 million. Currently, Nebraska Multisport is in the silent fund-raising phase. It is anticipated that construction could begin by the second quarter of 2016. The city continues to explore all avenues and options available that would assist with project feasibility. One of the tools currently available is the Sports Arena Facility Financing Assistance Act. As we took a closer look, we determined that the effectiveness of this program is limited in our situation because the site is challenged by several issues that limit the ability to develop the land within the 600-yard radius. Among these include: floodways, right-of-ways, and environmentally protected areas. This totals approximately 38.5 percent of the area within the 600 yards. This is the basis for the requested amendments in Section 5. Specifically, the proposed legislation would provide some flexibility when there are site challenges by allowing the program, while still being measured from the facility, to be adjusted or floated. The total area wouldn't change. The zone would simply be shifted in a direction that development could occur and avoids as much of the unbuildable property as practical. Legislative changes affecting the zone would apply to applications filed on or before October 1, 2016. I have attached a map identifying our 600 yard zone based on current statute and the proposed floating program for your information. I thank you for your consideration and I'll be happy to try to answer any questions. I have brought bond counsel with me today. If there's any extremely technical financial questions, he would be here to answer some of those. Thank you. [LB884]

SENATOR GLOOR: Thank you, Mr. Mayor. Questions? Senator Harr. [LB884]

SENATOR HARR: Thank you. Thanks for coming, Mayor, I appreciate it. I'm confused on the financing though. [LB884]

DOUGLAS KINDIG: Okay. [LB884]

SENATOR HARR: So you have, the building will be owned by the city of La Vista. [LB884]

DOUGLAS KINDIG: Yes, sir. [LB884]

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SENATOR HARR: You will lease it to a nonprofit. How much is that lease? [LB884]

DOUGLAS KINDIG: We're still in that stage, we're having those discussions. It hasn't been determined. [LB884]

SENATOR HARR: No, I guess let me walk it through a little further... [LB884]

DOUGLAS KINDIG: Okay. [LB884]

SENATOR HARR: ...where my confusion comes. So that lease will be used to pay the bond payments, is that correct? [LB884]

DOUGLAS KINDIG: Correct. Correct. [LB884]

SENATOR HARR: Okay. You, the city, will have money coming in based on sales tax turnback. Correct? [LB884]

DOUGLAS KINDIG: Correct. [LB884]

SENATOR HARR: That goes to you. Does the lease fluctuate...rate fluctuate as the sales tax turnback fluctuates or is there extra money...where does that extra money go if there's extra and if there's a decrease? So let me put it clear...a little clearer terms. Let's just pretend the lease...the bond payment is \$100. [LB884]

DOUGLAS KINDIG: Okay. [LB884]

SENATOR HARR: The lease is, I don't know how much, but then you have turnback dollars coming into the city. One month it's \$38, the next month it's \$25, the next month it's \$50. By statute, the money coming from the sales tax has to pay off the bonds. That's clear. [LB884]

DOUGLAS KINDIG: Right. [LB884]

SENATOR HARR: So there is a different amount each month. Does the lease amount fluctuate or is that profit to the city or is...how does that work? Are we subsidizing you and subsidizing your police department or your pensions? [LB884]

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DOUGLAS KINDIG: Well, the one thing that I can answer to that, Senator, and I will let my bond counsel take on the majority of that question. I can tell you that the city will not profit from the state sales tax turnback dollars. [LB884]

SENATOR HARR: How? How can you tell me that, though? [LB884]

DOUGLAS KINDIG: I'm going to let my bond counsel handle that question. To be honest, I don't have that answer. The money will be...the state turnback tax...first of all, this is a \$125 million project. [LB884]

SENATOR HARR: Over what? [LB884]

DOUGLAS KINDIG: A hundred and twenty-five million dollar project that...they're projected. That over half of this project will be funded through private donations, grants, those type of things. The Sports Arena Finance Act has a cap of \$50 million that can be turned back to the city. So over the course of the term of those bonds, that state sales tax turnback to the city is going to be used to be able to pay off those bonds. I'm going to let Mike answer this, but I would think as a local official if we receive excess state turnback tax, I would be for paying those bonds off earlier so that the project then can stand on its own without that state assistance. [LB884]

SENATOR HARR: Okay. So we are forgoing \$50 million, the state, to pay for this project. And I'll ask you the same question that Senator Hadley asked me. Senator Smith is out there asking for \$150,000 to...we're short on roads. [LB884]

DOUGLAS KINDIG: Right. [LB884]

SENATOR HARR: Senator Sullivan is telling us, hey, we need more money for TEEOSA. Senator Gloor is saying, hey, we need more money for the property tax relief fund. Why should we be providing money to you instead of paying our costs down first? [LB884]

DOUGLAS KINDIG: And I appreciate that question and I look forward to being able to answer that, sir. Much like many of the incentive programs in Nebraska and nationwide, and I'm sure all of you if you've talked to me for more than five minutes you have heard me say that incentives should be investments. If you look at the area that is out there--and I know that you are familiar with it, sir--you can see that La Vista had made an investment out there to get the hotel conference center and Cabela's eight years ago. That money that we invested will be coming back as a return to us in a couple of years and it's starting to spur some growth out there. But it's taken eight years, nine years. To answer your question, I don't see it as the state forgoing \$50

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million, sir, because right now there's very little in that area. It's been eight years since the city made an investment on our end and it's starting to pay dividends, but we see this project--when they can bring in...and I...the city has our portion of this project and then obviously the project people--but when it has the potential to bring in a couple of thousand people on a nightly basis, to bring in the traffic for national tournaments, regional tournaments on weekends, that's going to generate more restaurants, more entertainment, more hotels than what's there now. The only thing that the state would be giving up would be new sales tax dollars and increased sales tax dollars on existing businesses that are there now. So my point being, without this project, the growth of this area will slow down tremendously. So I don't see you forgoing \$50 million. What I see is you investing into the future to where that return is going to come back two-, three-, fourfold. [LB884]

SENATOR HARR: Would you be willing then to limit the turnback dollars to hotel and restaurants? [LB884]

DOUGLAS KINDIG: No, for the simple reason...I mean, we're going to listen to any suggestions you have. But my opinion on that would be I would hesitate to say yes to that, because there's so much more that can happen in an area like that. La Vista has had a vision for a number of years to have an entertainment district out there, to make that interchange something that's unique to the area. That could be bars. That could be restaurants. That could be hotels. We've seen some of that. But at the same time, we've always pictured something in maybe unique retail space, something that would be attracted to that area because it's not a cookie-cutter interchange. And if this project helps create that interest for that area, then I think it would only be fair that we would be allowed to be able to capture those dollars also. [LB884]

SENATOR HARR: Okay. Well, you talk about this area being unique. And I will say the riverfront in Omaha is unique. And we had boundary disputes or problems. I won't say disputes, problems, limitations. We overcame it, and Omaha actually has been profitable. And we didn't ask for a larger turnback area because of the limitations, because we wanted it in that spot. What I hear is, this is unique. We want it in this spot. It has to go in this spot. Oh, but we have this hindrance here, you need to change the turnback area for us. I'm just...you know, there's the old saying, pigs get fat, hogs get slaughtered. I'm just kind of wondering, at what point do we say it seems like each project we give a little more. I mean, I'll go through: we started out 200 yards and we limited the turnback to associated public hotels and ticket sales and production or items within the facility. Then Lincoln came along. Well, we need 450 (yards) and we need a bigger area for our hotel. Fine. So we give them 450 (yards). Ralston came along. They got a whole new one. They needed 600 yards. Now we have another project and here we're saying we need 600 yards, but it has to be in whole or in part and it has to fit where we get the most money from the state. And we also with Ralston changed, we allowed for retail. So the original concept of this was, you build this building and they will come. It's what you talked about, they will come and

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so we should get those dollars. All right, so we did that. Then it was...with Ralston it was, hey, build it and it becomes a new area of vitality and energy, again what you're talking about, and Menards came in right beside it because they wanted to be in an area that was growing. And again I'm going to be cynical. Now I see...I read the paper, there's a Costco going in there. And that Costco doesn't fit within the zone, but if we move the zone it fits in. And I sometimes feel like we're moving the location to get the sales tax dollars instead of we're chasing the sales tax dollars instead of the sales tax dollars chasing the facility. Because \$200 for me at MECA, that's a great night. I love Black Sabbath and I spent \$200, \$140 on a ticket. But \$200 at a Costco, I just bought pop tarts. It's a start. I mean, if I can get out of there with \$200 I consider that a victory and that means I'm not with my family. So the sales tax dollars are a lot different and the way they're generated and what they're generated for are a lot different. And I'm...at some point we have to say, enough. We have to say, I like turnbacks, I think they're great, I think this facility is great. I know I looked back, when that facility was built there were studies done that said, hey, we need this. I haven't seen any facility studies here that say we need a regional sports arena here. Ralston, great arena, great facility, love it. It's having problems. We all know that, that's in the paper. I don't want to build another one and have the problems. Then we have another arena we haven't even talked about, Baxter Arena. They did it without any state turnback dollars. They just went and got all the private dollars and used (inaudible). But I haven't seen a clear message of, hey, this is why there's a need for this facility or there's an overall program and let me explain why we should be doing...forgoing money for our children, for our roads, which you need to get the people there. If we don't have the money...I've heard Senator Smith say a thousand times, that's why we've got to invest in the roads. Senator Brasch prioritized the bill. We see the importance of roads. This is going to forgo roads. There's a fiscal note of \$5 million. The way I look at it, that doesn't even contemplate what you guys are doing. And so I'd love to do it, I'd love to say yes, you know, but I can't play Santa Claus. And so I don't know, I need something that sells me on this and says we've got to have this. [LB884]

DOUGLAS KINDIG: Well, let me do my best to do that, Senator. [LB884]

SENATOR HARR: Okay. [LB884]

DOUGLAS KINDIG: First of all, I never thought I would hear Black Sabbath and Justin Bieber in the same testimony down in these chambers. But...well, this has made an investment in this area along with the state, along with Sarpy County. We knew, to grow our community, that we had to diversify our tax base. I am a landlocked city. I don't have unlimited growth. So we've done our planning, we've done our long-term visioning, and we've done our studies to make sure that we've grown in the right way. Coming back to this project, we have done our homework, we have done our due diligence. I will tell you that the dollars that the city puts into this, my staff is very fiscally conservative, they have looked at this project and that \$10 million commitment that we are...have a nonbinding letter of intent. We figured how to pay for that out of our existing

