

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

Revenue Committee
January 27, 2016

[LB685 LB870 LB888 LB941]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 27, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB941, LB685, LB888, and LB870. 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: I think we're going to get started. Good afternoon, everybody. I'm Mike Gloor, I'm the Senator from District 35 which is Grand Island. I'm Chair of this committee. We'll take the bills today as listed on the memo outside the door. A few general rules. First, if you have a cell phone, please turn it off or put it on mute. If you are providing testimony today, we need you to do a number of things. One is, move up closer to the front when we get to the bill that's of interest to you so we're not spending a lot of time with people going back and forth. You need to fill out one of the sign-in sheets back, pink or coral, pick your color palette, but they need to be filled out and then handed to Krissa, who is on your right, my left here, the committee clerk. If you have handouts, we need 11 of those so that we have enough for the record as well as for all of the senators and staff. If you do not have 11 copies, get the eye of one of the pages so that a page can be sure and get those copies for you. The order of testimony is the introducer...senator who is the introducer of the bill. Then we'll move to proponents, and we'll move to opponents, then those in a neutral capacity, and we always allow the senator the opportunity to close on the bill if they so desire. When you get up to testify, please spell your name. It's for the record. Be concise, we have a light system here, and today we're limiting testimony to five minutes. So you'll get a green light when the clock starts to tick. When you have a minute left, the light goes to yellow, and when your time is up, it turns to red and you need to wrap up your comments or you can count on me providing a polite verbal tap on the shoulder that you need to wind things down. If you'll...when you testify, please be sure and speak into the microphone so that we can get it for the transcribers. That's also a comment I make for the benefit of the senators to make sure that they get close to the microphone so we can get their comments also. To my immediate right is counsel, Mary Jane Egr Edson; Kay Bergquist is our research analyst to my far right; and Krissa Delka is counsel...or excuse me, the clerk for the committee. Some day, she'll probably be counsel, but right now, she is the clerk for the committee. I'm going to ask the senators to introduce themselves. Let's start today with Senator Scheer.

SENATOR SCHEER: Oh, a switch up. Jim Scheer, District 19, which is Madison County and a little bit of Stanton County, northeast Nebraska.

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

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

Revenue Committee
January 27, 2016

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

SENATOR SCHUMACHER: Paul Schumacher, District 22. That's Platte and parts of Colfax and Stanton County.

SENATOR HARR: Burke Harr, Legislative 8, but representing the great state of Nebraska.

SENATOR BRASCH: Lydia Brasch, District 16, Burt County, Cuming County and Washington County.

SENATOR GLOOR: And our pages today are Jordan from Oakland and Brenda from Wakefield. And again, they're here to help you as well as help us. One final comment. If you would like not to provide specific testimony at the microphone but would like your stand on this bill to be known, there's a sign-up sheet in the back and you can do that and we'll enter you in the record. And with that, we'll move to the agenda. The first bill is LB941, which is my bill, and I'll turn it over to the Vice Chair, Senator Schumacher.

SENATOR SCHUMACHER: Senator Gloor, welcome to your committee.

SENATOR GLOOR: Thank you, Senator Schumacher, and good afternoon, members. This is one of those bills that the Chair has the honor of covering. My name is Mike Gloor, G-l-o-o-r. This bill is the annual update of all references to the Internal Revenue Code in Nebraska statutes. It ties us to the federal code as it exists on the effective date of the bill with certain specified exceptions. Number one, Article VIII, Section 1B, of the Nebraska constitution which states that when an income tax is adopted by the Legislature, the Legislature may adopt an income tax law based upon the laws of the United States. Number two, the statute sections listed in Section 1 of the bill that govern Nebraska's income tax, and three, the statute sections listed in Section 1 of the bill that govern Nebraskan's business tax incentive programs. The bill contains an e clause. And I was visiting with Senator Scheer earlier today--Senator Schumacher would recognize this also--this would be the equivalent for those of us who served on the Banking Committee of the wild card as relates to banking statutes and in this case as relates to tax and tax statutes. And with that, that's my introduction of this bill. [LB941]

SENATOR SCHUMACHER: Thank you, Senator Gloor, for the shortest opening of this year. Are there any questions for Senator Gloor? Seeing none, are there any proponents? Anybody in opposition on LB941? Anybody neutral on LB941? Seeing none, Senator Gloor, would you like to close? Senator Gloor is waiving and that concludes the hearing on LB941. [LB941]

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

Revenue Committee
January 27, 2016

SENATOR GLOOR: Thank you, Senator Schumacher. And for those of you in the audience, we've tried to set the standard for what our expectations are for all the other bills today. (Laughter) Welcome, Senator Bolz. We'll move to LB685. Nice to have you here.

SENATOR BOLZ: Well, thank you and you're quite the act to follow, Senator Gloor. (Laughter) Today, I bring you LB685. Knowledge, skill and talent are essential factors for a 21st century economy. And for Nebraska to compete on an international stage, we must keep the best and brightest here. [LB685]

SENATOR GLOOR: Could I ask you to spell your name for us? [LB685]

SENATOR BOLZ: Oh, forgive me. You're my first bill of the session. I've forgotten the M.O. here. I am Senator Kate Bolz. I'm proud to represent District 29 in south central Lincoln. It's spelled K-a-t-e B-o-l-z. So, as I was saying, we, of course, need the best work force we can possibly have in our state and yet work force quality and availability is the top concern of Nebraska businesses and organizations. And for the fourth year in a row, it has been the number one concern of the Nebraska Chamber of Commerce survey. Brain drain is, of course, an issue in Nebraska and we lose an average of 4,000 educated individuals from our state each year. So while I'm personally convinced that Nebraska is indeed the center of the universe, it seems that we need a robust policy to build and retain the work force that we need for the future. So I believe that LB685 is the targeted and strategic tool to help keep the best and the brightest here in the Cornhusker state. The bill would create a tax incentive for businesses that choose to provide student loan repayment as a part of their employment benefit package. Businesses would pick up to half of the cost of the benefit and the tax incentive would cover the other half not to exceed \$1,800 per employee, or half of the average cost of a student loan payment over a year. Each business to claim the nonrefundable credit for up to 20 employees and 25 percent of all credit would be targeted to small businesses. The program overall is capped at \$1.5 million, so companies would need to preregister to qualify for the credit. Employees would also be Nebraska high school or college graduates and would need to be employed for at least 12 weeks before they could qualify for the credit. This strategy in addition to providing other tools in the employer recruitment and retention tool box will benefit the employees directly. So, we all know that Nebraska families work hard to save for college. We know that thousands of Nebraska families take advantage of our 529 tax resavings account. And we know that Nebraska students work too. A U.S. census report determined that 71 percent of college students today work. However, the cost of college has increased substantially over the last ten years and the student loan debt borrowed to attend Nebraska's public post-secondary institution has increased over 100 percent. So of the 40,000 Nebraskans who would qualify for the Nebraska Opportunity Grant, our financial aid program for low-income students, only about 39 percent actually receive a grant. So all of this adds up to smart, educated, ambitious young people who graduate with debt. And 63 percent of students in Nebraska do graduate with debt in spite of their hard work while

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

Revenue Committee
January 27, 2016

they attend college and in spite of family's efforts to save for college. So I think this is a targeted incentive and I think it will help to keep young people in Nebraska, and I would be happy to answer any of your questions. [LB685]

SENATOR GLOOR: Thank you, Senator Bolz. I noticed that a qualified employee must be employed for 480 hours in Nebraska during the taxable year. But if...I think the general standard for full-time is 2,080 hours. That's about quarter-time, a little over quarter-time. That strikes me as a relatively low number, but obviously you felt it was an appropriate number. Could you explain that? [LB685]

SENATOR BOLZ: That's helpful perspective, I think. We were thinking about it a little bit differently in that that represented 12 weeks of full-time employment. So our goal was to make sure that a person was significantly attached to the labor force before they would qualify as a part of this program. But maybe there's a better way to nuance that language or to maybe say more clearly what we mean, which is that that person must participate in the work force and be committed to working in Nebraska before... [LB685]

SENATOR GLOOR: Yeah, and maybe my translation is an inappropriate one, but I understand where you're coming from now and that it makes more sense as opposed to 480 hours during a taxable year, so I'll take a look at the language also. [LB685]

SENATOR BOLZ: Yeah, we will too. [LB685]

SENATOR GLOOR: Senator Sullivan. [LB685]

SENATOR SULLIVAN: Thank you, Senator Gloor; and thank you, Senator Bolz. In your research for this legislation, do you have any idea how many businesses or the types of businesses that might be offering either tuition reimbursement or loan forgiveness? [LB685]

SENATOR BOLZ: It's a good question and we'll do some more research on it. I'm not clear...I don't want to give you bad information, so let me look into it and see how many are currently participating. [LB685]

SENATOR SULLIVAN: But there are...there is activity currently being done, is that right? [LB685]

SENATOR BOLZ: That's my understanding. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SULLIVAN: Okay. [LB685]

SENATOR GLOOR: Senator Schumacher. [LB685]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you, Senator Bolz, for presenting this bill. Did...in working up this bill, did you look at whether or not the payment by the employer to the...on the loan, is that taxable income at a federal and state level to the recipient? [LB685]

SENATOR BOLZ: It is taxable income. [LB685]

SENATOR SCHUMACHER: So basically, they're still going to have to pay tax on that amount. [LB685]

SENATOR BOLZ: That's correct. [LB685]

SENATOR SCHUMACHER: And likewise is the credit that the employer gets from the state, is that taxable income for the employer? [LB685]

SENATOR BOLZ: My recollection is again, yes, but let me confirm that side of it. I know for certain it is for the individual. Let me just confirm that I'm not missing something on the other side. [LB685]

SENATOR SCHUMACHER: Thank you very much. [LB685]

SENATOR GLOOR: Senator Brasch. [LB685]

SENATOR BRASCH: Thank you, Chairman Gloor; and thank you, Senator Bolz, for bringing this forward. I do have two questions. And when you say the state has lost over 8,000 college graduates in a two-year span of time, are those resident Nebraska graduates, or does that include nonresidents who may be here just for an education, but truly are residents of another state, or...? In your opening, you talk about the students we've lost. [LB685]

SENATOR BOLZ: Right. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR BRASCH: And so are those numbers reflective of total graduates, resident, nonresident, or is that 8,000 former residents of Nebraska...or graduating and choosing to go elsewhere? [LB685]

SENATOR BOLZ: Right. Fair question. I know that the source of the data is U.S. Census data. I don't know that the data reported out the original origin of the students themselves, but what I would say in terms of students is that if we are losing those folks who were once here, could we use this as a strategy to keep them whether they intended to move back to Utah or Montana or Florida or not. Could this be something that helped us keep them here. [LB685]

SENATOR BRASCH: And I believe the university may be able to validate that. We just had the numbers from a veterinarian's college on students attending college in Iowa who have decided to stay in Iowa or return. And then the next question that I also have is, on this bill, is this occurring in other states? How many states are currently doing this to be competitive with other...? [LB685]

SENATOR BOLZ: Yeah, it's a good question. And to my knowledge there are not any other states who are participating in a program like this. Montana had a bill that advanced through their Legislature but didn't make it across the finish line, and a couple other states have pursued these types of ideas as well. So I think it has potential to be an innovative exceptional thing that we offer in Nebraska. I don't mean to keep talking too much, but I would compare it to the Intern Nebraska Program, which I think has been very well-received and has very much helped young people stay and find positions here. [LB685]

SENATOR BRASCH: Okay. Very good. I have no other questions. Thank you. [LB685]

SENATOR GLOOR: Other questions? Senator Scheer. [LB685]

SENATOR SCHEER: Senator Bolz...thank you, Senator Gloor. How do we...how do you determine what is a qualified loan or what goes into those dollars? [LB685]

SENATOR BOLZ: So it's attached to some federal definitions of what a qualified student loan is and I can give you the formal official citations, if you'd like. [LB685]

SENATOR SCHEER: I noticed that it's a graduate from a two- or a four-year program. What about those that do not graduate, maybe three hours short, or, you know, will pass, may have three years of a four-year degree, will pass to two-year portion for our community college. Why are we differentiating there? [LB685]

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

Revenue Committee
January 27, 2016

SENATOR BOLZ: It's a fair question. Two answers. The first answer is, I think, it's an effort to recruit and retain high-quality employees that these businesses are looking for and so how do you qualify that. And it seems that graduates would be a good qualification. The other reason for referencing graduates is, I don't necessarily think that the best public policy is to offer the student loan repayment to someone who may or may not have completed a degree in the high-demand field. You know, I don't know if that's... [LB685]

SENATOR SCHEER: Well, I don't know that I necessarily agree with that, but would it also include though a graduate then of a certificate program? I mean, for example, we keep hearing that there's this unmet demand for welders. Well, I don't know that there may be certificate programs out there for welders, but not necessarily attaining a two-year diploma from a community college though. [LB685]

SENATOR BOLZ: Yep, so I see your colleague, Senator Smith, nodding his head, so I think there's a good argument to be made there and I'd be happy to work on an amendment to that end. You're absolutely right. Those folks have real skills to offer the labor force. [LB685]

SENATOR SCHEER: Thank you, Senator Gloor. [LB685]

SENATOR GLOOR: I see no further questions, Senator Bolz. Would you plan to stay to close? [LB685]

SENATOR BOLZ: Yeah. [LB685]

SENATOR GLOOR: Okay. [LB685]

SENATOR BOLZ: Thank you. [LB685]

SENATOR GLOOR: We'll now move to proponents for the bill. Proponents step forward now, please. Do you have a sign-in sheet? Thank you. [LB685]

NICK DEVINE: (Exhibit 2) Senator Gloor and members of the Revenue Committee, good afternoon. My name is Nick Devine, for the record N-i-c-k D-e-v-i-n-e, and I am a student at the University of Nebraska-Lincoln. I am here to speak on behalf of the Association of Students at the University of Nebraska, and our student body as a whole, in support of LB685. To clarify, I do not speak on behalf of the university, only its student body. The average student at the University of Nebraska-Lincoln ends their postsecondary career with around \$21,000 in student loans according to UNL's Student Loan Planning Guide. While the standard federal loan has a