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revenues with no growth from this project at all; the conservative way to do it. Can you take on added payments with what you have now? That's how we looked at this. Why is this facility important for the region? I'm not going to argue or try to quote you numbers on how many swimmers can come in or tennis players or any of that. The project people will have to prove to the city of La Vista before we move forward that they have their business plan in place. But what can it mean for the state? We've already addressed a little bit that I don't think the state will be forgoing existing dollars. Now to answer your question about, are we just chasing the dollar? I know that when I make decisions along with my city council at the local level, our best decisions are made not for tomorrow, but for 10, for 20 years down the road. When we invested in the hotel conference center to the tune of approximately \$18 million and another \$9 million for a parking lot, I was called a fool and an idiot by a number of citizens. We knew we had a plan in place that in ten years was going to become that investment. I agree with everything you say about continually coming back for changes, everything. But the point I'd like to make is, I see this as an investment for the state and I do see things that change over the course of time and laws that are made, just like in your body and just like in my city, you do tweak them to make them better. The same laws that are in 1985 don't apply till today. The same laws in 2010 maybe don't fit today. But I will agree with you, Senator. And I think Senator Scheer's whole purpose of this is to make this a uniform bill that every city, no matter the size of Omaha or a city the size of Seward, knows what the rules are, make it uniform. Will there be another city that comes in here and asks for a change to this bill? There very well could, sir. [LB884]

SENATOR HARR: We already know what the rules are. [LB884]

DOUGLAS KINDIG: We know what the rules are. [LB884]

SENATOR HARR: We're not creating a new bill from whole cloth. The bill already exists. We already know what the rules are. We're changing the rules. [LB884]

DOUGLAS KINDIG: We are asking you to do that, yes, sir. [LB884]

SENATOR HARR: Okay. And so, one last question. Why do we invest \$50 million and you invest \$10 million? [LB884]

DOUGLAS KINDIG: If you don't mind, sir, I think I've addressed the issue that right now there is no guarantee that the state is going to invest \$50 million. There's no guarantee of that. If you look at the ground that's there right now, we're going to...if this project comes in we're going to pick up...right now we have about 800 hotel rooms, we've got three or four fast-food restaurants, and I've got Cabela's. I've got a Costco coming, you're exactly right. Without this project those businesses are still going to come. Because of this project, we fully expect more restaurants,

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we've already been talked to by hotels, we expect more entertainment, nightlife areas. That's added income. So it's not a true \$50 million as of today. It could climb to \$50 million. And you know what? If I was sitting in your place and I am sitting in my place, I hope it does, because if it does that means that this project--along with city investment and really along with what this whole state does from property tax relief to new infrastructure and roads and people wanting to live here--I hope it grows, that the state does have to invest \$50 million, because that means that we're growing. And I think this project can help us grow. So I hope that you have to do that. And I will tell you, from the city level, the \$10 million investment, it doesn't stop there. Every single year I will provide police and fire protection, we will do local road infrastructure. There will be expenses down the road, but they're going to be expenses that it's, again, it's an investment. It is not a give away. So I hope it climbs to that \$50 million figure. That would be good for all of us. [LB884]

SENATOR HARR: One last question. Do you guys collect city sales tax? [LB884]

DOUGLAS KINDIG: Yes, sir. [LB884]

SENATOR HARR: How much is it? [LB884]

DOUGLAS KINDIG: We are one of the few states (sic) in the area that has 2 cents. [LB884]

SENATOR HARR: Okay. Would you be willing to take that same turnback area and have your city sales tax dollars go to pay...from that sales tax from that turnback area go to pay off the bonds as well? [LB884]

DOUGLAS KINDIG: I'm not going to limit it to this project. I will tell you that they already are paying bonds and our investment for our parking lot and for our investment to the hotel conference center. So we take our local option sales tax, half the... [LB884]

SENATOR HARR: It'd be new dollars. It's new dollars. [LB884]

DOUGLAS KINDIG: Excuse me, sir? [LB884]

SENATOR HARR: It's new dollars. You're telling us it's an investment. You want us to invest with our sales tax dollars and it's new money. [LB884]

DOUGLAS KINDIG: And we will, sir. [LB884]

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SENATOR HARR: And so would you be willing to take the city sales tax and match? Give your sales tax that you receive for that turnback area to use to pay off the bonds or for improvements to the area? [LB884]

DOUGLAS KINDIG: We already will be doing that. It'll be paying for infrastructure, it's going to be paying for public safety, it's going to be paying for all the other services that we provide our citizens. So in a roundabout way, yes, we are. Will I commit to strictly paying back that? No, I'm not going to tie my hands that way. [LB884]

SENATOR HARR: Yeah. See, I'd like to see it directly. [LB884]

DOUGLAS KINDIG: You'd like to see what, sir? [LB884]

SENATOR HARR: I'd like to see that payment directly to pay off those bonds, to pay for those services. If we're giving our money, I think it only fair--we're giving out a lot of money--that you would give out an equivalent. Just new dollars, I guess. [LB884]

DOUGLAS KINDIG: And it may be a discussion for another time, but first of all we need to be a partner. We need to be a partner in all of our incentive programs, either a state program or something that the city offers. So we'd love to have that conversation with you somehow and sometime that we can discuss maybe a lot of the state incentive programs and that we could be a partner on all of them. And I would be open to that discussion. [LB884]

SENATOR HARR: Great. Thank you very much. [LB884]

SENATOR GLOOR: Senator Brasch. [LB884]

SENATOR BRASCH: Thank you, Chairman Gloor. And thank you, Mayor Kindig. I almost feel like I should apologize asking a question, you've been in that chair for so long. But I had some I think pretty easy ones for you here. If this doesn't pass, your project will still move forward. Correct? Your concept? It's not reliant on this bill? This would...is that correct? [LB884]

DOUGLAS KINDIG: The answer that the project people gave us was that they would still plan to move forward. Does this make it easier and allow the project to maybe be a little more successful as far as being able to turn their money (inaudible) into either upkeep of the property or expansion of the property? Without a doubt. I mean, you're not going to deny that dollar figure wouldn't help, but their answer has been...is, they would still like to try to move forward. [LB884]

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SENATOR BRASCH: And this has been in the works long before this legislation ever came here today, correct? [LB884]

DOUGLAS KINDIG: Yes, ma'am. [LB884]

SENATOR BRASCH: Okay. So this is just an enhancement. [LB884]

DOUGLAS KINDIG: Yes. [LB884]

SENATOR BRASCH: So...and that answers that question. And then the other one that I have is, right now, when you're saying local, regional, national, I'm just curious, all these sporting events. Is there anywhere in our state that these are already taking place? [LB884]

DOUGLAS KINDIG: No, not really and that's what makes this so unique. This would...and ma'am, I know about the project, but I hope at some point in time the project people can actually give you some of that information. But it will be the only Olympic-sized swimming pool in the state of Nebraska. It'll actually have two of them. One, an outdoor one, which will replace the pool that we have now. They've talked about a diving well. They've talked about...now some of the tennis courts are probably duplicated, but from what we've heard from like the Koch Center, they don't have enough tennis courts to be able to host all the national and regionals. I know there's been some talk of partnership amongst the two so they can do that. So the swimming, definitely nowhere around. One example of that would be the diving team from the university of Lincoln travels to Missouri and to Iowa City to practice diving. So definitely not only is this project not in the Omaha metro area, but even in the Midwest area it's not duplicated. [LB884]

SENATOR BRASCH: That was my only question. [LB884]

DOUGLAS KINDIG: Okay. [LB884]

SENATOR BRASCH: If it was taking dollars from another community or another...I have no other questions. Thank you so much. [LB884]

DOUGLAS KINDIG: Right. And I appreciate the easiness of yours, Senator. Thank you. [LB884]

SENATOR BRASCH: Thank you. [LB884]

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SENATOR GLOOR: Senator Davis. [LB884]

SENATOR DAVIS: Thank you, Senator Gloor. And thank you for coming, Mayor. Of course, I remember talking to you about this earlier but it's going to refresh my memory somewhat. First question: These other projects that are out here, are these tax increment financing projects, the hotels, the Cabela's? [LB884]

DOUGLAS KINDIG: No, sir. [LB884]

SENATOR DAVIS: They're not? [LB884]

DOUGLAS KINDIG: No, sir. [LB884]

SENATOR DAVIS: The project is going...the multisports group is putting in what percentage of the funding? [LB884]

DOUGLAS KINDIG: They are still working on the concept but if you were to use the figures that I've mentioned today, approximately \$125 million project. The city is committed to \$10 million at least, nonbinding. And if the state was to have to go--the cap is at \$50 million--at least 50 percent or higher would be from the private sector. [LB884]

SENATOR DAVIS: So if the state put \$50 million in, you put \$60 million...put \$10 million in... [LB884]

DOUGLAS KINDIG: We would put \$10 (million). [LB884]

SENATOR DAVIS: And we're talking \$125 (million). So these people are committed to this other investment? [LB884]

DOUGLAS KINDIG: Sixty-five million dollars, yes, sir. And that could change, obviously, as the project goes, but that's probably a good estimate. [LB884]

SENATOR DAVIS: And one of the reasons that you're asking for the float is because of this undevelopable property, is that correct? [LB884]

DOUGLAS KINDIG: Right. About 38 percent of it's in a floodway. This is an old sod farm; absolutely perfect for a sod farm but as far as any development in the city, the floodway area is

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very limited in what we can put in there. So we think we're getting the highest use out of this property. But, to be honest, to take advantage of the Sports Arena Financing Act and to be able to realize the benefit of all 600 yards, we're asking for the change. [LB884]

SENATOR DAVIS: What do you intend to do with the flood plain then? [LB884]

DOUGLAS KINDIG: Some of that could be turned in...you could put soccer fields there, you could put parking lots there. There wouldn't be any type of buildings or anything on there. And it actually would actually give some room for this project to expand. [LB884]

SENATOR DAVIS: And you could still raise sod there and sell that sod, couldn't you? [LB884]

DOUGLAS KINDIG: We could raise sod. [LB884]

SENATOR DAVIS: So you had talked earlier about the anticipated new revenue that was going to be developed by this new economic activity that's going on there. Where do you think that economic activity is going to come from in terms of geography? New people coming there to swim, play tennis? [LB884]

DOUGLAS KINDIG: Correct, sir. Obviously, with the amount of people that could attend some of these, especially on the weekends when people are allowed to travel, I would think a lot of that would be from out of state dollars. Not only soccer, but soccer especially, the people travel great distances. Probably the next facility of what...that would be like this would probably be in the KC area. They have a huge--and I'm forgetting the name of the city right now--facility there and it has weekend travelers. It fills their hotels on almost a weekly basis. The swimming, there's not enough swimming in the city of Omaha to probably to have a meet, so I would think a lot of that would be from regional and from nationwide. So I would expect a lot of new dollars. There's no doubt that a lot of local dollars...I think the project people are trying to get local teams, obviously, to use it on a nightly basis. I would see some new business. Our vision, at least in La Vista, sir, has been that we don't want to take the Applebee's from Papillion and just have it move to La Vista. That doesn't do anything for the tax base for you at all. So we've tried to make this area unique to where we've gone after and continue to try to find new businesses to move into the area. [LB884]

SENATOR DAVIS: Have you done any kind of an economic study about the out-of-state dollars that might come in here? Has that ever been put together? [LB884]

DOUGLAS KINDIG: Could you repeat that? I'm sorry, sir. [LB884]

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SENATOR DAVIS: Has there been any economic study about the out-of-state dollars about dollars that you could give us and say, we think 25 percent of the money is coming from Iowa or Missouri or... [LB884]

DOUGLAS KINDIG: We have done a study and then also the project people have done one study and they're actually in the process of doing a second study. We could provide those numbers to you. [LB884]

SENATOR DAVIS: Because otherwise, assuming that there's a certain amount of disposable income that people have to invest in recreational activities and dining and those kind of things... [LB884]

DOUGLAS KINDIG: Right. [LB884]

SENATOR DAVIS: ...essentially, if we're using Nebraska dollars and we're simply moving it from one place to another and moving it out of a jurisdiction where the state captures the sales tax to one where you do, then there's a significant loss for the state. [LB884]

DOUGLAS KINDIG: And I tell you what, sir, I would not agree with you in that and I think a number of senators have heard me. This is a transformational project. I think incentives should be used for transformational projects, not just moving it from one city to another city. As a matter of fact, even from the western to the eastern part of the state, that does nothing to grow the state economy. So I totally agree with you 100 percent. [LB884]

SENATOR DAVIS: And I agree. You know, I would say this: When you've got CenturyLink and Pinnacle having concerts, there's competition that goes on there. Now, these are both turnback tax pieces... [LB884]

DOUGLAS KINDIG: Right. [LB884]

SENATOR DAVIS: ...but if you're spending \$400 on tickets to go to Black Sabbath...is that who it was? [LB884]

DOUGLAS KINDIG: I'm just wondering if Senator Harr is going to Justin Bieber also. [LB884]

SENATOR HARR: Yeah. [LB884]

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SENATOR DAVIS: But then you're not going to be spending that \$400 taking your spouse out to dinner, so tradeoff. [LB884]

DOUGLAS KINDIG: In something else. And that is always driven by...the great thing about America is we are driven by the free market and you can overbuild. That's why we looked at this project as a unique project and we think there's a need for it. We can provide you those numbers and stuff. [LB884]

SENATOR DAVIS: I think that would be helpful and be good for the committee to have those. [LB884]

DOUGLAS KINDIG: Okay. [LB884]

SENATOR DAVIS: Thank you, Mayor. [LB884]

DOUGLAS KINDIG: You bet. [LB884]

SENATOR GLOOR: Senator Schumacher. [LB884]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. As I sit here listening to this the question comes to mind is, the legitimacy of the use of this rather novel mechanism for financing public projects. Typically, didn't government levy a tax--whether it's a property tax, a sales tax, and income tax--bring the money into a kitty of some kind and then some elected body selects priorities between schools and roads and healthcare and apports out that money? And when a community wants to build a school, it may have the cash funds to do it but probably it wants to put up a big, new school and it's a town of 20,000 and wants to spend \$100 million on a school. It probably has to levy a bond then try to figure out some way to talk or amend the state aid formula to try to get some cash into it. And that's the way the mechanism works and the way priorities are set. And how is it that it is proper not to do it that way for convention centers? Instead, say, well, we'll just...any new sales tax money you get they have to put toward this project. Why don't we do that for schools? You need a new high school, any...that's going to contribute to the quality of life, people are going to want to build in the town of 20,000 that has a new school. They're going to want to open a new Walmart or a new Menards and whatever. So any new sales tax money in that school...in that town, we'll just turnback to finance the school. Where is the legitimacy of this form of turnback over assessing a tax and then putting it into priority with all the other nice things people might want or needed things and appropriating the money and taking the heat from the taxpayers for, gee, how come you spent money on that? [LB884]

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DOUGLAS KINDIG: Senator, if you--and I say this with all respect, sir--if you and your colleagues give the local authority that opportunity, I would explore that option. [LB884]

SENATOR SCHUMACHER: Thank you. [LB884]

SENATOR GLOOR: Thank you for your...Senator Smith. [LB884]

SENATOR SMITH: Thank you, Mr. Chair. Mayor Kindig, thank you for being here today and thank you for your passion for creating a better community in your city. And I think that's reflected by the other mayors that are here today. And thank you for being engaged on this particular bill. Just...I'm fortunate to have my mayor here with me today, so Mayor Kindig is one of the two mayors that I represent. Mayor Black is in the back as well. So I don't pit them one against the other, I like them both very much; two of my favorite mayors in the state. Mayor Kindig, how long have you been mayor of La Vista? [LB884]

DOUGLAS KINDIG: A little over ten years now. [LB884]

SENATOR SMITH: Over ten years. And can you tell us a little bit about the growth of your community over that period of time? [LB884]

DOUGLAS KINDIG: Yeah. In a nutshell, you know we started out with 330 homes about 54 years ago. We're the youngest first-class city in the state of Nebraska. I'm proud of that. About ten years ago, we would have been a population of about 10,000 people. We are now up to about 18,000. I am landlocked as a city. It was a struggle probably 30 years ago just to pay the weekly bills. We didn't have public facilities. Now I think we have as fine a public facilities that are in the state as far as our police. We've merged with the city of Papillion to save money to our taxpayers on our fire department. We have a state of the art library that we merged with Metro Tech, did a partnership on, which saved us both money. And we're to the home now of some of the...not Fortune 500 companies, but some of the larger corporations in the state. PayPal has over 3,000 employees. We've got Securities America. We have Yahoo. We have Oriental Trading. We have Streck Laboratories. We have Rotella's. It's only to name a few. A big part of that is because the state--and I thank everyone here that was a part of it--when they named the Harrison Street as the interchange. Development a little bit is luck as much as it is planning. And because of that, we've been able to grow. I'll tell you, I'm only the fifth mayor in the city of La Vista. We've had stability. We haven't had many more city administrators. So between great staff and some politicians that's been willing to listen to that staff, we've been able to grow our city into one of the richest, probably one of the most respected cities in the state. And we've done it in a very short period of time. [LB884]

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SENATOR SMITH: Probably shouldn't have said richest in front of Senator Harr over there, but... [LB884]

DOUGLAS KINDIG: I was talking richest as far as we've got some really good restaurants that serve good food, Senator Harr. Yes. [LB884]

SENATOR SMITH: But I do appreciate your sharing that. And we're fortunate in Sarpy County, but the success story that you shared is very...there's a lot of success stories similar to that across Nebraska and it's because we had great local leaders. So thank you for being mayor and thank you for coming in and supporting this bill. I know you're working very hard to create a better quality of life for your community and that's part of what we're talking about here with this bill. So, thank you. [LB884]

DOUGLAS KINDIG: Thank you, Senator. [LB884]

SENATOR GLOOR: Thank you, again, Mayor Kindig, for your answers and your stamina. [LB884]

DOUGLAS KINDIG: Thank you. [LB884]

SENATOR GLOOR: Next proponent. [LB884]

MICHAEL ROGERS: Good afternoon. My name is Mike Rogers, I'm a bond attorney with Gilmore and Bell, bond counsel for the city of La Vista. And I'm here to answer questions. I don't have any prepared remarks. [LB884]

SENATOR GLOOR: Are there questions? There are no questions for bond counsel. [LB884]

SENATOR HARR: I don't want to take too much time. [LB884]

SENATOR BRASCH: I'll hold his arm down. [LB884]

MICHAEL ROGERS: Thank you. [LB884]

SENATOR GLOOR: Thank you very much. We'll show you as having been here as a testifier. [LB884]

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DAVID BLACK: (Exhibit 6) Thank you. Good afternoon. My name is David Black, D-a-v-i-d B-l-a-c-k, and I'm the mayor of the city of Papillion and I'm here today representing United Cities of Sarpy County, which again is Papillion, La Vista, Gretna, and Springfield. It might seem a little unusual that a mayor appears in support of economic development for a neighboring city. But in Sarpy County we do understand the benefits of working together. We've got a lot of partnerships. Each mayor generally has the philosophy that we want to win every single time, but if we lose, we want to lose to our neighbor. We do push each other and we understand that the benefit of that is a healthy county. But additionally, it also benefits the larger metropolitan area. And then we get the benefits of projects that not only benefit the region, but the entire state. The state turnbacks we know is an essential piece in the development of a number of projects in the state. It's brought the Olympic swim trials, it's brought the NCAA tournaments. We get the national and international attention and the events and the conferences help regional tourism and other businesses as well. And we know that drives economic development and there's businesses in the area because of those projects. And a lot of that creates unique, strong participation in the private sector as well. So we do see the benefit of LB884, but what I want to testify today is specifically the part of the bill about the program area and the shaping. That's where I want to focus mine. By federal regulation--nothing that we're doing at the local or the state level--development within a floodway generally is prohibited. And then if it's in the special flood hazard area outside of the floodway, it's limited to 25 percent. And so wherever the project is in the state, if it's abutting one of those areas it is limited. And the private sector is going to know about that limitation so they are probably...it acts as a disincentive for participation in the project. So we believe it just makes sense to...it keeps the original intent of the bill. We're not advocating for the change of the radius, we just want to be able to have that shaping if it abuts one of those undevelopable areas in the floodway. So we're just here advocating for it. La Vista's project does fit that. They are our neighbor. We do support their project and we do ask for support for the shaping of that program area when it hits the floodway. [LB884]

SENATOR SCHUMACHER: Senator Harr. [LB884]

SENATOR HARR: Also by federal law, regulation, constitution, we can't collect sales tax from another state. So when the Riverfront Qwest Center went up, we can't collect the turnback dollars from Iowa. Correct? So it was built knowing that there were limitations. One project has already been built knowing there are limitations. You'd agree with that? [LB884]

DAVID BLACK: I do. [LB884]

SENATOR HARR: Okay, thank you. [LB884]

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DAVID BLACK: But we're limited to the state of Nebraska and the floodways within the state we do control. [LB884]

SENATOR HARR: But you can't build on it because of federal regs, right, or law? [LB884]

DAVID BLACK: Correct. [LB884]

SENATOR HARR: Same problem. Can't collect...federal law doesn't let us collect Iowa tax. I'd love to, don't get me wrong. But same problem. But it went there and it survived and it's thriving. [LB884]

SENATOR SCHUMACHER: Any other questions? Senator Smith. [LB884]

SENATOR SMITH: Thank you, Senator Schumacher. And I gave time to my other mayor so I have to give time to Mayor Black. But I also want to just highlight the excellent work that Mayor Black has done in his community. And, Mayor, I think you...I took your place on the planning commission so you've had a long, long history of service in your community to make it better. Can you tell us a little bit about your growth in your city and how much time you've been with...as mayor of Papillion? [LB884]

DAVID BLACK: Been mayor eight years, I was on the city council two years, and then a term on the planning commission. So I've been involved about 12 years. Papillion, 15 years ago, was just a bedroom community. You lived there and you went somewhere else for everything, live, work, and play. And then about 12 years ago is when our growth spurt started. And Papillion now and Sarpy County in general, when you live there you can find a safe and affordable \$75,000 home and you can find a million dollar home, safe and affordable, and they all fit. Everybody is part of the community. We have great schools. Ten, twelve years now, we have been recognized by CNNMoney magazine as a best place to live, number two in America last year. Quality of life is always mentioned; crime is...low crime is always mentioned. As Mayor Kindig mentioned, we are very big on partnerships. The city of Papillion actually runs fire for three different jurisdictions. It's the city of Papillion Fire Department, city of Papillion employees and three different taxing jurisdictions pay the bill. That saves the city of La Vista \$2 million a year in start-up expenses. So a lot of cooperation in a small county and a lot of great growth, great quality of life. [LB884]