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

Revenue Committee
January 27, 2016

ten-year repayment program, the U.S. News and World Report found that the average student actually pays off their loans over a period of about 20 years. These student loans become a major inhibition to new graduates trying to start families and careers. They take money away that could go to rent, groceries, or medical bills. The graduates who would gain the most from this passage of this bill would have a desire to give back. Currently, almost 70 percent of our graduates stay to work in Nebraska already, strengthening our economy. However, as more and more companies across our country start offering loan repayment programs, it would be a mistake to allow Nebraska to fall behind. This bill creates a better incentive for companies to help them repay their loans, and a better incentive for our students to stay in the state. We cannot afford to lose our graduates to Silicon Valley, to Austin, or to anywhere else, and God forbid, we ever lose any to Iowa. (Laughter) In addition, this bill has a safeguard in it that would be a direct payment between the employer and creditors taking away any risk that this money could ever go to something besides student debt. While this bill will not limit the amount of debt a student leaves with, it will help them overcome the incredible burden that student debt has become. It will let them build a firm foundation in our state, keeping them here, and growing our economy further. While LB685 is a substantial expenditure, I have no doubt that it will more than pay for itself over time. Thank you all for your time today. [LB685]

SENATOR GLOOR: Thank you. Are there questions of Mr. Devine? Senator Scheer. [LB685]

SENATOR SCHEER: Thank you, Senator Gloor. Just real quickly, you note the university system, 70 percent of its graduates stay within the state upon graduation. [LB685]

NICK DEVINE: Yes, sir, and that's all levels, including both undergraduate, graduate, and the professional schools as well. [LB685]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB685]

SENATOR GLOOR: Other questions? Senator Schumacher. [LB685]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony today. This program is capped at a million five in state expenses and if you figure, well the employers got to come up with double that, point three million dollars, and that's a teeny, tiny percentage of student debt. So it being capped, a whole lot of the people that you're talking about aren't going to get even close to smelling it. Is there a more equitable program than to just pick a few whose employers are the first to the trough? [LB685]

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

Revenue Committee
January 27, 2016

NICK DEVINE: I personally can't speak on any programs in Nebraska. I do believe, though, that this is a great start. I mean, we have to start somewhere. And so it might not be the most equitable, but if we continue moving forward and if we find that this program is incredibly successful, you'll probably see another student here in two or three years asking for it to be extended. But as of right now, I don't know of any more equitable alternatives. [LB685]

SENATOR SCHUMACHER: Thank you. [LB685]

SENATOR GLOOR: Any other questions? Seeing none, thank you for your testimony, and thank you for doing it in written form. It does help to have to look at. Good afternoon. [LB685]

TIP O'NEILL: (Exhibit 3) Good afternoon, Senator Gloor, members of the Revenue Committee. I'm Tip O'Neill, that's spelled T-i-p O-'-N-e-i-l-l. I'm the president of the Association of Independent Colleges and Universities in Nebraska. Represent 14 private colleges which are located in the state. I'm here to support this bill and will be supporting Senator Harr's bill after this one just because we like bills like this because we think they're interesting and we think bills that incent college graduates to stay in the state after they graduate, are good for the state's economy. And whether this bill or Senator Harr's bill help do that, we don't know the exact vehicle that will work best for the state of Nebraska, but we think this one has potential. I've handed out some information on what debt loads are for undergraduate students who attend Nebraska colleges and universities. This information comes from a federal data source from the College Scorecard. It's generally available to all perspective students who are looking at Nebraska colleges, universities, and want to know what programs they have and what sort of debt they come out of college with, if they go to college. It may give you an idea, but let me tell you that a student, for example, who borrows in the neighborhood of \$26,000 to go to get a four-year degree from Nebraska, a college or university, would on average if they enter into a normal repayment sort of situation, would have to pay about \$291 a month over a ten-year period at 6 percent interest rate to pay off their student loans in ten years. Now most students enter into an income contingent repayment sort of process where they base their loan repayment on whatever income they make and that's capped at a certain percentage. And sometimes when they do that, it takes longer to pay off that student loan. And so, that's why it may take 20 years or so to pay off some student loans, but again, you know, we would say that for the most part student loan debt is manageable. And if you look at the difference between what value a college degree has versus what the value is of just having a high school diploma, it probably averages a million dollars over the lifetime of the person who has that degree. So we would say it's worth it, so. Be happy to answer any questions you might have. [LB685]

SENATOR GLOOR: Thank you, Mr. O'Neill. Questions? Senator Smith. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SMITH: Thank you, Mr. Chairman. A quick question on...does this bill explicitly exclude student loans which are the liability of the parent? [LB685]

TIP O'NEILL: Yes, it...I, you know, I...it says loans covered under Title 20. And I was looking for that information in the hour before I came over to testify and I couldn't really tell whether...but I think it's loans personal to the borrower, and plus loans are loans that are incurred by the parent. So I would say that those would not be loans. I was looking more at private loans because, again, when you're looking at the information from College Scorecard, it only covers loans that are part of the federal system. It does not cover plus loans or private loans. So this may understate the borrowing that a student has for college. [LB685]

SENATOR SMITH: So the Title 20 defines that. [LB685]

TIP O'NEILL: Title 20 defines what loans are covered under the bill as written, yes. [LB685]

SENATOR SMITH: Thank you. [LB685]

SENATOR GLOOR: Senator Schumacher. [LB685]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony. The bill's targets seem rather parochial in that it's restricted to people who graduated from a college in this state, graduated from a college somewhere else, but they graduated from high school in the state. Is there any reason that we would not value equally as much any college graduate who graduated from any place who moved to this state? [LB685]

TIP O'NEILL: I don't know why the parameters are on the bill as they are. I assume that's in an attempt to keep a fiscal note at a reasonable level. [LB685]

SENATOR SCHUMACHER: It's capped at a million five, so it doesn't matter. [LB685]

TIP O'NEILL: Yeah, I can't tell you the reason why the bill was drafted... [LB685]

SENATOR SCHUMACHER: What percentage of the faculty at Creighton is high school graduate and college graduate of somebody in this state or an institution in the state? [LB685]

TIP O'NEILL: I have no idea, Senator, what...do you mean what percentage of the faculty graduated from a high school or a college in Nebraska? [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: What I'm trying to get at is, we're always so concerned about our kids leaving the state. [LB685]

TIP O'NEILL: Uh-huh. [LB685]

SENATOR SCHUMACHER: When...if you have a well-functioning system, there's some equilibrium that's established by people coming into the state. [LB685]

TIP O'NEILL: Right. Right. [LB685]

SENATOR SCHUMACHER: And you want that because you get a mix of ideas and you don't have such inbreeding intellectually. So why would...can you see any good reason to limit this in the way it's limited here instead of just any graduate? [LB685]

TIP O'NEILL: Not necessarily. I think what we're more concerned about is that we tend to export more highly educated people than we import. So, there's a...that's...we have imported more, a lower-educated profile of importees than we have exported. [LB685]

SENATOR SCHUMACHER: And why is that? [LB685]

TIP O'NEILL: Probably because of the jobs that were available. We haven't created enough jobs for our educated citizenry, the people that we have educated here in Nebraska. [LB685]

SENATOR SCHUMACHER: And this bill, of course, does not... [LB685]

TIP O'NEILL: Well, I think it does in that, you know, you can say maybe a chicken or egg argument, but, you know, I don't know, it may give some incentive for employers to, you know, generate some...create some jobs that will keep some college graduates around. I don't know. And Senator Harr's bill may do some of that also, so. [LB685]

SENATOR SCHUMACHER: Thank you. [LB685]

TIP O'NEILL: Sure. [LB685]

SENATOR GLOOR: Other questions? Seeing none, thank you for your testimony. [LB685]

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

Revenue Committee
January 27, 2016

TIP O'NEILL: Thank you. [LB685]

SENATOR GLOOR: Good afternoon. [LB685]

DENNIS BAACK: Senator Gloor and members of the Revenue Committee, for the record my name is Dennis Baack, D-e-n-n-i-s B-a-a-c-k. I'm the executive director of the Nebraska Community College Association, here to testify in support of LB685 and I think I've also submitted a letter in support of LB870 which will follow this bill. I think that all of these bills provide some incentive for people to stay in the state, I think, and I think Senator Schumacher, your question is a good one. Why wouldn't we allow people who were educated elsewhere to be part of this also, and I think that is a possibility that we should do. And I think Senator Harr's bill does do that. I think it allows people from out of state to use that...the things that he provides. In a community college, we certainly have our students. They do borrow money, too, to go to college. It's not nearly as high a debt levels. I did some checking. I found that it ranges from about 16 percent of the students in one college apply...do take out some student loans to up to 47 percent at one of the other colleges where they do take out some loans. The range of debt load ranges from about \$3,800 to \$8,800 on average for a student who leaves the community college. And the default rates range from about 11 percent to 18 percent at the various colleges across the state. So we do have borrowing processes, not nearly as much borrowing, but I think if we can keep those students in the state, this might be a good incentive to do that. In the community colleges we don't lose a lot of them out of state. Quite frankly, we keep about 90 percent of our graduates in the state now, but it might provide an incentive for that other 10 percent that don't stay here to stay in the state. So I think these bills are a good step in the right direction. I know it's capped at 1.5 and it seems to me that in a program when you're first starting a program if you're able to prove that it's a successful kind of program, then you start talking about possibly increasing that cap in later years for more people to apply. So with that, I would be happy to answer questions, if there are any. [LB685]

SENATOR GLOOR: Senator Scheer. [LB685]

SENATOR SCHEER: Thank you, Senator Gloor. It just sort of dawned on me, how do we know it works? [LB685]

DENNIS BAACK: Well, I think you'll know by depending on how many applications you get. [LB685]

SENATOR SCHEER: Well, who's not going to take advantage of free money? I mean, let's be honest. I guess, to me it's only successful if we are able to maintain more people within the state. So how...how do we measure the success of the bill? [LB685]

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

Revenue Committee
January 27, 2016

DENNIS BAACK: Well, I think you measure it by how many...if there are...you know if we start getting a more, bigger percentage of our students staying in the state, it seems to me that that's a success. [LB685]

SENATOR SCHEER: Well, how do we know it's attributed to this, though? [LB685]

DENNIS BAACK: How do we know what? [LB685]

SENATOR SCHEER: How do you know that more students that stay in the state of Nebraska are exclusively sustainable only because of this program? [LB685]

DENNIS BAACK: Well, I think...I mean the coordinating commission certainly has data of stuff to show how many of our graduates leave the state and how many stay in the state. I think there's some data out there to give us at least a benchmark to work towards and to try to improve on that. [LB685]

SENATOR SCHEER: Well, we may have 5 percent more students stay in Nebraska. Hypothetically, the economy maybe slows up in the rest of the world or the rest of the states... [LB685]

DENNIS BAACK: Yeah. [LB685]

SENATOR SCHEER: ...and you go back five years Nebraska was very...was flourishing and a lot of the states were losing employment. So would more people stay here or would we attract more in here, will they have a question of jobs. And so, it's sort of a Catch-22. Do we know is it working because we now develop more jobs so more people stay here or were the jobs already there. I'm just...I'm trying to figure out how it...the success is not people applying for it because... [LB685]

DENNIS BAACK: No. [LB685]

SENATOR SCHEER: ...absolutely it's a no-brainer for those that are able to participate in it, but that doesn't necessarily mean that the program is a success because to me it's trying to get others into the state, or those that perhaps would have left, to stay. And that's my problem is how do we know, how do we determine that part a success. [LB685]

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

Revenue Committee
January 27, 2016

DENNIS BAACK: Well, I think in this specific...you know, this is employers who are getting the tax credits and stuff for it, so I'm guessing that if there's employers out there that have certain job skills that they can't fill or whatever, they may apply for these kind of credits to try to encourage students in those fields to come to their employment. And if that works for businesses, I think that's a success, if they're able to fill those positions that they can't fill now. [LB685]

SENATOR SCHEER: Okay. Thank you, Senator Gloor. [LB685]

SENATOR GLOOR: Senator Brasch. [LB685]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you for coming here today, Senator Baack or Speaker. I've heard many good things. [LB685]

DENNIS BAACK: Lots of times. (Laughter) [LB685]

SENATOR BRASCH: Thank you. I'm trying to put my mind around this, how this is going to work, you need to Nebraska, and even the next bill. I know that some employers already have a tuition assistance program that should you stay and work and then...I also know that some employers that with their tuition assistance program, they require so many follow-up years that if I pay your way or help to pay, you will stay here ten years or pay me back. [LB685]

DENNIS BAACK: Correct. [LB685]

SENATOR BRASCH: Now the payee here is the state of Nebraska, the taxpayers, and the purpose would be to broaden our tax base, have more people here, the jobs here. Well, what if they leave, how do we get our money back from the employer, from...I'm just...you know, I would love to see lower tuition, just for the record. But to put more taxpayers' dollars into an incentive for a student and an employer, it's a double incentive, correct, for a student to work for an employer who has this credit? [LB685]

DENNIS BAACK: Sure, it definitely would be because they would be helping them pay back their loan and then they...the business, of course, would get the tax credits. [LB685]

SENATOR BRASCH: And then they're saying the loans are sometimes 20 years. Well, I moved away for ten years and then I come back to Nebraska. I already bought my car in Iowa or somewhere. You know, I'm basically coming back for the grandparents or something like that, but again you can go to an employer and the taxpayers of Nebraska are paying you to come

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

Revenue Committee
January 27, 2016

back. But if you leave again...I'm just curious on how the investment is sustainable with the good healthy fiscal note on it on these bills. [LB685]

DENNIS BAACK: Well, I don't think it's...in my mind, it's not any different than the tax incentives you do to draw businesses in the state, to keep businesses in the state. There's all kinds of tax incentives to do that out there. [LB685]

SENATOR BRASCH: So if they already have a tax incentive, do they...can they still do this? Can they double-dip? Can they get...? [LB685]

DENNIS BAACK: This is a separate...this is a separate...a whole separate program. [LB685]

SENATOR BRASCH: But the employers are already getting...yeah. [LB685]