SENATOR SMITH: And we really appreciate that effort to save costs by consolidating and working together. So absolutely one of the finest public servants. So thank you very much, Mayor Black. [LB884]

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DAVID BLACK: Appreciate it. [LB884]

SENATOR SCHUMACHER: Any other questions? Seeing none, thank you, Mayor Black. [LB884]

DAVID BLACK: Thank you. [LB884]

DONALD GROESSER: Good afternoon. [LB884]

SENATOR GLOOR: Welcome. [LB884]

DONALD GROESSER: (Exhibit 7) My name is Donald Groesser, spelled Donald G-r-o-e-s-s-e-r, and I'm the mayor of Ralston, Nebraska. Mr. Chairman, fellow Revenue Committee members, I'm here to testify in favor of LB884, the arena bill. Just a little history as to the original legislation: Five years ago, LB779, the Sports Arena Facility Financing Assistance Act was enacted by the Nebraska Legislature. That Legislature created...this legislation created a method for smaller cities across the state to consider constructing an arena by allowing the cities to receive 70 percent of the state sales tax generated within a 600 yard radius of the arena. And for 20 years...and that was to be used for retirement of the bonded indebtedness to acquire the land, to develop, to build, and to outfit a facility. The original legislation allowed the city to receive the 70 percent of any over the existing sales tax base for an existing business and then 70 percent of the state sales tax collected on new businesses within 24 months after the arena was opened; all that, within the 600-yard radius. LB884 will extend the period of time to 84 months, providing Ralston with an opportunity to conduct and solicit new businesses to come into our city within the 600-yard radius of the arena. Our arena has been working very hard to provide the type of sports and entertainment value for the entire Sarpy, Douglas, metro area. Even though we have not yet realized a profitable year, we continue to increase our attendance year over year. In 2014, we served 178,000 people at our events. In 2015, we've served over 230,000 people; that's a 23 percent increase. We credit this in bringing in the right type of events that we've learned how to do and that people enjoy. And it's a goal to have the arena self sustaining within the next two years. Since the passage of LB779 and the building of the Ralston Arena, hundreds of thousands of dollars of sales tax has been generated, part-time and full-time jobs have been created, community projects across the state have been funded with the 30 percent of the set-aside from the legislation. This legislation has benefited the state of Nebraska and will continue to do that for decades in the future. Although the original LB779 funds are coming in to pay our bonds, it is still not enough to cover our annual bond indebtedness. With the passage of LB884, Ralston will have the opportunity to add additional new businesses like the Menards store that you were discussing, which will provide additional funds to help pay for our arena bonds. I appreciate the Revenue Committee and the Legislature for its support of the original legislation and the small

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changes we continue to make to LB779. I ask for you to support LB884 to allow Ralston to continue to meet its bonded financial obligations with the arena and provide the Sarpy County and Douglas County residents with a great sports entertainment venue and the other cities across Nebraska to continue to improve their communities. I'd be happy to answer any questions you have and, again, thank you for the opportunity to speak today. [LB884]

SENATOR GLOOR: Thank you. Senator Harr. [LB884]

SENATOR HARR: Thank you. Senator or Mayor Groesser, great to see you. [LB884]

DONALD GROESSER: Not yet, but I... [LB884]

SENATOR HARR: Well, great to see you down here again. [LB884]

DONALD GROESSER: Thank you. [LB884]

SENATOR HARR: How long you been mayor of Ralston? [LB884]

DONALD GROESSER: Well, 20 years. [LB884]

SENATOR HARR: Twenty years? [LB884]

DONALD GROESSER: Yep. But I just (inaudible)... [LB884]

SENATOR HARR: You don't have a member of Revenue or none of us are your...so I just want to take the chance to say, thank you. That's it. [LB884]

DONALD GROESSER: You're welcome. [LB884]

SENATOR HARR: Everyone else gets to thank a mayor, I wanted to thank a mayor. [LB884]

DONALD GROESSER: Well, thank you very much. I appreciate that. We work hard. [LB884]

SENATOR SMITH: I'm sorry. I can't let Senator Harr one up me. Mayor Groesser and I were neighbors for a number of years before I became a Papillion resident. So I had the good fortune

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of living next to the mayor and in Ralston for a number of years and in working with the mayor on their planning commission. So, Senator Harr... [LB884]

SENATOR HARR: Touche. [LB884]

SENATOR SMITH: Thank you for your service to our communities as well, Mayor Groesser. [LB884]

DONALD GROESSER: Thank you very much. [LB884]

SENATOR GLOOR: You seem to be bracketed with goodwill and that doesn't happen all the time in this committee, so congratulations. [LB884]

DONALD GROESSER: Well, that's good. I appreciate that. [LB884]

SENATOR GLOOR: Thank you for your testimony, seeing there were no further questions. [LB884]

DONALD GROESSER: Thank you very much. [LB884]

SENATOR GLOOR: Thank you. Good afternoon. [LB884]

JACK CHELOHA: (Exhibit 8) Good afternoon, Chairman Gloor and members of the Revenue Committee, my name is Jack Cheloha, first name spelled J-a-c-k, last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha and I wanted to testify in favor of LB884. I'm asking the pages right now to hand out a letter from our city council. We wanted to let you know that there's unanimous support for the bill, not only from the mayor's office where Marty Bilek testified, but also our city council. And in that letter you'll see from our council president, he says he has unanimous support from all seven members. That's part of the reason I wanted to testify. In the meantime, I wanted to let you know I could also be a resource to you. It's late in the day, so it doesn't have to be now. But I've worked for the city of Omaha now for 22 years. I was here when the first bill, LB382 was introduced by Senator Dan Lynch and passed in 1999. Likewise, I was here in 2007 when there was a bill to change, if you will, the turnback formula. Likewise, I've been through the hearings when Lincoln approached and needed a bill to build the Pinnacle Bank Arena. Likewise, LB779 on the sport facility center for Ralston. I just want to let you know that on all of those bills, the city of Omaha has been consistent. We have supported all of these bills, as we have seen this type of legislation, as you've heard already, as being transformational for the state of Nebraska, but also for these communities. If you drive in on 480

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from Iowa, you'll see the gateway to the city of Omaha, the CenturyLink Center. It's a beautiful structure right on the Missouri River. It's been a wonderful economic stimulator, if you will, for the...not only the downtown area, but the city of Omaha and the whole state of Nebraska. Our convention center and visitor bureau estimates that the CenturyLink Center generates roughly around the area, because of the activities held within it, \$70 million of activities a year or the lifespan of, say, a ten-year period, \$5 billion of economic incentives have happened because of that building being there. So back in 1999 when this happened, we explained it as it would be a partnership or a trio, if you will, of the city of Omaha, private investors, but also the state of Nebraska. And because of that I want to thank you, I want to thank this legislative committee, but previous Revenue Committees who had the vision and foresight to look at this type of bill and pass it. As I've worked for the city, I've been...some people would call me a bureaucrat, but every now and then I get invited to speak to civic groups, whether they're Lions Club or other activities like that. And during the Q and A they always ask, gee, as a lobbyist, Jack, for Omaha, what are some of the monumental or instrumental bills you've ever worked on? And if I don't bring up the original bill on turnback, someone in the audience always will, because they want to talk about that, they remember that, they know how important that was. So likewise, this bill would be very important. And in terms of making it consistent...I'd like to thank Senator Scheer for bringing the bill today, I think that's important. A year ago when you heard a bill by Senator Riepe, on that one I did testify neutral and I asked that cities be treated more equally. I think this bill would accomplish that, especially as it relates to Omaha, by expanding us from 200 yards to 600 yards for the hotels. And because of that and for the other reasons, we think it's good. It would be wise to be able to use some of the turnback for capital improvements. If you want to write the legislation so it's clear that it must be used only for capital improvements within the facility, that's acceptable. Likewise, if the turnback...you know, we want to make sure that it only goes to pay back the bonds--that's our intent, that's how we've always used it--that's fine to make that clear as well. So I'll try to answer any questions. I see the light is coming on. [LB884]

SENATOR GLOOR: Questions? Senator Harr. [LB884]

SENATOR HARR: So you wouldn't object to changing the language from may to shall? [LB884]

JACK CHELOHA: No. On using the turnback to pay back bonds? [LB884]

SENATOR HARR: Yeah. [LB884]

JACK CHELOHA: Correct. But we would like the capital improvement language, too. [LB884]

SENATOR HARR: Fair. Thank you. [LB884]

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JACK CHELOHA: Thank you. [LB884]

SENATOR GLOOR: Thank you. Thank you for your testimony. [LB884]

JACK CHELOHA: Thank you. [LB884]

KATHY McKILLIP: Good afternoon. [LB884]

SENATOR GLOOR: Afternoon. [LB884]

KATHY McKILLIP: (Exhibit 9, 10, 11) How is everyone? Kind of quiet. I'm Kathy McKillip, K-a-t-h-y M-c-K-i-l-l-i-p, I'm the Director with the Nebraska Tourism Commission. Thank you, Chairman Gloor and Vice-Chair Schumacher and members of the committee, for the opportunity to testify before you today regarding LB884. Tourism supports existing companies and stimulates new business development and tourism levels the playing field for communities statewide when it comes to attracting visitors and increasing revenue. Tourism is also a champion for Nebraska by promoting our natural attractions, scenic beauty, historic sites, unique attractions, outdoor adventures, culture and arts, foodie finds, dining establishments, agri/ecotourism, festivals, cultural celebrations, and sporting events. Nebraska has a great deal to offer. As senators, you know that better than any of us. Most importantly, tourism is a generator of immediate revenue to Nebraska's communities, counties, and to our state. We generate and make the state money. How we succeed depends greatly upon the relationships we develop and the partnerships we entrust. Our partnerships are statewide and include private businesses, manufacturing, agriculture, corporate Nebraska, the government sector, and nonprofit. Nebraska Tourism is partnered with all the above-mentioned entities. We need to strengthen and support the private/public partnerships fostered and developed to grow this industry further and, more importantly, to grow our state. LB884 sends a strong, positive message and provides an additional opportunity or should we say tool to use, grow, and invest in our communities and counties statewide. The Nebraska lodging tax receipts have increased on an average of 7.6 percent each year for the past several years. These funds, or the commission's cash funds, which are generated by the lodging tax, represents 99.5 percent of our budget. At this point in time the commission receives \$250,000 of state aid from the state General Funds for grant programming. We view LB884 as an opportunity for the state to acknowledge the economic impact and value that the tourism industry brings. Simply put, we need to grow this industry, not just for the commission, but for the economic health and development of Nebraska and for our fellow Nebraskans. And the time is right. We have established ourselves nationally and internationally as a state that can host high caliber events, such as the College World Series in 2015 broke all previous attendance records of 353,378. It is estimated that by 2020, the economic impact of the CWS on the city of Omaha will be between \$60 million and \$65 million. The overall annual