DENNIS BAACK: Oh, absolutely. This is totally separate from those other ones. And I think it's always difficult. You know, I don't know that you're ever going to come up with exact measurements when you do tax kinds of incentives. One of those things happen without them. I think it's always hard to judge that whether or not they would have. You don't know for sure, but I think that you kind of look at the overall economy and look at the overall...try to look at the overall picture of the impact of, is employment increasing, are people being paid more for the jobs. Those kinds of things I think give you some comfort in knowing that you're doing those kinds of tax advantages. [LB685]

SENATOR BRASCH: And I think Kansas does something similar to this, but they have a clawback program that you're required to...you know, they help with student loan forgiveness, but if you leave, you're paying them back. So I was curious, you know, on your thoughts on that since you're a former legislator. [LB685]

DENNIS BAACK: Yeah, well, I mean, I think you could certainly do that with this, I think, but it seems to me that the real advantage is to the employers in this case where they can get quality employees and then it also helps the student by helping pay back their debt. And so they're not going to be indebted quite as long in that scenario. [LB685]

SENATOR BRASCH: Okay. You've been wonderful with your answers. Thank you. I have no other question. [LB685]

SENATOR GLOOR: Senator Schumacher. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: Thank you, Senator Gloor. And if you don't feel you're the proper person to answer these questions, you know, just say so and we'll maybe wait for another witness, but in reading over the mechanics of it, it looks like the employer submits an application to the department in which the employer guesses the number of qualified student employees for which payments will be made and the amount of the student loans repayments in advance. And they submit this application to the department and the department approves them up until it hits the magic limit of a million five. And then it almost looks like right away the employer gets a tax credit that it can submit with its income tax returns, and then if you don't happen to use them, and it doesn't happen to come true, you guessed wrong, unused credits can be carried forward for subsequent years, in the plural, and then at some point the department, if it determines it failed to do it, and there's no time limit, can recapture the credits up to a three-year look back. So what's the sense in doing it respectively rather than on facts already done, except that you hit the limit? [LB685]

DENNIS BAACK: Well, I think you're going to have to ask somebody who actually drew up the bill. I didn't have anything to do with drafting of the bill, and they would know better than I, how, why they drafted it that way because I do not know. But it would seem to me, you ought to have a pretty good knowledge of what you're asking for when you do it rather than just guessing. [LB685]

SENATOR SCHUMACHER: Well, if there's no harm in asking for a lot, then you can carry it forward and... [LB685]

DENNIS BAACK: I know, I see...I mean I see your point, so maybe it needs to have...maybe there does need to be some qualifications on that when you do it rather than just a guess. [LB685]

SENATOR SCHUMACHER: Okay. Thank you. [LB685]

DENNIS BAACK: Yeah. [LB685]

SENATOR GLOOR: Seeing no further questions, thank you, Senator. [LB685]

DENNIS BAACK: You bet. [LB685]

BRUCE BOHRER: Good afternoon, Chairman Gloor, members of the committee. My name is Bruce Bohrer with the Lincoln Chamber of Commerce. The last name...well, I'll spell my first name as well. B-r-u-c-e, last name is spelled, B-o-h-r-e-r. I'm here representing the Lincoln

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

Revenue Committee
January 27, 2016

Chamber of Commerce in support of LB685 and also the Lincoln Young Professionals Group. It makes me feel a little bit younger even just saying that. (Laughter) We are...maybe just a little bit younger. We are going to be supportive of LB870 as well and I think our Young Professionals Group representative is going to be handling that testimony, but I'm not going to try to plow a lot of new ground. I think the previous testifiers have really already covered the reason that we are here supportive of the concepts as contained in LB685 incentivizing young people to stay in the state to look at Nebraska as a unique place. I think Senator Bolz said this in her testimony. We want this to be something unique. I think no other state is doing that and so we kind of like the idea of kind of thinking outside the box, if you will, to say, you know, especially the young people that are thinking about going somewhere or thinking about coming here. We value education. We value the fact that you put an effort and financial resources towards your education. I wish this would have been around about the time I went through the university and came out with student debt. I do know that a lot of companies are coming up. As I was looking at this issue just earlier this month, a lot of companies, larger companies are coming up with these plans already as a way to attract young talent. And in this case, we have, you know, a financial incentive built into our tax laws that would allow companies to set this up. It is limited, as we've already talked about, but as we've already discussed as well, if you're going to try something unique, maybe it's not such a bad idea to just see how it works first and then maybe, you know, expand it from there if it's merited. I do want to comment just about the metrics. I think that's a very good question, Senator Scheer, about how we determine whether or not this is actually working. I think we could look at out-migration, but even that, you don't know if that's just the fact that there was a job somewhere else that wasn't here. But I do think that's something that we have to be mindful of that we really understand whether or not this is really the reason for a young person staying that otherwise would have gone. With that, I'll conclude my testimony and ask you if you have any questions. [LB685]

SENATOR GLOOR: Any questions for Mr. Bohrer? Seeing none, thank you. [LB685]

BRUCE BOHRER: Thank you. [LB685]

SENATOR GLOOR: Next proponent. Welcome. [LB685]

EVAN FULLMER: Hello, members of the committee. My name is Evan Fullmer, that's E-v-a-n F-u-l-l-m-e-r, and I am here representing the Omaha Young Professional Council of the Greater Omaha Chamber in support of LB685. You're going to hear me reiterate a lot of what you've heard, but as you all know, talent is a top concern for employers across the street...excuse me, across the state, and we believe this bill creatively incents graduates to stay in the state and fill Nebraska jobs. The student loan debt is an issue faced by many and can be a factor in deciding where to take employment. And again, we thank Senator Bolz for bringing this creative idea to

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

Revenue Committee
January 27, 2016

the table because we think it, you know, addresses two issues, that's talent retention in the state, and student loan debt faced by many of our young people in the state. That's all I have and I can take any questions. [LB685]

SENATOR GLOOR: Are there any questions for Ms. Fullmer? Senator Scheer and then Senator Schumacher. [LB685]

SENATOR SCHEER: Thank you, Senator Gloor. Do you think that because we're only talking about \$1,800...I'm not trying to be flippant, \$1,800 is still \$1,800, but in what case if you...certainly in some instances that's not going to be a deal breaker as far as employment. So my concern is that it doesn't become just a program that's available in larger communities, you know, those larger industries have the...some of which probably already have the system set up. So what they're really doing is now getting a tax benefit for something they're already doing. You have very small businesses, going back to the four or five employee welding operation that...and I don't know if there's one in Bartlett or not, but we'll say Bartlett, and they graduate from a community college but it's a one-man shop and he doesn't have the time or the availability to provide that as an incentive for the employees, or they wouldn't even know that it's available. So I'm wondering, you know, how... [LB685]

EVAN FULLMER: How are small businesses going to be able to do that if it doesn't take advantage of it. That's a great question. Call their accountant and tell what I would say. I'm an accountant. That's a joke, but that's... [LB685]

SENATOR SCHEER: Do you want to tell us who you represent, no, I'm just...(Laughter) [LB685]

EVAN FULLMER: I'm not here on behalf of them. I'm here on behalf of Omaha Professionals, but I think that's a great question and probably something to address. It's not just cities like Omaha and Lincoln that would benefit from this. There's certainly smaller communities that need this as well. I don't think they're...you know, I don't have a solution to that right now, but I think it's certainly something to address because those, if anybody...those businesses, if anybody, could see huge benefit from this if they're able to take advantage of it and get the talent. [LB685]

SENATOR SCHEER: In your work then, and I'm assuming you do tax preparation as well? [LB685]

EVAN FULLMER: Tax consulting, I don't file the returns. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SCHEER: Okay. Well, what if people, if businesses, some businesses are already providing these types of incentives. How many are out there? Is this a very small number of businesses that are doing that right now, or is there a moderate number? And that's all definitional, but I mean, is this something that very, very, very few do, or that it's fairly common already in the workplace? [LB685]

EVAN FULLMER: You know, I don't know about that. I really work on the corporate side of incentives and not on a business down to individual side, if that makes sense. [LB685]

SENATOR SCHEER: It does. [LB685]

EVAN FULLMER: Okay. So I wouldn't know the number. [LB685]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB685]

SENATOR GLOOR: Senator Schumacher. [LB685]

SENATOR SCHUMACHER: Thank you, Senator Gloor. And thank you for your testimony today. Just some questions regarding your membership. What percentage of...would you say your membership is...has a graduate level degree from a...for a master's degree, professional degree? [LB685]

EVAN FULLMER: We probably have that data, but I don't know what it is. I would say...I mean, I would say the majority of it is bachelor's degree on up, but as far as master's and above, I don't know. [LB685]

SENATOR SCHUMACHER: Okay. Would you say that there is a correlation between the more advanced the degree from associate to bachelor's, to graduate to grade, to professional degree, as you go up the ladder the higher paying the job and the more higher...the quality of the job we might want to attract. [LB685]

EVAN FULLMER: Not necessarily. [LB685]

SENATOR SCHUMACHER: Okay. [LB685]

EVAN FULLMER: That's, I'd say, probably coming from a more subjective opinion, but no. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: So a bachelor's degree cannot really anticipate making that much more than an associate, and a professional degree really can't anticipate making that much more than an associate? [LB685]

EVAN FULLMER: I think after you account for student loans and look at the net, no. [LB685]

SENATOR SCHUMACHER: At the net, but in the taxable income that they bring in and what they contribute to the economy. [LB685]

EVAN FULLMER: Yes, there's a difference there. [LB685]

SENATOR SCHUMACHER: And rather significant between the... [LB685]

EVAN FULLMER: Yes, yes, I would agree with that. [LB685]

SENATOR SCHUMACHER: So to the extent we've allocating \$1,500 or \$1,800 a pop for these incentive programs, if we have limited money, doesn't it make more sense to focus that on the higher level degrees? [LB685]

EVAN FULLMER: Not necessarily. I think it's going to depend on who you ask, but no, I would say not necessarily. In my mind, the bulk of your work force is going to, at least with these degrees, is going to be made up of associate's and bachelor's. And so that is, in my mind, what you're targeting is that majority population. [LB685]

SENATOR SCHUMACHER: And that would be the case if we had an unlimited number of these grants. We've only got a tiny amount. So, where would you target them? [LB685]

EVAN FULLMER: Where they're targeted now. You know, it's not a silver bullet. It's a step in the right direction. You know, I'm probably not the person to comment on who it's best to target to, but. [LB685]

SENATOR SCHUMACHER: If you have to choose between targeting somebody with a M.D. and targeting somebody with a A.A. for that \$1,800, where would you target it? [LB685]

EVAN FULLMER: I don't know. [LB685]

SENATOR SCHUMACHER: Thank you. Thank you. [LB685]

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

Revenue Committee
January 27, 2016

SENATOR GLOOR: I think that was the split the baby in half question. (Laughter) Any additional questions? Seeing none, thank you for your testimony. [LB685]

EVAN FULLMER: Thanks. [LB685]

SENATOR GLOOR: (Exhibits 4 and 5) Additional proponents. Anyone in opposition to this bill? Anyone with a neutral testimony? We have letters from proponents: Jason Hayes with the Nebraska State Education Association, there's a letter for committee members; and Michael Kelley representing Creighton University, both of those on LB685. And with that, Senator Bolz, you're welcome to close. [LB685]

SENATOR BOLZ: First, I wanted to thank the committee. I mean, this is an innovative idea, so I do appreciate the dialogue and your brain power on it. I want to briefly address some of the questions and maybe provide a couple of the answers. One question that came up was, are companies and businesses already providing this kind of benefit? And we have done our due diligence and to our knowledge, that statewide data is not available in terms of student loan repayment as a benefit of employment. But Senator Brasch brought up some other states' approaches and I just...I want to make a small distinction between tuition assistance, tuition repayment or forgiveness, and a tax incentive. So a lot of states...our state is included have a targeted student loan repayment for a specific purpose. Our specific purpose is student loan repayment for doctors, and other health professionals that want to serve in low-income rural areas. I think that's an incentive to draw a specific skill set to a specific place rather than this approach that is broader and addressing sort of the economy as a whole. And as it relates to tuition assistance, some of the rub here is a little chicken and egg because you have to qualify for a quality job with the business that's willing to invest in you in order to get tuition assistance. And, you know, in a lot of cases you've got to get that education and prove your worth before you're going to get hired by a business that's going to make that kind of an investment. And, you know, I think there are lots of ways to get at this issue. Just a couple of other things I wanted to address quickly. One is that 25 percent of the tax incentives would be allocated for small businesses. And to your point, Senator Scheer, of course, someone would need to know how to navigate that system, but we've taken one step towards helping the small businesses access the program. Senator Brasch, you referenced, you know, what is the benefit and how do we make sure that this is a good investment of taxpayer dollars. What I would say is that those people who are living and working here and deciding to stay here, they're going to be purchasing things and how...a sales tax input, they might choose to stay here and have a family here. They're certainly going to be paying rent. So, you know, it's maybe more of a real time analysis of the benefit that they're offering us, plus their employability, their skill sets that they're offering to the state. Okay. I don't want to keep talking all afternoon. I'm trying to wrap it up here for your benefit, but the last question I wanted to address briefly was that the credit is nonrefundable so the company has to earn it, and the carryover would only be the difference between what they have earned and

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

Revenue Committee
January 27, 2016

their tax liability. So if a company says that they're going to provide ten thousand in student loan repayment, they, in fact, do, they get a credit of five, but their tax liability is only two, then the three carries over. So...I realize that's quick, but that's the mechanics of that. It's bottom line, it's all earned, and that's how that functions. So I'm going to wrap it up and answer any questions. [LB685]

SENATOR GLOOR: Are there additional questions? Senator Scheer. [LB685]

SENATOR SCHEER: Well, more of a comment. Senator, you know, I appreciate the fact that you get 25 percent of the funds being saved with more than 50, but realistically a lot of rural Nebraska, 50 is the big employer. You get into communities of much smaller, I mean even 20 to 25 would be a major employer within a community. And I'm not sure, it just appears that this is weighted for the fairly large corporate entities to attract and maintain, and I'm not sure that I feel like it's the state's responsibility to help them in their recruiting process, so. [LB685]