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impact of Nebraska athletics on the state of Nebraska during the 2013 fiscal year was estimated at \$149.5 million in output; \$54.7 million in worker income; 1,890 jobs; and \$2.351 million in direct sales tax revenue for state and local governments--and that's from the University of Nebraska--which, in addition, we hosted the 2015 NCAA D1 Volleyball Final Four with an estimated impact of \$9.9 million in the area and earned the 2015 National Championship, which is priceless. The U.S. Olympic Swim Trials with 35,000 tickets sold to date is up 21 percent right now over the 2012 sales. Forecasted attendance for the 2016 event is projected at 200,000 up from 167,000 in 2012. The economic impact of \$35 million in 2012 will show that we're increasing it even further. The event in 2012 hosted 1,800 swimmers and 700 coaches. As of today, 1,500 swimmers have qualified and confirmed their attendance for the event and more than 28,000 room nights have already been booked, which is up from 23,500 in 2012. According to the Nebraska Sports Council, the 2015 National State Games of America brought in an estimated impact of \$25 million and the 2016 NORCECA Olympic Volleyball Qualifier hosted more than 23,000 fans just a couple of weeks ago. This is all in addition to the many, many Nebraska state high school championship events that we host statewide. Nebraska has the ability to become a game changing destination. This is an opportunity for us to utilize a tool to leverage resources to elevate communities that elect to do so. Tourism is a key segment of the state's economic base. It provides the quality of life component which residents and visitors alike seek to enjoy, experience, and embrace. Sporting events are an increasingly critical component of visitor travel. At this time, Nebraska Tourism Commission offers support of LB884. We would like to thank Senator Scheer and the members of those who helped introduce this bill, in addition to this committee, for bringing this valuable topic and importance before the body. We believe the future of tourism plays an important role when it comes to generating revenue for our communities, our counties, our citizens, and the state of Nebraska. And I thank you all for your commitment and service to our state. I would attempt to answer any questions if you have any. [LB884]

SENATOR GLOOR: Thank you, Ms. McKillip. Can you explain your other two handouts for us, please? [LB884]

KATHY MCKILLIP: Absolutely. You have two handouts that came with the letter. And one of those is a chart of our grant funds. We have two different funding pots within the Nebraska Tourism Commission and the red dot is the community impact grants. Those are funds from General Funds dollars state aid that we use to assist communities with hosting national/international caliber events. So you can see the red dots and where they have been awarded across the state. The other one, I'm going to kind of take us a little bit away from La Vista, if that's okay, is that this is a concept in...this is in play. This is a schematic drawing, but this is the Sanford Sports Complex in Sioux Falls, South Dakota. This is what the future of sport complexes or these types of events are looking like. They are also tied into medical, they're tied into research, they're tied into training, they're tied into club sports. I don't know how many of

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you are familiar with club sports, but I had children who participated in club sports and I sure do wish I didn't have to travel or when I did with them around the country spending money, thousands of dollars in other states when I could have spent the money here in my own. So we need to be competitive in this area. And the Sanford is a really great example I think, because they do, Senator Harr, address some of that retail issues that you were talking about. They also have hotel lodging established right in there. But the other thing that's kind of unique about this is that they chose to tie this back, because of Mr. Sanford's history to the community, also back to the medical field. And I know this might come as a surprise, but a growing component of tourism is medical tourism, where people go to certain communities where they're building campuses where people will take a month or six weeks when they want to go have a certain type of surgery, a knee replacement. That's medical tourism. So this is a different designed campus that is just, I know, who would have thought? This is a designed campus specifically... [LB884]

SENATOR HARR: I never thought the Governor would do that. [LB884]

KATHY McKILLIP: Okay, Senator Harr, I'm going to go ahead and continue and... [LB884]

SENATOR HARR: You said knee surgery. [LB884]

KATHY McKILLIP: And this is a campus that they built specifically for what their needs were. But it bridges over to several other components besides just sporting events. So I would attempt to answer any other questions. Those are the two handouts. Chairman Gloor, if you have any other questions. [LB884]

SENATOR GLOOR: Any other questions? Senator Harr. [LB884]

SENATOR HARR: Just quickly. Thank you for coming, I appreciate it. I guess my question is...you threw out some great numbers for the CenturyLink Center and it's been a huge success. And it's developed new hotels. They're still going up. Capitol District, it's great, it's wonderful. I guess my question is, when do we, as a state, get off the hook? You know, we did an original agreement and now you're coming back...they're coming back and asking for more. And that one's making money. The other three...two projects, three projects aren't making money. So when do we, as a state, when do we no longer...are the parent of this and we can cut the umbilical cord and say, hey, project, you're on your own. And, by the way, we're not going to increase your allowance. [LB884]

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KATHY MCKILLIP: Well, as any good parent, I don't know if you're ever off the hook. I mean, you're always there for your child. So I guess I would say, Senator Harr, that an example would be... [LB884]

SENATOR HARR: And that's why we have family planning, too. [LB884]

KATHY MCKILLIP: Yes. Well, an example would be that most states across the country, I would say at least 80 percent to 85 percent, the lodging tax funds that they collect for their state agency of tourism is only about 10 percent of that budget and the rest is budgeted by the state. So maybe this is a potential opportunity to look at the state supporting the industry. And the more we grow, the more money we can generate, the more that we can maybe look at other opportunities down the road to see how we can help reduce the... [LB884]

SENATOR HARR: So what is the difference between support and subsidize? [LB884]

KATHY MCKILLIP: Well, with my two children, nothing. However, I think that you're going to have to support...you're going to have to subsidize. We're going to have to build product. We don't have enough product. We don't have enough product in the state to actively compete. And that's why we keep using the CenturyLink Center all day as an example. We don't have enough product. [LB884]

SENATOR HARR: (Inaudible) arenas? [LB884]

KATHY MCKILLIP: So we're going to lose stuff to Sioux Falls. We're going to lose stuff to Sioux Falls, because I can tell you that when we were going and having tournaments at CenturyLink Center, those teams are now going to Sioux Falls because of the facility. Is it a concept of keeping up with the Joneses? Maybe. Will they go to Kansas City and Des Moines? Yes. Do you play tennis all year round? Yes. Just ask Jack Sock who is the epitome of Nebraska Nice who actually told his competitor to check to see if the serve was in. Did you hear this? Oh, it's great. It was an Australian...he's from Lincoln and is playing in the professional circuit. And it was a close match and he was playing in Australia, a Nebraska boy, Lincoln--Southeast, thanks--and he went and told in a little signal to his competitor that, that was in. That serve was in. Have him call for a check. And the competitor said, what? And he said, call for a check and review. And so the guy goes, oh, I'll call for a review. And it was in. He ended up losing the match, but what great spirit. I mean, he knew it was in. So I guess what I'm saying is, that there's opportunity all the way around. If you don't like the concept of just a sporting complex because there may not be the need, then there's other opportunities. When does the state get off the hook? Well, if we're making money as we project that can happen, I would think the state would be

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wanting to be going down the path hand in hand with the communities and the residents and the citizens of Nebraska and celebrate it. [LB884]

SENATOR HARR: But it's going to happen anyway, at least the hotel in Omaha. [LB884]

KATHY McKILLIP: Well, yes. Yes, I know. I know. Poor Omaha. I mean, we really beat up on them. I mean, this is a lot of opportunity for other communities to consider doing a complex. Hastings does a fabulous job with softball. [LB884]

SENATOR HARR: And I'm not picking on Omaha, but they were the first project. And matter of fact, a lot of things they did was right. They didn't ask for more land. They didn't ask for more. They'll take it if we give it to them, but they're not...they were first in line. And so we got to learn. And we learn from our mistakes and we learn how to get better. And so far the only lesson I've learned is, when you build an arena, ask the state for more. Two hundred wasn't enough, four hundred is not enough, six hundred is not enough, two years before and after, not enough. Those are the lessons I've learned is, if I'm building an arena, first place I'm going, Revenue Committee, because they always give more. And I just...I don't know when is enough enough. When do we forgo state tax dollars, because here's what happens is, these projects are built by TIF and they're built by...and then the supporting buildings are built by TIF. Okay? The hotels and restaurants use TIF. The facilities are subsidized by the state. [LB884]

KATHY McKILLIP: Correct. [LB884]

SENATOR HARR: And then you wonder, when do we say, this is great new development, but when and where do we see the money? Well, it's 20 years down the road. Well, that's...guess what? The lifespan of a building, so we get it in 20 years, it's not as valuable. And 20 years, there's a hot new place. Forget CenturyLink, we're going to La Vista; forget La Vista, we're going to Gretna; forget, you know, and it's just a progression. We all like new things. And so I don't know how we draw this line and where we draw it. And when we forgo state dollars that means we push stuff down on cities and counties and property taxes go up. That means we have less money for TEEOSA so property taxes go up. And I want to grow the economy. Don't get me wrong, I think it's a great idea. Are these the kind of jobs we want to grow? Are they high paying jobs or do we want to incentivize, use our \$50 million or whatever it is for state dollars to incentivize bigger jobs, better jobs, high paying jobs? I'm not sure how many of these are full-time, what the average wages are, what the health insurance, what the benefits are. They create jobs, that's great. But do we want to use our resources...because we only have a limited amount. I would love to do this. Don't get me wrong. I love this. Like I said, I go down to CenturyLink all the time. Going to Baxter Arena tonight. I love this. But at some point, we can only have so much and I don't know where the line is. And what I'm looking for is a philosophy that I can

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point to as a road map that says, hey, these are the "criterias" you should look for. And when making a determination to build an arena--because I think we've overbuilt Omaha arenas--this is what you should look for. Hey, when you're building a sports facility, here's what you should look for. And all day today I haven't heard a real outcry of why this needs to happen or...you know, I heard this is a concept bill and we're building a concept. Well, I don't know what the concept is or what we say yes or no to or what direction we're giving the board when they make that determination to fund those projects, yes or no. We haven't created any intent for them to look at to know what they should look to. [LB884]

KATHY McKILLIP: Right. Senator Harr, I really appreciate your dialog and I don't disagree with a great many of the things that you're saying. I don't have the answer. And I know everybody likes shiny, new things and I know that the worst thing about building something is the maintenance. And so many times we forget, where's the endowment, where's the commitment down the road, how is it going to look when it is 20 years down the road? What is that community going to look like where that was built? Is it still going to be vibrant? Is it going to do that? Twenty years ago they wouldn't have said that about the Historic Haymarket in Lincoln, Nebraska. When I was in college, the Centrum was my shopping mecca, which is nonexistent anymore. But I have to think when it comes to like the jobs, I mean, a Granite City restaurant manager can make anywhere between \$80,000 and \$105,000 a year. That's not bad. That's not a bad income. I've got a son who graduated with three majors at the University of Nebraska-Lincoln, he's working in the restaurant business because he's making really good money. [LB884]

SENATOR HARR: More than \$12,000. [LB884]

KATHY McKILLIP: Now I know that there's a tier structure. And we all know that in any corporate world there's a tier structure. And I also know that we do an awful lot of turnback or tax incentives for corporate businesses as well to get the people here. So growing the state also is getting the people here. We need more people paying taxes. We need more people. So how do we look at that? And that's part of the partnerships. I don't think it's an answer, it's an evolving discussion. And I think, Senator Harr, you've got some great points that should be taken into consideration, along with the rest of the committee members, moving forward of how we continue to look at this 20 years down the road because you're right, as much as I do love my children, at some point I do want them to be happy and healthy and financially independent, but knowing that there is always help because we all want to be successful and survive. [LB884]

SENATOR HARR: Thank you. [LB884]

SENATOR GLOOR: Thank you. Senator Schumacher. [LB884]

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KATHY McKILLIP: Senator Schumacher. [LB884]

SENATOR SCHUMACHER: Thank you, Senator Gloor. I can't help myself. [LB884]

KATHY McKILLIP: I know, it's okay. [LB884]

SENATOR SCHUMACHER: You mentioned the need for new tourism products in the state, that we don't have enough of them. [LB884]

KATHY McKILLIP: Right. [LB884]

SENATOR SCHUMACHER: What would you say is the biggest, most profitable, highest in demand tourism product that the area that we're talking about today, La Vista, Ralston, Omaha doesn't have? [LB884]

KATHY McKILLIP: You're really going to do that to me, Senator? [LB884]

SENATOR SCHUMACHER: Uh-huh. [LB884]

KATHY McKILLIP: Well, that they don't have already? I think that it depends on the demographic you're looking at. And if you're looking at the boomers or the families or the millennials, they all have a little bit of different needs. So I think if you would like to specify which demographic, I might be able to help assist you in that question. [LB884]

SENATOR SCHUMACHER: One more hint. [LB884]

KATHY McKILLIP: Yes. [LB884]

SENATOR SCHUMACHER: And it's just across the river. [LB884]

KATHY McKILLIP: Yes. Well, okay, Senator. That is a real issue. I mean, look at how South Dakota also funds their tourism, as well. But that is also something that... [LB884]

SENATOR SCHUMACHER: You're getting warm. You're getting warmer. [LB884]

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KATHY MCKILLIP: ...that is...those are also topics that the Legislature and the body need to decide. But one of the good things is, is that this project was scheduled to go to across the river and we could have lost it to across the river. [LB884]

SENATOR SCHUMACHER: Thank you. [LB884]

KATHY MCKILLIP: You're welcome. Thank you for your question. [LB884]

SENATOR GLOOR: Thank you for your testimony. [LB884]

KATHY MCKILLIP: Thank you. Any other questions? Have a great weekend. [LB884]

LYNN REX: Senator Gloor, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I'm here to report to you that our board is unanimously in support of this measure. We think that LB884 is a critical game changer for municipalities across the state in two ways: One, for those few municipalities that will have the arenas and the kinds of facilities that will be built under these two separate acts; but also for the hundreds of municipalities across the state that are eligible and are competing for grants under the Civic and Community Center Financing Fund. That has been an extremely important fund for municipalities. I know, Senator Sullivan, you and I had, in fact, this discussion with former Senator Dubas, Senator John Harms, and many other senators over the years that, in fact, this fund has helped smaller communities do the sorts of things they basically couldn't afford to do otherwise. So we are strongly in support of this. We think that this measure does, in fact, help advance the state of Nebraska economically and in many ways. Municipalities across the state are strong economic drivers, certainly the university is, certainly agriculture is. Lots of economic drivers in this state, but where the infrastructure is, where the people locate, that's where you have the jobs and that's where you have the businesses. And we think this is a very important element in terms of trying to help foster the kind of environment to keep young folks here and other people here. One thing I just wanted to add as kind of an aside is that I was fortunate enough to go to the Paul McCartney concert at Pinnacle. And sitting next to me was a couple that had a strong accent and I thought they were from Wisconsin or someplace. When I asked them where they were from, they flew in from Canada for the concert. I'm sure they weren't the only ones there from another place, certainly not all Canada. But in any event, I'm just telling you that these sorts of arenas are huge in terms of being able to attract folks to our communities that otherwise would never come to our communities. And that takes into consideration as well the folks that are coming here, parents that are coming here bringing their kids to compete at these facilities and other places as well across the state. I'm happy to answer any questions that you might have. And, again, thanks to Senator Scheer for introducing the measure. [LB884]

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SENATOR GLOOR: Questions? Seeing none, thank you for your testimony. [LB884]

LYNN REX: Thank you very much. Thank you. [LB884]

SENATOR GLOOR: Additional proponents? Anyone here in opposition? Anyone here in a neutral capacity? Greetings. [LB884]

TIM HRUZA: (Exhibit 12) Good afternoon, Chairman Gloor, members of the committee. I passed out a copy of a written statement from...excuse me. My name is Tim Hruza, that's T-i-m H-r-u-z-a, I'm the director of policy and research for the Lincoln Independent Business Association here in town. Lincoln Independent Business Association is a membership association of about 1,300 businesses in the Lincoln area. And we're testifying neutral today on LB884. I've got a written statement from our board of directors. I had intended to read that, but I'm going to try to make my comments fairly brief since it's been kind of a long afternoon for all of you folks. We testify neutral today because we have one simple reservation with regard to the change and how it affects the turnback taxes that would come back to Lincoln. Specifically, we have reservations and hesitate a little bit with the language that would allow 10 percent of the funds to be diverted toward low-income housing projects by the city. Those reservations have nothing to do with our belief that such a project is meritorious. Obviously, low-income housing is a need in Lincoln and in many communities. Our concern is simply that we believe that this fund should be used to pay off the bonds that the taxpayers have invested in first. The intention of the bill is to help offset some of that risk, we believe, and to provide the taxpayers with some support. We would prefer to see that the language reads something more along the lines that the money be used to pay off the bonds first to help better protect the taxpayers. If the city desires to do...to invest in low-income housing projects in the future, we would certainly be interested in looking at that. We just don't necessarily know if this is the right place to look for those funds. So those are my brief comments. As I said, we're neutral on the bill but we have that one reservation. And we would ask that the committee consider some sort of amendment that might ensure that the bond funds are addressed and that outstanding debt is addressed first, before we start redirecting some of this money. I'd be happy to answer any questions. [LB884]

SENATOR GLOOR: Seeing no questions, thank you, Mr. Hruza. [LB884]

TIM HRUZA: Thank you. [LB884]

SENATOR GLOOR: Anyone else in a neutral capacity? Senator Scheer, you're recognized to close. [LB884]

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SENATOR SCHEER: "Alrighty." Thank you for your patience in the stream of people that came before. Senator Gloor, I would answer your comments in relationship, when does the state cut its string, umbilical cord? You...we set the rules. When they collect \$75 million in Omaha. When they collect \$50 million in Lincoln. It's real simple answers. It's not rocket science. But from my perspective, a lot of the discussion today has been about what happened before, either good or bad, and how well or how poorly something fits. The intent that I would like to look at is, giving the opportunity to other places, again, than the metropolitan areas. Real easy to say, Senator Gloor, you've got what you needed. Real easy to say, Lincoln has got what it's wanted. But in order for this to be successful on a statewide basis, at least to sprinkle them throughout the state, there has to be other things available to it than what's in it. And the intent of the bill, again, was to try to make things all consistent throughout so we aren't favoring Lincoln, we aren't favoring Omaha, we are not favoring Ralston, we are providing a set of rules that everybody can. And, yes, Senator Harr, I'm sure that everyone that started their projects knew what the rules were. I'm not trying to imply that they didn't. I could care less about what happened last year or ten years ago. What I'm concerned about is, what we can accomplish in Nebraska and other areas other than Omaha and Lincoln and perhaps including Omaha and Lincoln, because there may be other opportunities for those communities as well. But this is something that's supposed to be looking forward, not in reverse. It can't correct all the ills and the problems that preceded it. It can only hope to try to accomplish some things in the future. That's it. It's pretty simple. There's not a lot to it. I would...actually, one other thing, Senator Harr. I'm not sure it was what you're looking for, but in relationship to we had an extended conversation on the boundary limits and so forth and part of that is on page 11 on Section 2(c). It talks about the plotting and so forth that you have to provide, so. And I don't know that's what you're looking for, but it might be. So I would just ask you to take a thought, think very carefully. It was a program that started...Senator Schumacher, you might be right. Is that good policy? I don't know. But, you know, the cow is out of the bin. And now for us to say, well, gee, we were just fooling and everybody that got to take advantage of it, that's great. I don't know that that's fair or equitable across the state. We talk a lot about equity in everything that we do, and uniformity. I'm just asking to do the same within these projects. Look at the rest of the state of Nebraska. Make it available. Any other questions? [LB884]

SENATOR GLOOR: Any final questions? Seeing none, thank you, Senator Scheer. [LB884]

SENATOR SCHEER: And I appreciate your time. Thank you very much. [LB884]

SENATOR GLOOR: (Exhibits 13, 14) And that will end the hearing on LB884. We'll now move to LB723 and LB724. In conversations with Senator Schumacher, both these bills are very similar bills with the exception of dollar amounts. And unless there's an objection from a committee member, we'll fold these into one presentation. And clerk is reminding me that I need to look for--of the millions of papers I've been given today--we did a...I should say on LB884, a

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letter from Dave Brown, Greater Omaha Chamber and Todd Kirshenbaum from Nebraska Travel Association as proponents for LB884. (Exhibits 1, 2 re: LB723 and LB724) So I don't forget, we also have letters on LB723 and LB724. Proponents: Robert Hallstrom with the Nebraska Federation of Independent Business and Bruce Bohrer, Lincoln Chamber of Commerce on these two bills. Senator Schumacher. [LB884 LB723 LB724]

SENATOR SCHUMACHER: Thank you, Senator Gloor and members of the Revenue Committee. My name is Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature. And LB723 and LB724 deals with an issue of basically, in fairness, of how we collect our sales taxes and how we compensate the folks who do the work on collecting the sales taxes. I think you'll hear more this afternoon, hopefully not too much more considering it's Friday afternoon. But that there used to be a different way to compensate the folks who collect sales tax and then the state got into a financial pinch and things were changed and everybody put their shoulder to the wheel and contributed a little from their sectors with the idea that once things normalized the compensation for such services would revert to somewhat what it was. And there's been efforts in the past; some of the bills I introduced, some of the bills perhaps some of the others of you introduced, dealing with an obvious inequity that merchants face. They get paid with credit cards and most of them get stuck with a credit card bill of 2 percent, 3 percent or so in order to collect the state sales tax. So they remit the entire, most cases, 7 percent to the state and they eat the credit card charge on it and that gets to be rather substantial. I think you'll hear that figure alone is about \$8 million a year out of their pockets, where they're actually paying for the collection of the state tax out of their pockets. It's not just sweat, it's out of their pockets. These bills are a slightly different and a slightly more simple approach and are targeted toward small- and middle-sized businesses and it basically adjusts the amount that they can retain out of their sales tax submission as their fee for collection, rather than trying to fiddle with the credit card charges. The bills are identical. In one bill it simply says, 5 percent of the first \$6,000. That would be up to \$600. And the other one splits it and says, 5 percent of the first \$3,000 and half that for the next \$3,000. The fiscal notes are, quite frankly, a little higher than what I anticipated them to be, because we thought they were going to be somewhere in the neighborhood of the \$8 million figure. But still, they indicate what the local merchant is earning and paying to collect the state sales tax and they address an issue of equity. The reason for the two bills is to get an idea of where the numbers broke and to get some idea of whether or not we're willing to equitably treat these folks who are merchants in our state--particularly, the smaller merchants--who shouldn't have to pay the cost of collecting our tax. And I'd be happy to take any questions. I understand that, unlike most of my bills, there's actually somebody here to support them. [LB723 LB724]