SENATOR BOLZ: Fair enough. I do think that there is a...there's a mutual benefit for both the employer and the employee and if companies...you know, that are represented in the Nebraska Chamber of Commerce represent a variety of types of different employers, and I think they do, I think that demand in that struggle and that desire for more tools in the toolbox to recruit people is shared. So, you know, we're trying to solve a problem. [LB685]

SENATOR SCHEER: I can appreciate that. I guess I just look at the \$1,800, if...quick math tells me that we're essentially waiving the income tax for anyone that's making \$30,000 or less, and that's appraising it in a different manner, but essentially that's what we're doing, so. [LB685]

SENATOR BOLZ: Okay. [LB685]

SENATOR GLOOR: Senator Brasch. [LB685]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you, Senator Bolz. You've provided some good answers. I'll continue to consider this. What I do wonder about is, you know, your postsecondary education is a privilege. It's a privilege to attend a two-year, four-year college. It's a choice that you make and, like myself, there's people that, I worked full-time during the day, I went to college at night to earn my degree. I did work with an employer that had some tuition assistance which I am grateful for. I believe I gave it back. I stayed in Nebraska. But I do wonder if the general taxpayer here, you know, we keep saying if you can't give it to one, you can't give it to all. The one that just absolutely, you know, didn't have the privilege. You know, we're again using part of our tax base as an incentive to help pay back a tuition that's a

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

Revenue Committee
January 27, 2016

burden. It is a...you know, I know students. My daughter-in-law recently graduated. She's got a student loan, but I'm wondering if the neighbor across the street really wants to have part of their tax dollar to, you know, it's a family responsibility, it's an individual responsibility, and I'm just not sure that we have people leaving the state because of their student loans. [LB685]

SENATOR BOLZ: Well, let me give you some statistics that might be helpful. I guess the first thing I would share is that we're only meeting 36 percent of the demand for student assistance as established under the Nebraska Opportunity grant. So in terms of what taxpayers think good investments might be, I think there's some good support for financial aid, but we just can't fill that entire need. So, you know, the folks who make that choice to pursue higher education anyway and do their best and most of them are working and finding other ways to try to draw down that cost, the benefit of this is that it is not just taxpayer funded. It is also partly funded by the business. So there's a public-private partnership there. Perhaps the final thing I would say is that I do consider my higher education a privilege and a gift in my life, but increasingly it's not just a privilege or an opportunity, it's a requirement. Seventy-one percent of the jobs in Nebraska by 2025 will require some postsecondary education and those jobs that do not require postsecondary education are frequently not jobs that provide a family supporting wage. So I think we're all kind of between a rock and a hard place and looking for tools and strategies to help folks who are giving their best to Nebraska and we'd like to keep them here and use their skills. [LB685]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Bolz. [LB685]

SENATOR BOLZ: Thank you, committee. [LB685]

SENATOR GLOOR: And that will end the hearing on LB685. We have a bit of a challenge here. Senator Harr is simultaneously introducing bills in two locations. He's with Judiciary right now. I think we're going to try and see if we can locate Senator Mello. We'll do a first-come, first serve, and see if we can get Senator Mello. Do we know how close he is to...Okay. Well, then we'll stand at ease here for a couple of minutes until Senator Harr can get back and stick with our order of the agenda at this point in time. [LB685]

BREAK

SENATOR GLOOR: We'll move to LB888. Welcome, Senator Mello.

SENATOR MELLO: Good afternoon, Chairman Gloor and members of my second favorite committee, the Revenue Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I

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

Revenue Committee
January 27, 2016

represent the 5th Legislative District in south Omaha. I appear before you today to introduce LB888. LB888 amends the Nebraska Job Creation and Mainstreet Revitalization Act. It clarified that the use of historic tax credits against the premium tax is treated as a payment of tax for purposes, Section 77-2734.03, subsection 1, and that the use of historic tax credits do not result in any additional retaliatory tax for the purposes of Section 44-150. As you may recall, the Legislature adopted LB559, the Nebraska Job Creation and Mainstreet Revitalization Act in 2014 to help revitalize many of our older communities throughout the state. As many senators will understand, many of us have vacant and dilapidated properties in our districts that are out of use but remain historically significant. The Nebraska Job Creation and Mainstreet Revitalization Act has helped many communities across the state bring the historical properties back to life. LB888 seeks to fix an issue with the Nebraska Job Creation and Mainstreet Revitalization Act that came to light when the Legislature was debating a similar issue found in LB559 last session. As LB559 was being debated last session, a technical issue with the program was discovered. As you may recall, LB559 that was introduced by Senator Matt Williams clarified how new market tax credits could be used for the purposes of premium taxes and the corporate income tax. The same issue exists for the Nebraska Job Creation and Mainstreet Revitalization Act. Because we weren't able to correct that issue last session, I've introduced LB888 to address the issue this session. To briefly summarize the issue, historic tax credits can be used against income tax, the premium tax, or the franchise tax imposed on financial institutions. However, the Department of Revenue determined that when historic tax credits are used to offset the premium tax, the offset does not constitute taxes paid for...paid for purposes of the corporate income tax. In other words, the benefit of the credit is lost. LB888 corrects this technical deficiency and ensures the credit can be used as it was originally intended. LB888 also clarifies that the use of historic tax credits do not result in any additional retaliatory taxes under the state law. Again, this corrects a technical deficiency in the original legislation and ensures that the credit can be used as originally intended. Lastly, I'd like to address that while there is a fiscal note attached to the bill, there is no fiscal impact expected because the original bill capped the program at \$15 million annually. The program has been fully allocated. The correction does not result in an additional fiscal impact to the state's General Fund. With that, I'd be happy to answer any questions you may have. [LB888]

SENATOR GLOOR: Are there questions? Senator Schumacher. [LB888]

SENATOR SCHUMACHER: Thank you, Senator Gloor. I'm sorry, Senator Mello. (Laughter) As I understand it, this program was tapped out. [LB888]

SENATOR MELLO: That is correct. It's the first year...last year was the first year of the program. It reached the \$15 million cap that you created in the original bill, Senator Schumacher, and this year, is anticipated that it will reach the \$15 million cap, I believe this month as well. [LB888]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: And that's this whole bill is for your program if I remember. Is that correct? [LB888]

SENATOR MELLO: Correct. [LB888]

SENATOR SCHUMACHER: So if it's tapped out and we've got of plenty of investors the way it is, what this basically does is open the door for, I guess it's insurance companies to also be investors. [LB888]

SENATOR MELLO: Well, they can be investors now, but they just don't get the credit based on the way the bill was initially drafted and that was why last year you...this committee and the Legislature as a whole made a similar change that we're requesting in this bill that you made to the New Market Tax Credit program. [LB888]

SENATOR SCHUMACHER: Well, the New Market Tax Credit is a much larger bill. [LB888]

SENATOR MELLO: It's a different bill, yes, and a different focus, yes. [LB888]

SENATOR SCHUMACHER: So do we need the insurance companies involved? They'll probably concentrate their investments in the larger areas rather than more rural areas that the historic credit was modified to apply to. So do we really need more investors in this program? [LB888]

SENATOR MELLO: I think this bill clarifies of trying to ensure that we wanted...we wanted what I think the original bill, and you were well aware of the original bill, in negotiating a lot of the compromises in that bill that we wanted to not exclude any investors. And I don't think it's an issue of where that potential investor may be coming from, whether it's coming from an urban area or a rural area of the state, it was more in the sense that it gives communities and individual property owners who want to utilize this credit to rehab and restore their historic property. It gives them another vehicle to talk to a different kind of investor to help them be able to get their financing. [LB888]

SENATOR SCHUMACHER: Thank you, Senator Mello. [LB888]

SENATOR GLOOR: Seeing no further questions, thank you, Senator Mello. Are you going to stay and close? [LB888]

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

Revenue Committee
January 27, 2016

SENATOR MELLO: Thank you. I may...I'll stay, but I may waive closing. [LB888]

SENATOR GLOOR: Okay. We'll now move to proponents. Good afternoon. [LB888]

BEN DUPUY: (Exhibit 1) Good afternoon, Chairman Gloor and members of the committee. My name is Ben Dupuy. It's B-e-n D-u-p-u-y. I'm a director at Enhanced Capital and we're a national finance and investment firm. One of our areas of focus is real estate development involving the rehabilitation of historic buildings and we've been involved with projects all over the country and communities of all sizes, including rural and urban areas. Examples of some of the historic rehabilitation projects we've done, our theater in Cedar Rapids, Iowa, an apartment building in Kansas City, Missouri, a warehouse conversion in Fort Worth, Texas, into a retail store, and we're working on projects in rural areas in North Carolina and South Carolina right now, mainly mill rehabilitation projects. And so, thank you for the opportunity to testify in support of Senator Mello's LB888. This bill would make two small but important changes to Nebraska's Job Creation and Mainstreet Revitalization Act enacted in 2014. Oftentimes, historic buildings are blighted and vacant and drag down real estate values and economic activity in areas where they are. Conversely, once rehabilitated, these projects often serve as positive catalysts in their areas improving real estate values, helping create jobs, and more economic activity in those areas. Nebraska is one of 35 states to have enacted a state historic rehabilitation credit and these incentives are effective and encouraging investment in communities of all sizes, urban and rural, and these incentives also catalyze new economic activity and new tax revenue that has been proven more than pay for the cost of the credit. The intent of Nebraska's Mainstreet Act is to encourage investment and historic rehabilitation projects. Since the act includes the state's insurance premium taxes as one of the taxes the credit can offset, the legislative intent was clearly to include insurance companies as qualified investors. Unfortunately, while the act specifically intended insurance companies as participants, the act is missing language that's required in order for insurance companies to be able to participate effectively. In fact, as currently structured, the act actually discourages insurance companies from participating. Currently, insurance companies can make qualifying investments in the historic rehabilitation projects, but when they file their insurance premium tax forms, if they claim the Mainstreet credit, their net tax bill actually goes up by the corresponding amount of canceling out the incentive and effect of the credit. So LB888 makes two small changes designed to bring the act in line with legislative intent. The first change ensures that when an insurance company uses the credit, the amount of credit it claims is treated as taxes paid. And second change ensures that when an insurance company uses the credit, it's not also billed a corresponding increase in its net taxes. It cancels out the value of the credit. Both of these changes have established precedent in Nebraska law, and thank you for your consideration. [LB888]

SENATOR GLOOR: Thank you for your testimony. Questions? Senator Scheer. [LB888]

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

Revenue Committee
January 27, 2016

SENATOR SCHEER: Thank you, Senator Gloor. Real quickly, following Senator Schumacher's comment, listened to your different projects, none of which were in Nebraska. So I'm wondering why it is you would be here and if you're looking at projects, and according to Senator Schumacher and Senator Mello, we've already capped out, and it seems to me more demand than we have available, why...even if they are excluded, so they haven't been able to participate yet and we still without question have fully utilized the program, what would be the great need? [LB888]

BEN DUPUY: So it was obviously legislative intent to include insurance companies as participants. The fact that you've got...you've got demand for the credits from projects that are under way, is separate from the issue of how the credits will be used. The credit is transferable, so a lot of times developers will work with an investor to get capital for their projects during either, you know, the start of construction or during construction, and then that investor will end up utilizing the credit. So right now, while the Mainstreet Act specifically included insurance companies as participants, they're functionally on the side lines. And so we...you're right, we had not done projects here, but we have an interest in doing projects here and that's why we're here today. We work with a lot of insurance companies and we'd like to be able to participate with this change. [LB888]

SENATOR SCHEER: Thank you, Senator Gloor. [LB888]

SENATOR GLOOR: Other questions? Senator Schumacher. [LB888]

SENATOR SCHUMACHER: Thank you, Senator Gloor. I think the difference between the act signed earlier, the new markets, that's not a refundable credit, and this is a refundable credit. So the applicability of the premium tax, wouldn't there be a difference, in that with refundable credit you get...you basically are getting a check? [LB888]

BEN DUPUY: I'd have to look to see if it's refundable. I mean, I know it's transferable. Is it refundable? [LB888]

SENATOR SCHUMACHER: Yeah, so I think there's a difference here between the new markets saying, which was not refundable and this which is refundable. And so I'm a little curious as to why you feel you need this legislation. [LB888]

BEN DUPUY: I've not seen where it's refundable in the act. [LB888]

SENATOR MELLO: It's transferable, not refundable. [LB888]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: You might be correct, Senator Mello. No further questions.
[LB888]

SENATOR GLOOR: Thank you for your testimony. [LB888]

BEN DUPUY: Yes, sir. Thank you. [LB888]

SENATOR GLOOR: Other proponents. Good afternoon. [LB888]

JASON MAUS: Good afternoon, Senator Gloor. My name is Jason Maus, that's spelled M-a-u-s, and thank you for giving me the opportunity to speak here today as a proponent of LB888. I'm an attorney with Stinson Leonard Street. I work in our tax credit finance group and that means that I eat, sleep, and breathe tax credit analysis, tax credit finance. That means a couple of things. First, it means I don't often get invited to parties and when I do, I'm relegated to the corner. But it also means I have an interesting...or I have a pretty good perspective of how these transactions work, what goes into historic rehabilitations, and many of the benefits that are offered by having a program like this. I think that the two people who spoke before me did a good job of laying out the technical aspects of this technical correction and so I don't really need to dive into that, but I will say, in having worked on dozens and dozens of historic tax credit transactions across the nation in various states and in the federal program, I can offer a little bit of insight. I have worked on four...or I have worked on or am currently working on four different transactions here in the state of Nebraska, or to steal from Senator Harr in his opening remarks, the great state of Nebraska, two of which closed last year. One an investor investment of \$1.2 million. The second was investment in a residential project in around nearly \$2.7 million. Currently, I'm working on a project as well, a smaller deal that...for mixed use and external investment is going to be around \$900,000. And the reason I'm touching on these is to say that there is a...it addresses some of the earlier questions. Number one, that there are a wide variation of the type of projects that are done in the historic rehabilitation world. In fact, all the rage right now, if you can call it that, is what is called small deal type of funds where various investors from around the nation will be looking to invest in smaller deals than were traditionally being invested in, in the past. And that's what we're looking at here in the last deal that I mentioned. I'd also like to point out that because the cap had been hit in prior year and is expected to be filled in this given year, that doesn't necessarily mean that the pool of investors that may invest in these projects is going to remain the same. As these types of deals evolve and as the types of funds, especially in these small deal areas evolve, we may have investors that through various experiences decide they have discomfort or would like to reallocate their resources or their type of investment which means we may be left with gaps or holes in finding investments here in the state of Nebraska. So I don't want to talk too much on the technical aspect side of it. As I said it was covered. Rather today, I just kind of wear my hat as a resident of the state of Nebraska. I actually live in a historic rehabilitated building and also