SENATOR GLOOR: Senator Smith. [LB723 LB724]

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SENATOR SMITH: Thank you, Mr. Chair. And Senator Schumacher, I, you know, as a small business owner I appreciate the bill and I agree with you that the retailers, the businesses across the state are the agents for the state. We collect the money for them, we remit it. We spend the money with office staff or people in the field or people at the register, we pay the interest on the credit cards, and we get a small \$75 compensation, at most, each month for doing all that. So I totally get it. I agree with you. But because of the size of this fiscal note, if we're going to spend that kind of money, I think something more meaningful to those businesses would be on the income tax reduction side, frankly. So I think I'll leave it at that. Thank you, Senator Schumacher. [LB723 LB724]

SENATOR SCHUMACHER: Thank you, Senator. [LB723 LB724]

SENATOR GLOOR: Senator Scheer. [LB723 LB724]

SENATOR SCHEER: Is there a determination--you talked about small business--so is...are some businesses excluded or how do you determine which businesses are receiving this? [LB723 LB724]

SENATOR SCHUMACHER: It's just on the bottom end of their sales, because the percentage...once you get...it hits the limit and once you have more sales than that you don't get the boost and so, basically, the large sale operations. And I think the folks that would testify can explain what that effective level is. But this is not intended to be a diversion of funds or anything to the large, large businesses. Nor...I mean, you think the fiscal note is high here, I mean, it would be very, very, very high. This is a small, middle-class business. [LB723 LB724]

SENATOR SCHEER: I guess my question was--maybe you know the answer, maybe not--but say, for example, businesses that would have a high number of outlets--use Casey's or somebody--that they collect sales tax at each one. I'm assuming it's a sales tax number for each location. So would each one of those locations receive the credit? [LB723 LB724]

SENATOR SCHUMACHER: You know, I don't know if that's figured as a consolidated base or not. Perhaps legal counsel could tell us or the folks that are testifying, whether they file that as a consolidated location or each individual location. [LB723 LB724]

SENATOR SCHEER: Okay, thank you. Thanks, Senator Gloor. [LB723 LB724]

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SENATOR GLOOR: We're just asking the same question amongst ourselves, so...and we don't know. We'll get an answer to that in a minute, I'm sure. I'm positive we'll get an answer. Whether it's correct or not, I don't know, but. [LB723 LB724]

SENATOR BRASCH: We have a testifier, I think he's going to talk about it. [LB723 LB724]

SENATOR GLOOR: Yes. Yeah, exactly. Any other questions? Thank you. I'm assuming you're sticking around to close perhaps. [LB723 LB724]

SENATOR SCHUMACHER: Yeah, I'll stick around. [LB723 LB724]

SENATOR GLOOR: Thank you. We'll move to proponents. [LB723 LB724]

JIM OTTO: (Exhibits 3, 4) Senator Gloor and members of the committee, my name is Jim Otto, J-i-m O-t-t-o, I am president of the Nebraska Retail Federation. I'm also a registered lobbyist...I'm a registered lobbyist for the Nebraska Retail Federation, also for the Nebraska Restaurant Association. I'm here to testify in favor of both LB723, LB724 on behalf of both associations. I also...Kathy Siefken of the grocers was here, had to leave, I turned in a green sheet for her. She wanted to express their support. I also...you're receiving a letter from the Professional Golfers Association of Nebraska. Mr. Kohout was going to testify, but also had to leave, so wanted to mention that. The one thing I want to...I also included a little story problem here that explains what Senator Schumacher was talking about when it comes to credit cards and the portion that retailers and restaurants and anyone else who collects sales tax does not get because they pay the credit card fee on the sales tax portion. In 2009, Senator Karpisek introduced a bill that would only reimburse the...specific purpose of that bill was to reimburse the business for the sales tax...the credit card fee on the sales tax portion. The reason for that bill was just to get the fiscal note. It would have been a nightmare to implement. I just wanted to see what the fiscal note was because it's one thing for the industry to say what it is, it's another thing for the state to say what it was. And that bill...the fiscal note for that bill is on the back. And in 2009, that was \$8 million and some dollars. If you take that out to 2010, it comes to \$10 million. So bottom line is, the collectors and remitters of sales tax in the state of Nebraska, according to the state Fiscal Office, are remitting \$10 million more a year than they receive on a net basis each year, so just want to make that point. In answer to...what it really comes down to is the unfairness comes in the credit card collection, as Senator Smith said. And to answer Senator Smith's question, it is per...the way it's presently written it is per...excuse me, Senator Scheer's question? I'm sorry. But anyway, it is per location, presently. Now that's maybe not the way it should be, but presently it is. So I guess I'm going to sum it up really quickly. I had several other things to say, but I would say, just to sum it up, it's kind of a Cinderella story, in that retailers and restaurants are playing the role of Cinderella and the state of Nebraska is actually the mean

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stepmother. That mean stepmother has her favorite children: manufacturers, insurance, finance, sports arenas. Gives them tax breaks. LB775, job creation incentives, infrastructure assistance, the list is a long one. All of this while Cinderella does the heavy lifting of collecting a huge portion of the state's sales tax revenue and in return that mean stepmother not only doesn't give them equal tax breaks, she allows them only a pauper's pittance, which doesn't begin to cover the cost of collection. Then I'd finally like to address the fiscal note. This morning when I--you know, you always get the fiscal note right before the hearing--I about fell over when I saw the fiscal note. I could not believe it. Now, I do believe it. But in Senator Schumacher's bill that he introduced last year has no cap, although the percentage is smaller. But it has one-half of 1 percent on everything above the first \$3,000, which really favors the very, very large businesses. I mean, the very large, big-box national retailers, not the individual or individually owned businesses. So what we tried to do with this was put a cap on it, but increase the amount that the individually owned businesses get and then not...and then large businesses would get the same amount, but they wouldn't get it up to forever. So I actually expected the fiscal note to be smaller, but it's multiples. So I'm very frustrated. And maybe legal counsel could help, with her experience with the Department of Revenue. But I actually wrote to the Department of Revenue last summer saying, we want to do this. We want to figure out a level. And I understand, they can't help a lobbyist design a bill. But there was...it was not possible for them to give me some ideas of where it should be. So we came up with this. What I would really request of the committee is, can we ask the Department of Revenue to help us craft something that is much more reasonable as far as the fiscal note and still treats businesses fairly? So with that, I'll be quiet. As an amendment, I'm saying. [LB723 LB724]

SENATOR GLOOR: Well, yeah. I don't mean to be flip, but you're the one that brought up the fairy tale metaphor. So, Jim, I mean, that's certainly something that we'll think about a little bit. But I'm not sure that we're going to be any more satisfied than we have been in the past with what we get back in terms of crafting and lowering the dollar amount, if that's what you're asking. [LB723 LB724]

JIM OTTO: Well, I am asking that. But I would just suggest that the new Tax Commissioner, Mr. Fulton, he introduced this legislation when he was a state senator. He actually, truly, understands the issue. So I think he... [LB723 LB724]

SENATOR GLOOR: Well,... [LB723 LB724]

JIM OTTO: ...I don't know what he can do or what he can't do or what he would do, but... [LB723 LB724]

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SENATOR GLOOR: Well, certainly, Senator Schumacher is a good advocate for his bills and so I have no doubt that we'll have some further discussions about that. [LB723 LB724]

JIM OTTO: Okay. [LB723 LB724]

SENATOR GLOOR: Any other questions? Senator Scheer. Sorry. [LB723 LB724]

SENATOR SCHEER: Twofold. First one, which you addressed, is the amount. And your first (inaudible) handout says you've lost \$10 million and thus we're going to give you \$30 million back (inaudible). [LB723 LB724]

JIM OTTO: Which I understand, that ain't going to happen. [LB723 LB724]

SENATOR SCHEER: That seems a little odd. And I guess if somebody wanted to be fairly cold about it in reference to one of Senator Harr's comments earlier in the day, this is based on credit cards. A business doesn't have to use credit cards, they don't have to accept credit cards. Is that how society works now? Yeah, it does. But one could almost consider that a cost of doing business. I'm not saying that's right or wrong, but they don't have to lose the money. I've got businesses and we do that and we end up eating the same amount. But we do that knowingly, because of the convenience it offers the client and assuming that they'll buy something from me rather than somewhere else because they may not be able to use their credit card. Or the other people do accept credit cards so I almost have to, to be competitive. [LB723 LB724]

JIM OTTO: You're correct. I would simply submit that if nobody collected credit cards or accepted credit cards, the state sales tax numbers would be drastically reduced. [LB723 LB724]

SENATOR SCHEER: Could be. Could be. [LB723 LB724]

SENATOR GLOOR: Thank you for your testimony. Other proponents for this bill? [LB723 LB724]

JIM OTTO: Thank you. [LB723 LB724]

SENATOR GLOOR: Good afternoon. [LB723 LB724]

NICOLE JESSE: Good afternoon or good evening, almost. [LB723 LB724]

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SENATOR GLOOR: Good evening. [LB723 LB724]

NICOLE JESSE: Senator Gloor, senators and members of the Revenue Committee, my name is Nicole Jesse, that is spelled N-i-c-o-l-e J-e-s-s-e. I co-own and manage the La Casa Pizzeria in Omaha, Nebraska. I am also the current president of the Nebraska Restaurant Association. And I'm here today to testify in favor of LB723 and LB724. And I'll try to make my comments brief, but just so that you kind of get a flavor for what it is like for a small business. Our industry has seen a significant increase in the amount of credit card sales in the past 14 years, when the original legislation was put in place regarding the remittance that would be given to establishments that accepted credit card sales. And I do want to make a comment, Senator Scheer mentioned, regarding credit cards, not having to accept them or accepting them. And they have done numerous studies which basically say, people will spend more if they can use a credit card, which means more tax revenue for the state and local municipalities. So credit cards used to represent approximately 50 percent of my sales when we started accepting them 20 years ago. It is now 80 percent of my sales. So it is a significant number and I do expect that to go up as credit card usage increases. Likewise, our fees also increased and in 2014, they exceeded \$40,000. That was an increase of 25 percent in just the last five years. So, again, we are seeing an increase in usage as well as our fees. Our fees are approximately 2.5 percent for each transaction. And that amount is included in our sales total when our sales taxes is calculated for remittance purposes. So as a result, we are paying the state and, in our case, the city of Omaha for money that we do not retain, as well as paying the credit card companies for the processing fee. The average fee we paid in 2015 per month was \$3,400. That was, again, included in our sales total in terms of calculating our sales...our taxes. We pay approximately \$12,000 a month to the state of Nebraska in sales tax and we also pay the occupation tax to the city of Omaha at approximately \$4,700 a month. The only reason I bring that up is, obviously, you have no control over the occupation tax, but it helps you to understand what our tax burden and responsibility is as a small business. What that means is, we basically paid \$360 a month in taxes that were based on credit card fees. Now that may not seem like a very significant number to some people, but for a small business--particularly one in an industry where we have fairly small profit margins to begin with, it is a significant number. And so we obviously would appreciate any type of tax relief we would be able to benefit from this legislation. And I thank you for listening to my testimony today. I also want to thank Senator Schumacher for bringing this forward to the committee for consideration. And I will be happy to try and answer any questions you may have. [LB723 LB724]