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

Revenue Committee
January 27, 2016

as a Nebraska taxpayer. I am very much for preserving the historic buildings in our state and I'm also very much for investment in our state. Now, some of the dollars I mentioned to you earlier were external investment from the Tax Credit Investor piece. That's a little bit early on to talk specifically about what benefits we've seen here from the Nebraska state programs specifically, but I can tell you that on the whole, historic tax credit transactions typically have a five to one, dollar for dollar... or five dollars to one dollar benefit on the economic investment made from the HTC investor level. So doing the math on these projects, the economic incentives that are provided really do give our state a benefit. Backing up, I just want to say a little bit about historic structures in general. I'm a big fan of all the tax credit transactions I do. These are some of the most interesting and some of the most exciting developments because of the preservation of some of our culture and some of our heritage and some of our architecture. And typically, it's easier for a developer to go in and knock a building down and sometimes...it's oftentimes a lot more expensive to do it that way. This technical correction will allow more investors the opportunity to come in and assist developers in preserving the historic nature of our state. I'm going to wrap it up here because I'm getting the orange light. Thank you so much for giving me the opportunity to talk today. I encourage you to pass this bill. I also encourage you to go back to your district and find a good historic project. [LB888]

SENATOR GLOOR: Thank you, Mr. Maus. Senator Schumacher. [LB888]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. What's the average size of your project? [LB888]

JASON MAUS: The average size of...if I take them all together, probably anywhere between \$900,000 and \$2 million, somewhere in there. [LB888]

SENATOR SCHUMACHER: You're talking... [LB888]

JASON MAUS: I'm talking on the aggregate, yeah. [LB888]

SENATOR SCHUMACHER: And they're rather large projects. [LB888]

JASON MAUS: But not necessarily, I mean, some of these projects again...I mean, that would be where the average is. It can take one large federal historic deal to really tip the scales on the high side. Again, like I said, I just want to clarify a lot of what we're seeing now, especially in the last year and especially in the last nine months is investors interested in smaller projects because they have been ignored for the longest time and there's an opportunity there to get in on some projects and have a competitive advantage on projects that nobody else will even look at. [LB888]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: Thank you. [LB888]

JASON MAUS: Yep. You're welcome. Thank you. [LB888]

SENATOR GLOOR: Thank you for your testimony. We continue with proponents. Good afternoon. [LB888]

RON SEDLACEK: Good afternoon, Chairman Gloor and members of the Revenue Committee. For the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k. I'm here today on behalf of the Nebraska Chamber of Commerce as well as...and to save the committee some time, here authorized to represent the Greater Omaha Chamber of Commerce to be on record with them in support of LB888. You've heard the technical reasons for the bill. You've heard about some of the deals that are made and as a State Chamber, our economic development council did meet and talked about the legislation and recommended support for the legislation. And we'd like to see an encouragement of the utilization of this program in combination with the federal program just as we have supported the New Markets Tax Credit program as well. The initial allocation was in 2015 the first time around. There were a number of projects in the Omaha Boys Town area, Norfolk, Columbus, and then there's, I believe, in Red Cloud. And now there's the 2016 applications and what we're seeing is much more diversity which is great because usually what happens is these types of programs when they first began, the people in the larger areas know about it first, they have the expertise, and there are others who are a bit reluctant and say, well, let's see how this thing plays out. And they see the experience and they see what can be done, and as the previous testifier said, smaller deals are also available then. So we'd like to see the program utilized throughout the state of Nebraska and would support the program, but again what we're trying to do here is really return the bill to its original intent to allow that additional pool investors to actually have a credit that they can use as opposed to a non-use of the credits on paper. And that would conclude my testimony. [LB888]

SENATOR GLOOR: Thank you. Senator Schumacher. [LB888]

SENATOR SCHUMACHER: Thank you, Senator Gloor and thank you, Ron for your testimony today. The program is capped at fifteen million. [LB888]

RON SEDLACEK: That's correct. [LB888]

SENATOR SCHUMACHER: And a good half of the program is designed to be accessible by the real land owner or project owner out in a...on a small fry basis, I think it's as little as \$25,000. Well, you don't have big insurance companies really in the game designed to help a lot of middle

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

Revenue Committee
January 27, 2016

and small size communities. The project that you mentioned in Columbus was a business that was...did not bring in outside financing other than its ordinary course of business to do. And that's how the distribution of the fifteen million was kind of targeted. So to the extent that it's already maxed out, bringing another big player in makes it more improbable that the little players that may be doing it to fix up a \$50,000 improvement on a building, or something that supports a historic building, more probable they're going to get the money. [LB888]

RON SEDLACEK: You know, I can't argue either one way or the other in that regard. Although the credits are transferable, there's the ability to acquire those credits and that's a whole different sack of cats, so to speak. But by the same token, there's always the ability...not in this legislation at the time, but there's always the ability to expand the program or to target one component of the program as well to accomplish this. [LB888]

SENATOR SCHUMACHER: Yeah, but we'd have to cut taxes in order to expand the program. [LB888]

RON SEDLACEK: Well, I don't know. We might have a lot of taxes of revenue generated and we don't have to worry about it. (Laughter) [LB888]

SENATOR SCHUMACHER: Thank you, Ron. [LB888]

RON SEDLACEK: You bet. [LB888]

SENATOR GLOOR: Seeing no further questions, thank you, Ron. Other proponents. [LB888]

GARNER GIRTHOFFER: Chairman Gloor, members of the Revenue Committee, my name is Garner Girthoffer, G-a-r-n-e-r G-i-r-t-h-o-f-f-e-r. I represent Baird Holm law firm. You've heard many of the reasons why this legislation is important so I won't go into any of that detail and I would be more than happy to answer any questions you might have. [LB888]

SENATOR GLOOR: Thank you, Garner. Are there any questions? Seeing none, thank you. [LB888]

GARNER GIRTHOFFER: Thank you. [LB888]

SENATOR GLOOR: Any other proponents? Any opponents of this bill? Anyone in a neutral capacity? Seeing none, Senator Mello, do you wish to close? [LB888]

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

Revenue Committee
January 27, 2016

SENATOR MELLO: I'll close just to get Senator Schumacher in case he has any last questions he wants to ask of me. [LB888]

SENATOR GLOOR: While you're doing that, actually we don't have anyone to read into the record on this, so. [LB888]

SENATOR MELLO: Simply here to answer any questions anyone else may have, but I think you heard LB888 is a technical cleanup bill in the sense that the original bill was intended to allow insurance companies to be investors. There was a language change that never happened as part of the bill. They were left out. This simply clarifies that they are able to be investors and they would be able to utilize the transferable credit as part of the process, so. [LB888]

SENATOR GLOOR: Senator Schumacher. [LB888]

SENATOR SCHUMACHER: I didn't say anything. (Laughter) [LB888]

SENATOR GLOOR: Seeing no further questions. [LB888]

SENATOR MELLO: Thank you, Chairman. [LB888]

SENATOR GLOOR: Thank you, Senator Mello and that will end the hearing on LB888. We will now continue to see if we can find where Senator Harr is in the process of finishing up with the Judiciary Committee. [LB888]

BREAK

SENATOR GLOOR: Welcome, Senator Harr. Welcome back, Senator Harr. We'll move to the last bill on our calendar, LB870. Welcome. [LB870]

SENATOR HARR: Thank you. Thank you for waiting. I apologize. I want to thank the witnesses who will be coming up afterwards for waiting and I apologize. Judiciary is Judiciary, as we say. [LB870]

SENATOR GLOOR: We talked about that. [LB870]

SENATOR HARR: Yes, for better or for worse. I am here...my name is Burke Harr, H-a-r-r. I'm from Legislative District 8 in midtown Omaha. I'm here on LB870. LB870 provides, similar to

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

Revenue Committee
January 27, 2016

Kate Bolz's bill earlier, a tax credit for graduates of higher educational institutions. A lot has already been made about the brain drain that we have in the state. We have a premiere K-12 education system. We have the highest high school graduation rate. Our kids are going on to associate...on to community college and on to four-year universities. And when they graduate, people love Nebraskans. We have a good work ethic. We know what is expected of us. And I assume that must be true because everyone leaves the state and they all find jobs. I want to find a way to incentivize those individuals to remain...our young kids to remain in the state and to attract new people, such as Senator Jim Smith, to this great state of ours who come from outside. We are, for all intents and purposes, at zero unemployment at this time in our state. You would think we would have a gold rush mentality of people moving to this state saying, hey, I want your jobs. It's just the opposite. What we're finding is that our college graduates are leaving the state. And I joke...maybe it's not a joke, there are only three types of people that do stick around the state after graduation. I say professionals, teachers, lawyers, accountants, doctors, plumbers, people who go work for mom and dad's business, Norm's Doors, whatever that may be, and those who go into the service industry, bartenders and waitresses and waiters and they work there for a little while and then they get into sales or other service-related jobs. We need to find a way to create a culture that encourages young people to stay in Nebraska and if we know there is a pool of young people, of qualified great people, jobs will come. Businesses will come. It's this old chicken and the egg. And I don't know the right answer and I think the answer is bulk. We need to have incentives to have businesses here and we need to have incentives to have the human capital here. Along the way, we've lost some great people in Nebraska. You know we had Senator Raikes's brother who went out to Microsoft and founded Excel. We have the current Evan Williams from Clarks who went out and founded Twitter. You know, we had Warren Buffett who left the state. He came back, but imagine if we had lost that too. We need to find a way to take and retain those people. We have made a large investment, and when I say we, I mean the Legislature through our K-12 education, through our support of our public universities to educate these kids so that they become assets. And the minute they become an asset, what do we do? We just let them go. I don't know if anyone watched The Grinder last night. Show of hands. But on that last night, you had a situation where a character left his brother's law firm. He didn't want to leave. All he wanted was Fred Savage's character to say, come back, we want you. And guess what? He did and he came back. That's...Rob Lowe came back. And that's something similar to, I think, what this can help do is help bring people back and say, hey, young people, we want you. I have a niece, 24 years old, worked 18 months in Omaha and then went to Kansas City for more money. Well, maybe if we have this, her employer could come and say, whoa, whoa, here's what you have. We have something more in Nebraska that Missouri and Kansas can't offer you. It's \$2,500 extra dollars. It's a tax...insurance...or tax credit. We've got to find a way to keep these people here. I don't know if this is the best answer, but we've got to start looking and this is a start. I looked at the fiscal note and...I mean, part of me wishes, beyond wish, if that's how much it really costs because that means the program is successful and that means we're keeping our young people, and that means we're graduating that many young kids. I

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

Revenue Committee
January 27, 2016

don't if we are graduating. I still question whether we're graduating that many kids and/or people such as myself who leave the state, Senator Schumacher, who come back. I don't know if that is right. I mean it's a guesstimate. And I don't know if everyone who is eligible actually applied for it, but wouldn't it be great if it did cost the state that much? That's an investment. We're keeping our young people here. You keep someone here first five, ten years out of college, guess what happens? They get married and they put down roots and once these have those roots, and they put those down, they're staying here, folks. They're not leaving. And that's what we're trying to do is, how do we keep these people here? That's what I'm trying to do. How do we keep the people we invested in? How do we keep...you know we're going to lose people. There's no doubt about that and I don't think that's a bad thing. I think mobility is a good thing, but let's keep the people here who want to stay here. Let's give them a reason to stay and say, we want you. That's what this bill does. I'm going to work on the fiscal note on this. I know others are going to talk about it and what are the assumptions behind them and why. Maybe they're a little too "primrosey." Maybe it's not going to cost the state as much as we...the Department of Revenue anticipates. But we have to find a way to stop this brain drain and that's what I'm trying to do. And with that, I'd entertain any questions you may have. [LB870]

SENATOR GLOOR: Senator Harr, thank you for bringing the bill and the first thing I wondered when I looked at the bill and the fiscal note was, for that kind of money, should we be more targeted? In other words, perhaps, I don't know this but I'm using it as a for instance, perhaps we need more nurses and mechanical engineers. Perhaps we don't need as many pre-law and pre-medicine, but none of this speaks to a focus on what and where our greatest need may be. It seems to be, as you present, that if we have a big enough labor pool, regardless of what their level of training is, the jobs that fit that will, in fact, come. Comment? [LB870]

SENATOR HARR: Yeah, two. One is a cynical view. We would give the tax credit to whichever industry had the best lobbyist. You know, and this is what we face on when we set rates is, do we want to say, hey, this is what we do best when we do tax incentives, or this is what we want to incentivize? We should give money this way or do we want to say, let's lower the rate and let the market decide? And so I'm kind of the view of, let's give this incentive across the board and let the market decide. I mean, what if we provided this and, you know, we lose the next Warren Buffett because we say investment isn't something we need more of, or we provide it and we lose the next Henry Ford. I mean, you name it. But what we want to do is find a way to let the market decide and say, we don't sit there in our education and say, we think you have potential, we're going to go ahead and invest more money in you and you can do more in K-12 education or you can do more in college. We provide that money uniformly across the board and that's what I'm trying to do with this. It's applied across the board, create the market, and let the market decide what is best. [LB870]

SENATOR GLOOR: Okay. Senator Smith. [LB870]

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

Revenue Committee
January 27, 2016

SENATOR SMITH: Thank you, Mr. Chair and that's quite the opening. They must of really had you spun up in Judiciary. (Laughter) [LB870]

SENATOR HARR: Almost as much as last Friday. [LB870]