SENATOR GLOOR: Just by way of clarification--I'm pretty sure I know the answer--but when you say credit cards, you're also including debit cards in there... [LB723 LB724]

NICOLE JESSE: Yes. Correct. [LB723 LB724]

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SENATOR GLOOR: ...because we're (inaudible) the same banking transaction (inaudible).
[LB723 LB724]

NICOLE JESSE: Right, correct. Yes. [LB723 LB724]

SENATOR GLOOR: Any other questions? Senator Scheer. [LB723 LB724]

SENATOR SCHEER: Just a comment. And I appreciate you coming and speaking today. But you also sort of made the point to the extent that you said, when people use credit cards, they spend more money. [LB723 LB724]

NICOLE JESSE: Correct. [LB723 LB724]

SENATOR SCHEER: So if they spend more money, obviously you have a better margin as well, than if they were not spending...if they use cash. So if you're getting 10 percent or 15 percent more volume based on the convenience of those people using it, they don't pull the cash out, they don't see the cash, they just see the thing and they sign it. I understand all that, but that is an advantage to you as well as the purveyors of those businesses, that additional volume of growth. So it's sort of the dual-edged sword. You know, when you take them, you have to pay for them. But if they increase your sales, does that offset the cost of (inaudible)? [LB723 LB724]

NICOLE JESSE: I would have to probably go back and calculate what that actually represented. I will tell you that our profit margin percentage has gone up slightly in the last 20 years. I wouldn't say it's probably been a significant increase, only because--as you well know--along with increased sales we've also had increased costs. And in my industry, it's not only been labor, but it's also been commodities. The city of Omaha enacted an occupation tax directed specifically at my industry, which also added another burden. So it's...there's a lot of increases across the board. [LB723 LB724]

SENATOR SCHEER: Fair enough. But we didn't control the city of Omaha (inaudible) 2 percent on and if that's cut into your margin, I feel badly for that. But, you know, we're talking about credit card usage and so forth. But if you ever do that, I really would be interested to know what the difference was in relationship to 10 or 15 years ago when maybe credit cards were maybe 5 percent or 10 percent of your volume and it was either check or cash before. So thank you very much. Thank you, Senator. [LB723 LB724]

NICOLE JESSE: Thank you. [LB723 LB724]

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SENATOR GLOOR: Thank you for your testimony and your patience today. Good day. [LB723 LB724]

THOMAS WRIGHT: Tom Wright, W-r-i-g-h-t, I co-own Wright's Jewelers with my wife Mary here in Lincoln. Not to belabor everything that's been said so far by Jim and the previous speaker, I have the same things. We are in favor of some sort of help, relief, adjustment, whatever you want to call it. I do feel the credit card issue is one of the biggest issues affecting...and I would put it another way, Senator Scheer, is that no one in the state of Nebraska that's in a substantial retail merchant position can operate without credit cards. They could choose...it is a choice, but they will be closed if they don't. I'm in...in my business, the season just past, I was in excess of 60 percent was bank cards. Most people, when asked about not using bank cards, a major portion of them cannot do it without bank cards. Bank cards have become their payment plan. Bank cards have become a way of life that has made it so it is no longer a choice. I have had, in especially large sale situations, where bank cards in that instance can make a 5 percent difference in my profitability, because that's what I have to pay in some cases, especially American Express. I have actually negotiated and said, hey, if you'll write a check or pay cash, we'll do different. But in many cases, they say, no, that is not something they can do or wish to do. So it is something that the bank card situation and we paying on what we aren't really selling, that extra 5 percent. The bank card fees range between 2.7 percent and 5-plus percent. The changes are what type of sale it is and what bank card it is. American Express is the highest cost to a merchant there is. If we had our way we would say, no, to American Express. But if you do, be expecting to lose a major portion of sales. And you do that and you won't be here. So anyway, not to repeat everything everyone has said, we are definitely in favor of something. We would like to see some information on this issue of the bank card. Any questions? [LB723 LB724]

SENATOR GLOOR: Are there any questions? Senator Scheer. [LB723 LB724]

SENATOR SCHEER: Before I ask, did you see this handout, because I'm just wondering (inaudible)... [LB723 LB724]

THOMAS WRIGHT: Just briefly, I didn't... [LB723 LB724]

SENATOR SCHEER: Then I'm not going to ask you. That's fine. [LB723 LB724]

THOMAS WRIGHT: No. Go ahead, I read through it. [LB723 LB724]

SENATOR SCHEER: No. No, that's okay. [LB723 LB724]

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THOMAS WRIGHT: Okay. [LB723 LB724]

SENATOR SCHEER: I'm not going to ask you something you don't have in front of you, so I'll let it go. Thank you very much. [LB723 LB724]

THOMAS WRIGHT: Okay. Thank you. [LB723 LB724]

SENATOR GLOOR: Thank you, Mr. Wright. Other proponents. [LB723 LB724]

TIM HRUZA: (Exhibit 5) Good afternoon, again. Chairman Gloor and members of the Revenue Committee, my name is Tim Hruza, that's T-i-m H-r-u-z-a. I'm appearing, again, on behalf of the Lincoln Independent Business Association and our 1,300 member businesses in the Lincoln area. I'm passing around a statement, again, from our board of directors. I'll paraphrase that as quickly and briefly as possible for you. But I just want to convey our support for the general concept that's conveyed in Senator Schumacher's bills. We've received a lot of feedback from our members after these two bills were introduced this year. And as the previous testifiers have explained, in our ever-increasingly digital world where we're relying on credit card machines, credit cards, debit cards to transact business throughout the state, the costs are becoming more clear and a little bit more burdensome for those businesses that have to collect sales tax for the state. It's a revenue source that our state relies on. It's a lot of work for our businesses in trying to...in collecting that on behalf of the state. They do so willingly. And we would just ask that this committee take a real look at different ways...and if Senator Schumacher's proposal here ends up costing too much, we're certainly sympathetic to that, seeing the fiscal note that came along with it here. We're also...we also ask that you continue to look for options to try to find a way to offset and balance the costs of collecting those fees on behalf of the general taxpayers of Nebraska. Those sales tax dollars go to benefit a lot of different programs and businesses are bearing the cost of collecting that through their credit card transaction fees. So with that, I'd be happy to answer any questions from you. But otherwise, thank you again for listening to me today. [LB723 LB724]

SENATOR GLOOR: Thank you. Any questions? Thank you, Tim. [LB723 LB724]

TIM HRUZA: Thank you, Chairman Gloor. [LB723 LB724]

LARRY DIX: Good afternoon, Senator Gloor. Members of the Revenue Committee, my name is Larry Dix, spelled L-a-r-r-y D-i-x, I'm executive director of Nebraska Association of County Officials. When we typically look at this bill or both bills, LB723, LB724, you may say, what are the counties doing here? This is more business related, credit card related. Counties are probably

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one of the largest collectors of sales tax. When you think about it, we do all the sales tax collection on the motor vehicles that are licensed in the state of Nebraska. And to take you back a number of years ago when the fee was substantial, rather substantial, the state fell on hard times. The statement around there was, we've got to reduce this, but when times get better, counties, don't worry. We're going to be there to help you out and increase this fee again. And as you can see from the fiscal note, there's a significant increase to revenue for counties. And our county or the Nebraska Association board has supported this throughout the years through all the iterations of folks introducing it. We've introduced it a number of different ways. We've introduced it so it only affects the county treasurers only. We like to view, from the counties' point of view, we like to view this as possibly a partnership that we are in with the state of Nebraska. We just feel that it just seems to be a one-sided partnership and years ago, it certainly was not that way. But we do collect a significant amount of sales tax for the state of Nebraska and do a significant amount of work in collecting that sales tax. And so whenever this bill comes up, we're always going to be here. We're going to have the same story. And, hopefully, someday we'll be able to figure this out so we can get our collection fee back. The unique thing about this that I tell everyone, it doesn't make any difference if you do the work in Douglas County and how many hundreds of thousands of cars that they go through it or if you do this work in Thomas County and the few that they go through it. Both counties are going to receive \$75 a month for the work that they do collecting the sales state tax. So with that, happy to answer any questions that you would have. [LB723 LB724]

SENATOR GLOOR: Thank you, Mr. Dix. Senator Scheer. [LB723 LB724]

SENATOR SCHEER: Well, just in response to that. Thanks for coming, Larry. [LB723 LB724]

LARRY DIX: Sure. [LB723 LB724]

SENATOR SCHEER: But realistically, they're both going to end up collecting the same amount...that same amount of dollars for the sales tax. That doesn't change, because they're both going to max out at the same amount. Right? The two counties. [LB723 LB724]

LARRY DIX: Yeah. Oh, both counties are going to max out at the same time. For the most part, both counties are going to...like Douglas County is going to max out probably on day one. [LB723 LB724]

SENATOR SCHEER: Well, but, that's my point. So even this doesn't change that. I mean, from your vantage point. [LB723 LB724]

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LARRY DIX: No, this does. There would be a significant amount of money flowing to Douglas County as compared to some of the smaller counties, based on the amount that they collect. [LB723 LB724]

SENATOR SCHEER: Well, it's just one the first few thousand dollars of proceeds. [LB723 LB724]

LARRY DIX: No, no, no. No, not the way I read it. And I certainly could be wrong, but I think some of the counties would not necessarily hit that max. So the smallest of counties, there's not... [LB723 LB724]

SENATOR SCHEER: I'll let Senator Schumacher know, because maybe I'm confused (inaudible). [LB723 LB724]

LARRY DIX: Yeah. Well, I think the smallest of counties don't have the volume that they would necessarily hit the max, but like Douglas County and the large counties, yeah, they're going to all hit the max. I think I may have misinterpreted what you were asking, but they will hit it. Some of the small counties may not hit it each month. [LB723 LB724]

SENATOR SCHEER: Okay. [LB723 LB724]

SENATOR GLOOR: Thank you for your testimony. Any other proponents? Any opponents? Anyone in a neutral capacity? Senator Schumacher. [LB723 LB724]

SENATOR SCHUMACHER: I seem to recall that Cinderella was from Finland and it's approaching midnight in Finland, so before she turns into a pumpkin...I don't have anything else. [LB723 LB724]

SENATOR GLOOR: Are there any other questions? Yes, Senator Brasch. [LB723 LB724]

SENATOR BRASCH: I was waiting to hear you say, and they lived happily ever after. [LB723 LB724]

SENATOR SCHUMACHER: Unless you're a merchant, then you just go on and on. [LB723 LB724]

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SENATOR GLOOR: Thank you. And with that, we will end the hearings on LB723 and LB724. And this ends the hearings for today. Thank you. [LB723 LB724]