SENATOR SMITH: I got a couple of things and a little bit of a statement and you can kind of respond to it. So, Senator Scheer made the point with the previous bill, he brought up the point of the great need that we have in Nebraska for young people to enter into the trades. [LB870]

SENATOR HARR: Young people to what? [LB870]

SENATOR SMITH: Young people to enter into the trades. [LB870]

SENATOR HARR: Yeah. [LB870]

SENATOR SMITH: So you talk about the brain drain. I like to call it the trade deficit that we have in our state. [LB870]

SENATOR HARR: Yep. [LB870]

SENATOR SMITH: Those people choosing the trade as a profession. How do we get them there and what's in it for them? I mean, that's an area of young people that choose a profession, and it's just as honorable of a profession as an associate or a four-year degree and it's something the state needs more of. So what's in it for them? [LB870]

SENATOR HARR: Well, and you're exactly right. And this is obviously open to amendment. The hope is that the associate's degree would capture those individuals. If we want to talk about certification in the trades, I would be more than open to that because I couldn't agree any more because we need those individuals and by the way, those are the jobs that 20 years from now aren't going to be in India. You're always going to need or be exported across the ocean, you're always going to need a plumber. You're always going to need someone to repair your door. You're going to need somebody to repair your air conditioner. And so, those are great jobs and we have to find ways to incentivize individuals to do that because we have a great need for those individuals and to find quality people to do it. You and I have talked about this. I'm redoing a house right now. Man, I had never appreciated the trades more than I do right now. I get what you're talking about to have high-quality people do it. And if that means on making a certificate as well that is associated with a community college, I'm perfectly happy to amend the bill that way. [LB870]

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

Revenue Committee
January 27, 2016

SENATOR SMITH: Well, many of our locals are turning out individuals that are trained in the trades and it's not...you know, it may be a certificate but it's not going to be an associate's degree and I don't think... [LB870]

SENATOR HARR: Yeah. [LB870]

SENATOR SMITH: ...we want to make it so costly that we discourage people from pursuing it either. So, okay. [LB870]

SENATOR HARR: And to be honest, I'm hoping that we pass on a federal level free community colleges for two years, which would help pay for a lot of the cost of that college or that training. [LB870]

SENATOR SMITH: All right. And here's my second statement, question. So you believe that these credits on income tax is enough to trigger a young person to stay in Nebraska. And I'm assuming what you're thinking is regionally because whether or not you believe that \$1,800, \$2,500 is going to matter if a person has a choice between working for Florida Power and Light and NPPD, they may want to pursue the sun and the fun as opposed to staying in Nebraska. So that may not overcome that, but you're thinking more regionally if you're looking at Kansas, Iowa, South Dakota, and so on, right? [LB870]

SENATOR HARR: That's correct. If you want to be the next super model, you can't do that from Nebraska. But if you want to be the next engineer, if you want to get involved, there are a lot of jobs that we have that we can compete with those in the region. [LB870]

SENATOR SMITH: So you're saying that those tax credits are enough to trigger them to stay in Nebraska on a regional basis? [LB870]

SENATOR HARR: No, they're a piece of the puzzle. [LB870]

SENATOR SMITH: Okay. So, then why aren't we pursuing taking a stronger position and pursuing income tax savings because we have LB357 in the same committee. If that is what's needed to keep the people here, why aren't we pursuing that rather than segmenting out a small narrow piece of the population? [LB870]

SENATOR HARR: It's a policy question. And it's what I talked about earlier. I mean, that's a great question. How do we do this? And that's what this committee is for. This is another tool in the tool box, to use a cliché, a quiver in our arrow. You know, I can go through all the clichés, but

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

Revenue Committee
January 27, 2016

what it is, it's an ability to look at what do we need to do and what is the most effective way of creating economy that continues to grow. We are stagnate right now. Our sales tax numbers aren't as high as they should be for our fully employed. And so we have to look and see, what are we doing right and what are we doing wrong in our tax structure? Why aren't we booming? You know, the only state was lower than us was North Dakota in unemployment and they had a boom going. You know the beautiful thing is we don't have a boom going right now. The bad thing is, we don't have a boom going now. New job growth is stagnant. What can we do to kick-start that? Roads, construction, it's a great way to kick-start the economy. I would concur with that. And so what I'm trying to do is to find ways to kick-start so we can attract young people here, keep them here, and continue to grow as a state and continue to grow as an economy. Because that's the easiest way to get property tax relief is to have higher sales and income, because then we can afford to provide more money for education. We can provide to take more of the services on that we pass on down to our counties and to our ESUs and to our NRDs.

SENATOR SMITH: And some could say if we have better income tax policy, we could grow the economy, diversify the economy, and provide relief on property tax. But we don't want to get into that philosophical stuff. [LB870]

SENATOR HARR: No, but is that the right, though. Yeah. [LB870]

SENATOR SMITH: I appreciate your bringing the bill. I like the concepts of it. I very much do. It's the magnitude of the fiscal note relative to, you know, how broad of the population we affect. So thank you. [LB870]

SENATOR HARR: Thank you. [LB870]

SENATOR GLOOR: Senator Scheer. [LB870]

SENATOR SCHEER: Senator Harr, thinking back to last week, it appeared that you had concerns with one of the bills that were introduced because it was not treated as generally as when you brought something similar, and I felt that I was maybe catching the wrath of something that I really didn't have much to do with. [LB870]

SENATOR HARR: That would be a correct assumption. [LB870]

SENATOR SCHEER: But having said that, in 2013 I introduced about the similar bill here and it never got out of committee either. Now, as much as I would love to cause some problems for you today, I'm not that type of person. (Laughter) [LB870]

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

Revenue Committee
January 27, 2016

SENATOR HARR: You're a better man than I am. [LB870]

SENATOR SCHEER: And I will tell you that I do think it has merit because what I said three years ago was exactly somewhat what you're saying goes along the theory if can get them staying long enough, that they develop some type of a root system, you probably will keep them. And when I was looking at it and I will just share with you part of the cost analysis that I was looking at, and some people will probably not like hearing this, but it seemed to me that we could utilize some of the higher educational funds to help offset this because the people that we educate and truly stay in Nebraska that are providing economic benefit for the state and its citizenry, to me I think deserve that type of incentive. Those folks that graduate and my daughter is simply one of them, she graduated from the university system, got a great, great education, got courted and is in Dallas and I doubt that she will ever come back. But having said that, we have, as a state, a lot of dollars invested in her, of which we got absolutely no return. So I think this does have merit. I think there are other ways to look at perhaps trying to fund that to help offset some of the enormity of the cost. But I'll just simply say that I sort of like your bill even though you're bringing back something that maybe it wasn't as "well-recepted" when I introduced it, but I don't feel badly. I'm glad to see it back again, Senator Harr. [LB870]

SENATOR HARR: Well, and it's been said many times, you're a man ahead of your times. (Laughter) [LB870]

SENATOR SCHEER: Well, yes. Uh-huh. (Laughter) Thanks, Senator Gloor. [LB870]

SENATOR GLOOR: Senator Schumacher. [LB870]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Senator Harr, how is this going to work once Bernie Sanders is the president and everybody's education is paid for? [LB870]

SENATOR HARR: Well, I'm waiting to feel the Bern. [LB870]

SENATOR SCHUMACHER: Second. How many times are we going to have to cut taxes to pay for this? [LB870]

SENATOR HARR: Cut taxes? Well, this will help us in the long term cut taxes because we'll have so many more taxpayers. [LB870]

SENATOR SCHUMACHER: Thank you, Senator Harr. [LB870]

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

Revenue Committee
January 27, 2016

SENATOR HARR: It's a long-term deal. [LB870]

SENATOR GLOOR: I don't see any more questions at this period of time. I'm assuming, since you're a committee member, you're staying to close. [LB870]

SENATOR HARR: I will. I'll stay this time. Thank you. [LB870]

SENATOR GLOOR: Thank you. We'll now move to proponents for this bill. Good afternoon. [LB870]

TRENT FELLERS: Good afternoon, Chairman Gloor. My name is Trent Fellers, T-r-e-n-t F-e-l-l-e-r-s. I'm working with a committee called Free Tuition Nebraska, which is kind of a weird name but it kind of works in this situation. This idea came up from talking to various business owners and when I wear a different hat, it's the hat of a city council member and I go out and talk to business owners around Lincoln and the surrounding area. And the one thing that I have heard over and over for the two and almost three years that I've been on the city council, is talent, talent, talent, talent, as the number one issue facing employers here in Lincoln and the surrounding area. And at first I thought it was certain in just one sector of the economy, software developers. If you go and look at job listings in Lincoln, you'll see a lot of software developer jobs out there. But as I got out farther, I noticed that it was nurses, like Chairman Gloor had mentioned, it was welders, it's skilled people to sit in the call centers at different call centers around town. It's people that are actuaries in different, very, very, high-skilled positions. And I started to talk about how we could address this program...or address this issue and get more people to stay in the state after they graduate. I'm one of the ones that stayed. I stayed because there's opportunity here and because I like the quality of life here, but I have a lot of friends that when I graduated from high school in 1999 left and didn't come back. The funny thing is that now that we're in our mid-30s, they're showing up again and they're showing up again because there's some opportunity here, but the funny thing is that they never had to leave because there were jobs here. I've been to several of your districts. Norfolk is one. Norfolk has an incredible need for talent and not just in one specific area. It's in a lot of different areas. The same can be said about Columbus and Grand Island as well. And I think this isn't a silver bullet in a golden gun to solve the problem, but I think it's a piece in the puzzle of how we could start telling these kids that we value them here, we want to keep you here, and putting some money into their pocket. Now, a \$2,500 or a \$1,100 tax credit doesn't sound like much, but it could be the difference between their income in a place like Kansas City or Des Moines compared to Lincoln or Omaha or Grand Island, Kearney, Scottsbluff. We're competing in an unfair war for jobs. If you've read the Jim Clifton book, The Coming Jobs War, it's not only a competition between states and municipalities and counties for locating companies in places, but it's also the competition for talent. There's other places around the country that are using public money to

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

Revenue Committee
January 27, 2016

incentivize people to locate in certain places. One of them is Plano, Texas, where they incentivize engineers to locate and work in Plano. And businesses are making strategic hiring decisions based on the incentives that are available for their employees. So, I think this is a unique program that puts Nebraska on the map for recruiting, retaining young people out of the high-quality institutions that we have in this state, not only University of Nebraska system, but also our state college system and our private colleges as well. I recognize the fiscal note has some pretty big numbers on that and I talked to the Revenue Department and my light will probably go red in a second. I talked to the Revenue Department and I'm trying to figure out how they came to their conclusions. I was operating under a different set of numbers that came from the National Center for Education Statistics and came out of a report that was published in 2015 by the Nebraska Coordinating Commission on postsecondary education. And I think the number of graduates that they're saying in this, within the fiscal note, is actually less, the number of graduating...they're completing their degree programs in Nebraska. I think it's somewhere in the area of 8,400 rather than what they're estimating, but I haven't seen what report they were looking at and I will report back to you if their numbers are more correct than mine. But I think this is an arrow in our quiver to go and recruit people to...and to come into the state, but also keep the people that we have here in the state. And I'd be happy to answer some tough questions from you guys. [LB870]

SENATOR GLOOR: Are there questions for Mr. Fellers? Senator Sullivan. [LB870]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you for your comments. You know, one of the things we always struggle with is, is this enough to make a decision on the part of someone to stay, or what brings them back? And I'd be curious to know of some of your colleagues who you say are coming back to the state. Why did they leave in the first place? [LB870]

TRENT FELLERS: Well, a lot of times that they left in the first place was because there was, you know, some other opportunity that pulled them out, whether they were being recruited by a big company to leave. One of the reasons that they are coming back is family is here, so when you're like me and 35 and have two kids and want to have some free babysitting, that's a pretty good enticement to come back. But there's great opportunities here and we're starting to see some of the larger companies come into the Lincoln and Omaha areas and others. And the other thing is, the ability to chart your own course and to start your own business is greater now, you know, than it may have been in the past. You don't necessarily have to have, you know, a million dollars to go and file and start a new company. Those are the types of jobs that kids are looking at now when they're coming out of high school. They'd rather work for themselves or in a group of their friends rather than go and work for a larger organization. That's something that we can capture here. I think when you're making that first decision coming out of college, where you go, sometimes the money does talk. Eleven hundred dollars into your pocket may not seem like

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

Revenue Committee
January 27, 2016

much, but when you have...when your concept of going from zero to a \$35,000 or \$40,000 a year job, \$1,000 still sounds like a lot of money and it's the difference between, you know, having a down payment on a house or not, or making some extra payments on your student loans, or even, you know, buying a car or renting a bigger...renting in some place that you might not have been able to rent before. Does that answer your question? [LB870]

SENATOR SULLIVAN: Sure. Thank you. [LB870]

SENATOR GLOOR: Other questions? Seeing none, thank you for your testimony. [LB870]

TRENT FELLERS: Thank you for having me. [LB870]

SENATOR GLOOR: Afternoon. [LB870]

JOHN BAYLOR: Chairman Gloor...good afternoon, members of the Revenue Committee. My name is John Baylor. I run my own business called the John Baylor Prep and we help and work with many Nebraska high schools in hopes of increasing their ACT scores and their scholarships so that more of their students become two- or four-year college graduates with minimal debt. I come before you in support of LB870 for so many reasons. There's a lot of benefits to this. For example, more Nebraska students presumably will be motivated to become two- and four-year college graduates with minimal debt. More Nebraska students will aggressively apply to colleges with more finding the right one for them. Nebraska colleges should fill up with more students, more qualified Nebraska students. Our employers should have more skilled and knowledgeable college grads to hire because more Nebraskans presumably will get college degrees and then more of them will decide to stay. And our communities will have more skilled college graduates because more...who are likely future...are most likely future job creators. So the benefits are really for schools and for our colleges and for our communities and for our state, and I think many of the other advocates here today will probably speak more at length on those, but I wanted to pinpoint one benefit that may not be as obvious. And that is, with LB870 in place, our K-12 schools will be laser focused on creating two- and four-year college graduates, presumably with minimal debt. Because if Billy gets a college degree, he doesn't pay taxes for X number of years, state income taxes. And if he doesn't get a college degree, he will. And that's going to focus parents and administrators and teachers on that very helpful goal. For example, if K-12 schools are focused on creating two- and four-year college graduates with minimal debt, they're going to keep track of the percentage of the graduates who are forced to take remedial classes in college and work hard to lower that number. Remedial classes are noncredit-bearing courses in our colleges. These are basically high school do-over classes and anyone who takes a remedial math class has about half the chance of graduating and then anyone who takes a remedial reading class in college has about a third of the chance of graduating from college than his friends who

never have to take a remedial class. Our high school administrators and leaders will track the college graduation rate, which something that few of them do and work hard to make sure that that increases. So there are many benefits for our communities, for our schools, for our students in many ways from my vantage point transformative benefits because it will truly motivate so many more families to get this, this goal. But the impact on motivating our school leaders to turn more of their kids into college graduates with minimal debt is a big one. And just to react to what something that's been said a couple of times, this isn't just about keeping more college educated Nebraskans in Nebraska, it's about creating more college graduates. And with that, I'll take any questions. [LB870]

SENATOR GLOOR: Questions? Senator Sullivan. [LB870]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Mr. Baylor. I'm not totally familiar with your business but in the process, do you have the opportunity to interact with students? [LB870]

JOHN BAYLOR: Lots of them, yes. All over the state. [LB870]

SENATOR SULLIVAN: Senator Harr spoke earlier about the need to change the culture here and we need to approach this, what we're trying to achieve multidimensionally. What do you hear from students about what either they like about Nebraska, or what makes them get as far away as they can? [LB870]

JOHN BAYLOR: I'll tell you my first reaction is that too many of our students are apathetic and they're not driven. And that's borne out by the percentage of our young people who become college graduates, two or four year, and that's about 41 percent. And a recent Georgetown study says that by 2020, we need 71 percent of our graduates in our...71 percent of the new jobs created will require some sort of postsecondary education. We're just creating 41 percent. We basically have a low cost of living. We've have a high quality of life. It's kind of easy to relax academically. The penalty is not so great as if you lived in a high cost area without a college degree. And I think we don't...we don't meet the academic potential of as many students as we could. This will put a laser focus on turning those kids into credentialed welders, into credentialed H facts experts, into four-year degree holders. And these are our best hope for our future job creators. So me this is a catalyst towards economic help in our rural areas that so desperately need it because as much as we want the next Jeff Raikes to create, you know, a Microsoft plant out in Burwell, it's going to be tough. But the next job creators ten, twenty years from now from Burwell, are probably sitting in their classrooms right now. We've got to turn them into two- and four-year college graduates and then entice them to come back. This helps

keep them in the state, that this gives them motivation prior to them becoming young adults to get that degree. [LB870]

SENATOR SULLIVAN: Thank you. [LB870]

SENATOR GLOOR: I would make a comment. Probably it's more of a comment than a question. You're certainly welcome to respond to it. And this probably for other testifiers, not just necessarily you, but here's the challenge because this committee over the past couple of years has heard about the importance of cutting property tax because we're losing Nebraskans who are already in professional careers. They're the mom and dad or grandma and grandpa who are supposed to provide the child care and do other things. And they're leaving because property taxes are too high. And then we hear if we can do some more of cutting income tax, we'll make this state more attractive. As Senator Smith points out, for attracting more business and industry and that will be good for us. And then we have bills like this that talk about, let's provide tax credit for our new graduates and that will make this state far more attractive for them to want to stay. And you can make great arguments for all three of those. I think it would be hard to dispute that there isn't some positive. The challenge is strictly one of money and prioritization, and we could come up with the money if we reduce what we pay into K-12 education. That seems to be counterproductive. And we could also come up with additional money if we ask people to take grandma back in their house or aunt Jane who is in the nursing home, because we spend such a huge amount of money in Medicaid and long-term care. It's not for want of the will or understanding, it's a matter of prioritization, deciding how do we come up with those monies by whittling away someplace else? And until we find coal in Nebraska, which we probably won't be able to mine anyway, or perhaps gold, which hopefully the price will increase when we find it, and we get some excise taxes, it's going to be a challenge for us. It's going to be a challenge. And I say that only because this committee understands and I don't think there are great doubters on this committee that these are some of the right things to do. It's how to pay for them is the challenge. [LB870]

JOHN BAYLOR: I agree. Just let me throw in my two cents comparing this with an across-the-board income tax cut which I presume wouldn't be too big a cut, maybe 1 or 2 percent if in fact it's something you, the forty-nine of you choose to do. I'm a small business. I mean, we might have 18 people. I just know that in my own personal behavior and in the behavior of my company, a 1 or 2 percent income tax reduction is not going to affect me. This is targeted towards our future job creators, our future...you know, suppliers of cerebral fire power in the state. This helps create this engine of entrepreneurial effort in our state which is already starting to really flicker, but this could conceivably get it to catch fire. Property tax, I think, is a slightly different question and I'll withhold my thoughts on that presently. I'll tell you, I've got lots of friends who pay a lot more than 2 percent on their property which is what I pay in Lincoln. I'm

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

Revenue Committee
January 27, 2016

not saying it's too small, but I'm saying it...for what I pay in Lincoln at 2 percent on the value of my property, I think I get pretty good value actually. [LB870]

SENATOR GLOOR: Thank you. Any other questions? Senator Schumacher. [LB870]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Let's just pretend for a moment for sake of discussion based upon your contact with younger people and what might or might not drive them, the taxes are a factor. Take it off the table, taxes have not...let's assume they don't have much causal relationship, it's more a political thing that we just talk about because we talk about it. What is then a primary driver of where people locate and where we might be deficient? [LB870]

JOHN BAYLOR: People want amenities and people want a lot of other...ambitious people like...they want a lot of people like them around them. [LB870]

SENATOR SCHUMACHER: Critical mass. [LB870]

JOHN BAYLOR: They want a critical mass of people like them around them. And as I was growing up in Lincoln there weren't a lot of people who were superambitious in their 20s who were here and a lot of us left because there was perception there were not a lot of people like us and there's a perception there's not a lot of opportunity. You had to wait three decades before you ever became a manager or a leader in a company. It's a town...unless you were in medicine, the town, you know, lawyers, and it took forever. Now we've got Hudl. We got two guys who started that thing. They're in their early 30s. We've got company after company after company. We are creating that critical mass here. We are creating it in Omaha. This throws fire on top of that. We could use a lot more in the Tri-Cities. We could use a lot more in Scottsbluff, but when I see these declining small towns and I go work at their high schools, it makes me sad. They need job creators. Lincoln and Omaha are full of kids from small towns. The small towns need their best and brightest back. This can help create that. This can help make them be that job creator of five, ten new jobs in 15 years. I always tell them, come back not looking for a job, come back armed with a college degree looking for employees. This helps that. [LB870]

SENATOR SCHUMACHER: To what extent do we have deficiencies in our ability to organize capital for entrepreneurial activities? [LB870]

JOHN BAYLOR: From my perception, we don't have huge deficiencies. Now I haven't ever needed a hundred million dollars, but boy, I mean, Venture...the VC money out in Omaha and Lincoln. The Angel money in Lincoln and...I wouldn't suggest we needed to do much more to

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

Revenue Committee
January 27, 2016

incentivize that. I think the market has taken care of that. But Evan Williams was brought up earlier. I mean, Evan Williams left Nebraska because we didn't have a critical mass of Evan Williams' here. And he thought he could go out and live it up. A garage across the river, you know, in the Bay area for a while and make it happen. He did. So if we had that critical mass here, he'd have never left and this helps accelerate that process. [LB870]

SENATOR SCHUMACHER: Thank you. [LB870]

SENATOR GLOOR: Senator Smith. [LB870]

SENATOR SMITH: Thank you, Mr. Chair. One thing I do agree with on this and I appreciate you coming in and testifying on this bill. One thing I agree with is that there's not one single solution to our work force...fixing our work force in our state and providing incentives to attracting and retaining employees and businesses in the state. So there's not one single solution and this could very well be part of a solution. But I just...let me...I think there's some mischaracterization of income taxes. I felt like I have to address this. You mentioned that 1 percent wouldn't affect you. Are you an S Corp or a C Corp? [LB870]

JOHN BAYLOR: C Corp. [LB870]

SENATOR SMITH: You're a C Corp. Okay. Well, I'm a C Corp as well with my small business and I know that that small savings, I can find a place to invest that money better than with the state of Nebraska. I can go buy more computers, I can give bonuses, I can buy more in my fleet, I can upgrade my fleet to Lloyd Missions, you know, gas-fired trucks. We can do things with that better than what government can do with it. But really that tax...income tax reduction on the employee is getting at exactly what this bill is supposed to do and that's what I'm talking about. It's not just businesses getting income tax relief so they can reinvest and create more jobs in our state, but it's putting more money back into the hands of the employer so that they find Nebraska a better place to live. So this is really a work force incentive bill as I see it. And you touched on welders. Tell me specifically, how does this affect the trade jobs that are going unfilled, but also how does this affect the underemployed two- and four-year degree holders? Those that get a two-year degree or four-year degree and they're underemployed and conversely we have needs in trade. How does this bill fix that? [LB870]

JOHN BAYLOR: I think I can...I will go in reverse order of what you brought up. This creates more college graduates with minimal debt. Creating businesses is a difficult, difficult proposition. Eighty percent of businesses and start-ups in this country are out of business within five years, 80 percent. It's tough enough with a college degree. So we create college degree holders. It's much more likely they're the ones who create the jobs, who create job opportunities.

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

Revenue Committee
January 27, 2016

I know unemployment is a big issue as well but at least if they're unemployed and they're a recent college graduate, they won't be paying state income taxes with this bill. The other thing you mentioned was that, how does this help the welders? My understanding is, two-year degree holders will get the same income tax forgiveness over X number of years, whatever you decide. I think Senator Harr made a great point. He's told the Open Certification programs that are approved that they can provide the same skills so that those kids that come out of Fremont High School with a certificate in welding and never have to go to college, they get the same benefit. We want to fill these gaps. So whatever we ultimately decide upon, let's make sure we incentivize young people to go into these trades because we are very short of them, but let me say...if you cut taxes across the board, in my opinion, you send no message to the K-12 community. And right now, if a superintendent realizes--you'll hear from one in just a moment--that Billy gets a college degree, he does not pay taxes for five years, and Billy's parents realize that, that whole school changes. And Billy from age...from second grade gets the message. We want you to become a two- or four-year college graduate with minimal debt and here's how we're going to do it and here's how it's going to be feasible. You cut taxes by 1 or 2 percent, no message at the very least goes to the K-12 community from my vantage point. [LB870]

SENATOR SMITH: Thank you. [LB870]

SENATOR GLOOR: Other questions? Thank you, Mr. Baylor. [LB870]

JOHN BAYLOR: Thank you. [LB870]

SENATOR GLOOR: Continuing with proponents. [LB870]

SAM STECHER: Thank you, Chairman Gloor. I am Sam Stecher. I am superintendent of East Butler Public Schools. That is S-t-e-c-h-e-r. We serve the communities of Brainard, Dwight, Prague, Bee, Bruno, Ulysses, and Loma. At East Butler, we have embraced this notion of fostering the culture where our students have the expectation that you will leave the halls of East Butler and you will become a graduate with a two- or four-year degree with minimal debt. We give them that expectation and we give them the support so that they attain the GPA so they attain the test scores, so they put together extracurricular resume to make that viable. In doing so, I really like to think that we are creating fiscally responsible, well-educated citizens of the state of Nebraska with highly marketable skills. I like LB870 as part of a motivation to retain some of those students as Nebraska citizens. I also like this because I see it as an opportunity for me as an educator, an opportunity for us to start to convey, this is an investment our state is making in you, as a product of Nebraska, as somebody who has had that drive, had that ambition, been responsible, and now we get to invest back in you. And the amount of the tax break, I can see. In my mind, we are creating citizens that go, you know what that tax break is? That's an extra house

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

Revenue Committee
January 27, 2016

payment every year. That's what I'm supposed to do. It just makes good financial sense for us to do that. I also like it because it touts the forward thinking of the state of Nebraska that we went long term, this is going to be a concern. Here is a way that we can address that. I also think it's important to note that as a leader of something that is completely funded by taxes, I recognize that we're talking about compromising a revenue source in some capacity. I also really believe that long term this is an investment and long term this is going to be an investment that we will see more revenue from, because of the citizens we can retain, because of the citizens that we can recruit. And it's harder to quantify, but I think it's an investment in human capital. I think it's an investment in the kind of citizens that we will draw to the state, the kind of citizens that we will retain that are productive within the state. I really think at East Butler, my Tigers are going to make a difference. They're good kids and I'm not alone in doing this. My peers that are also leading schools and the teachers, they're standing shoulder to shoulder with, we've got students that are going to make a difference. And it's important to me to be able to say to them, here's why we stay in Nebraska. And I've heard it said many times, that's a well-worn metaphor at this point in time, it's one arrow in the quiver, but I really think it's an arrow that's worth considering. And with that, I'd be glad to entertain any questions that you have. [LB870]

SENATOR GLOOR: Thank you. Questions? Seeing none, thank you, Mr. Stecher. Thank you for enthusiasm towards our Nebraska kids. [LB870]

ADAM PARRISH: Good afternoon. My name is Adam Parrish, that's A-d-a-m P-a-r-r-i-s-h. I am the human resources manager at Hudl. So thank you for Mr. Baylor, for the introduction earlier. (Laughter) My goal in being here today is to speak as a proponent of LB870 and as much as possible to give you the real world examples that we face as a private employer here in the state of Nebraska. To go a little bit into history here, Hudl is a company that was started by three University of Nebraska graduates. It's a company that is now headquartered here in Lincoln and has not moved. To put a little bit more context behind that, in 2014 as we expanded, we opened an office and sought to employ an additional 70 people in Omaha. On top of that we doubled down last year and agreed to provide more jobs and to build a established headquarters for good here in Lincoln, Nebraska. We are Nebraskans and we intend to stay here in the state of Nebraska. With that said, a few other examples to share with you, we hired just over 220 full-time people in 2015. And just over half of those people were outside of the state of Nebraska. We're the real world example of a company that wants to keep people in Nebraska and wants to employ the very best in Nebraska, but the reality is if we cannot find those people, or cannot keep those people in Nebraska, we are forced to look to Boston and other locations where we have offices. So my challenge today to you is, I don't have all of the answers as it comes to the financial side of this, but I can share with you the real world example as one of many companies that will find those people outside of the state of Nebraska. And we think this is a great opportunity to invest in the people coming from our two- and four-year institutions and we

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

Revenue Committee
January 27, 2016

believe this is a reason that will keep them and give us that opportunity to keep those great people. So with that, I will happily answer any questions. [LB870]

SENATOR SCHUMACHER: Questions from the committee? Senator Sullivan. [LB870]

SENATOR SULLIVAN: Thank you, Senator Schumacher, and thank you for your comments. What's been your...you indicated you've had to recruit outside of our borders. What's been both your biggest recruiting tool and your biggest recruiting challenge? [LB870]

ADAM PARRISH: Yeah, for our biggest recruiting tool we use culture. We believe that we're the kind of company where we want to incentivize people to come do great work. The reality is, no matter how great that culture is, the biggest challenge is finding the people that fit the roles that we need. We recruit software developers. We recruit highly specialized people. And that makes that talent pool tough. With that said, speaking towards examples that were shared earlier, you know, I've been at those career fairs at the University of Nebraska where the booth next to me is Microsoft or Amazon. Those employers whose sole focus is to come and take people from the state of Nebraska and send them to the coast and then go elsewhere. It includes employers in Des Moines and Kansas City, and the like. So our biggest challenge is finding an adequate number of people in those positions, but I can tell you, you know, working with two of my closest colleagues and speaking to two of them today, one from Kansas City originally and one from Sioux Falls, South Dakota, originally, they're both here to stay and they've both put roots in Nebraska because we were that opportunity for them and they were that talent that we needed to keep. [LB870]

SENATOR SULLIVAN: Do you mind saying how your average salary compares with some of your competitors in other states? [LB870]

ADAM PARRISH: Yeah, our philosophy on compensation is to be competitive and to be at market. Obviously, at market is very different here in Nebraska than it is in Silicon Valley or in New York or elsewhere, so we take that same approach in those states as well. What that means is a \$50,000 a year software development position here is a \$90,000 a year software development job in Boston. So there's obvious advantages to us as an employer if we can find someone in that \$50,000 a year position. But again, that's a sacrifice we have to make if we don't find that person to fill that role here in Nebraska. [LB870]

SENATOR SULLIVAN: Thank you. [LB870]

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

Revenue Committee
January 27, 2016

SENATOR SCHUMACHER: Any other questions from the committee? Thank you very much for your testimony. [LB870]

ADAM PARRISH: Thank you. [LB870]

SENATOR SCHUMACHER: Next proponent. [LB870]

TOM BECKIUS: Hello, committee. Thank you. My name is Tom Beckius, that is T-o-m, and Beckius, B-e-c-k-i-u-s, and I'm here today to speak on behalf of Lincoln's Young Professionals Group and also the Lincoln Chamber of Commerce as well. Lincoln's Young Professionals Group aims to make Nebraska and Lincoln places that effectively attract, retain, and develop emerging talent. And as an organization that's focused on young talent, we know some of the challenges that we face in attracting those workers. Economic vitality and growth are one of the bigger drivers in terms of keeping young Nebraskans here in our state. Senator, if you don't mind. I was having a discussion just the other day. I know some of the discussion that we have been having here, the committee has been having is, is this enough to make a difference? Is this incentive enough to make a difference? I was having a discussion the other day with a couple of young professionals and we shared with each other what our first year salaries were and I'll share with the committee what those numbers were, but I won't tell you which one is mine. (Laughter) Those numbers were \$21,000, \$23,000 and \$28,000. These are three individuals with bachelor's degrees from Nebraska institutions. So do those dollars make an impact? We think they could. Are they one tool that we can use? Certainly. We know the work force is an increasing priority here in our state as we have talked about before and the challenges that Nebraska businesses are facing in our tight labor market, we hope that an incentive like this would bring more workers, make more workers stay, and really help our businesses grow and expand because they simply can't do that without effective talent. One other thing I would like to just mention to the committee as well is that in addition to is this dollar amount enough, I think that something like this also sends a strong message. We know that there are fiscal responsibilities that we must take care of. We know that there's a lot of competition for dollars, but keep in mind, this sends a strong message. Not only in the state of Nebraska, but regionally, hopefully nationally, that Nebraska wants young talent, that Nebraska expects to attract young talent, and these are the tools that we're putting forth to do so. We think that that can reverberate very, very strongly. Keep that in mind as well. Let's work to keep Nebraska graduates here in Nebraska. LB870 is an important piece in that puzzle we think in offering that retention, and we want to support this bill in addition to LB685 as well. I think these are both good bills to look at, great starting places, and I think it's a great conversation to have. So thank you for being willing to have those conversations. We certainly appreciate it. With that, thank you for your time today. I appreciate it. [LB870]

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

Revenue Committee
January 27, 2016

SENATOR GLOOR: Senator Brasch. [LB870]

SENATOR BRASCH: Thank you, Chairman. I know it is a long ways to look down here. (Laughter) He invited me to move up earlier, but I'm loyal, okay, thank you. (Laughter) And thank you for your testimony today. I just need to interject since Senator Harr talked about a movie. Apparently you didn't see the movie Intern. [LB870]

TOM BECKIUS: I have not seen Intern, no ma'am. [LB870]

SENATOR BRASCH: Go see Intern because some of the older individuals contribute just as much. We actually had a group of veterans that came. They want a tax credit so they don't leave Nebraska upon retirement and they are assets and contribute to the economy and they have training and expertise and I would agree. And I know this is about tuition, repay back of college loans, student debt. I'm also wondering about apprentices, you know, who are in a trade that their work goes along side an electrician or plumber or a land surveyor and they're...but the work is valuable as well. [LB870]

TOM BECKIUS: Absolutely. [LB870]

SENATOR BRASCH: And I'm hoping that when we're told by the last testifier, maybe yourself, that a person is being paid in Nebraska \$50,000 a year because they will work for \$50,000, but when they go out to Boston and they discover that \$80,000 a year doesn't go as far as \$50,000 a year in Nebraska, that that is reason to keep them here. That high wages sometimes reflect very high cost of living and opportunity. So in your dialogue and in your search for talent, do you consider...what do you consider young? Fifteen years old or...(Laughter) [LB870]

TOM BECKIUS: From an organizational standpoint, our official term is 21 to 40-ish. [LB870]

SENATOR BRASCH: Ish. Okay. [LB870]

TOM BECKIUS: If you will, define the "ish" as you see fit, but I don't believe this particular bill in front of us necessitates anything regarding to age. I think it would naturally coincide with someone being younger, but I think that the...what we have before us actually just refers directly to graduates which could be 40, 50 years of age, I believe. [LB870]

SENATOR BRASCH: That is true. That is very true. [LB870]

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

Revenue Committee
January 27, 2016

TOM BECKIUS: And I think that this could also...one thing I don't know that anyone has discussed, I don't know if it's not important to mention that I think that this bill could also have great impacts in terms of retraining, retraining workers, and making sure that we're doing what we can to help provide assistance to workers that may want to continue their education to better their lives. I believe this bill would impact that...those groups of individuals as well, not just young people. [LB870]

SENATOR BRASCH: Very good. I have no other questions. I just wanted to...when you kept stressing the word "young" there, I thought of the movie Intern where he was able to teach some of the young ones a few things along the way. [LB870]

TOM BECKIUS: I am aging out of the young category myself, so I'm right there with you. [LB870]

SENATOR BRASCH: Enjoy the journey. Thank you. [LB870]

TOM BECKIUS: Thank you very much. [LB870]

SENATOR GLOOR: Any other questions? Here's a hint. Hang out with your parents and their friends, you can still use the term "young." [LB870]

TOM BECKIUS: Beautiful. Will do. [LB870]

SENATOR SCHUMACHER: Or run for the Legislature. (Laughter) [LB870]

SENATOR GLOOR: Thank you. [LB870]

TOM BECKIUS: Thank you, sir. [LB870]

SENATOR GLOOR: We'll continue with proponents. [LB870]

EVAN FULLMER: Members of the committee, I am back. Again, my name is Evan Fullmer, that's E-v-a-n F-u-l-l-m-e-r, and I'm here representing the Young Professionals Council of the Greater Omaha Chamber in support of LB870. And it was funny, because when Trent came and spoke to our Young Professionals group and was explaining the bill to us, I sat there and I was like, I've never met this guy and he is spouting off this idea that my husband and I talk about on a regular basis. This is very creepy. So I'm very glad that Trent and Senator Harr have developed

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

Revenue Committee
January 27, 2016

this. As we know, we've been talking a lot today about talent retention and how the talk concern of employers across our state and in some cases, this is due to a lack of sufficient numbers of people with particular skill sets, but it also goes to the basic fact that we are a low population state. There are jobs out there that are going unfilled and this is a critical matter for our future growth. We have to keep more graduates in Nebraska. This is by no means an easy issue with easy answers but it takes some creative thinking and we appreciate Senator Harr putting his time and effort into trying to develop a solution. The exact details and how much the state should invest, so to speak, and tell our intention, are matters for the committee to decide and discuss. But what I'm here to impress is that it's important to find ways to keep graduates in Nebraska and to fill these jobs. We believe that too often and in too high of numbers we're exporting our number one research, our people. Thank you for your time. Any questions? [LB870]

SENATOR GLOOR: Any questions for Ms. Fullmer? Senator Sullivan. [LB870]

SENATOR SULLIVAN: Thank you, Senator Gloor. You may have said this in your early testimony, are you and your husband native Nebraskans? [LB870]

EVAN FULLMER: We are. [LB870]

SENATOR SULLIVAN: And did you grow up in Omaha? [LB870]

EVAN FULLMER: I grew up in Lincoln. [LB870]

SENATOR SULLIVAN: Okay. All right. Did you have any thoughts about leaving when you finished your college? [LB870]

EVAN FULLMER: I did leave. [LB870]

SENATOR SULLIVAN: Oh, you did. [LB870]

EVAN FULLMER: I did. I left for two years for Chicago, and I suppose, if I may, on a personal note--sorry about to cut you off--on a personal note there's been a lot of talk about the brain drain and the trade deficit. I think of this is a piece to a puzzle, is a lot of us...a lot of us have said. I believe you asked a question earlier why are people leaving? Why did I leave? There is talk of fun in the sun, going elsewhere. I think a topic that comes off a lot for young people is there's nothing to do and there's no diversity here. I can speak best to Lincoln and Omaha because those are the cities I've lived in here. That's changing immensely and that's because of a lot of the efforts of the cities and I'm sure that's going on in other cities too here that I don't know about.

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

Revenue Committee
January 27, 2016

But so I see that effort by the cities in order to be attractive to younger people and this as to very large pieces to that puzzle in order to retain...in order to retain talent. [LB870]

SENATOR SULLIVAN: Thank you. [LB870]

EVAN FULLMER: You're welcome. [LB870]

SENATOR GLOOR: Thank you. Appreciate your testimony. Mr. O'Neill. [LB870]

TIP O'NEILL: (Exhibit 1) Senator Gloor and members of the Revenue Committee, I'm Tip O'Neill, that's T-i-p O-'-N-e-i-l-l. I gave testimony on the prior bill. I don't have a lot to add on this one. I think, again, it's a proposal to try to keep college graduates here in Nebraska and encourage other college graduates to attend. With respect to the retention piece, again I...as Senator Sullivan is aware, I've done a lot of data sorts of things for the Education Committee over the years, but one of the things I've done is calculated a taxpayer investment per degree in Nebraska. And one of the reasons I think retention of our graduates is so critical is the amount of money that we invest in those college degrees in the state and as this indicates, we invest significant dollars in those degrees. I think Senator Scheer indicated that in talking about his daughter earlier in his testimony. And so, when we invest that kind of money in those degrees and then the students leave never to return, that's an investment the taxpayers have made that is never to be recouped. And so I think incentives to keep our current graduates here are important and that's why we support this bill. Be happy to answer any questions you might have. [LB870]

SENATOR GLOOR: Tip, would you run through this? [LB870]

TIP O'NEILL: Certainly. Certainly. This is based on appropriations for fiscal year 2012-2013 at each of the sectors of higher education. The University of Nebraska is not as...the investment for degree is not as reliable as it is for the state colleges, community colleges. The reason for that is because its just an arithmetical function and the University of Nebraska has expenditures for research and for public service, which would include extension, those sorts of things. [LB870]

SENATOR GLOOR: Land grant universities. [LB870]

TIP O'NEILL: Right. Right. Right. So probably the state colleges is more because that's almost purely instruction. So that's about a \$30,000 per degree number. I would say that the University of Nebraska would be slightly higher than that, but it's still pretty comparable. I would say on a per degree basis. What the actual cost for instruction would be, if I had to guess. It's very hard to calculate. None of that includes capital construction or LB309 money though. So there's no

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

Revenue Committee
January 27, 2016

capital construction or deferred maintenance imputed into those costs of degree numbers.
[LB870]

SENATOR GLOOR: Questions? Seeing none, thank you. [LB870]

TIP O'NEILL: Thank you. [LB870]

SENATOR GLOOR: (Exhibits 2-4) Continuing with proponents. Are there any opponents of this bill? Anyone in a neutral capacity? Senator Harr, you're recognized to close and while he comes up, we'll read into the record of letters...proponent letters from Dennis Baack, Nebraska Community College Association; Michael Kelly, representing Creighton University; and one neutral and that's Jim Vokal, representing the Platte Institute. [LB870]

SENATOR HARR: Thank you, Chairman Gloor, members of the Revenue Committee. I want to thank Senator Scheer for blazing the way for me to introduce this bill and I want to thank Senator Morfeld and Councilman Fellers for bringing this bill to me because I do think it is important. Traditional economic development in this state and across the country has been aimed at attracting and stealing, dare I say, large companies from other states. And it's kind of a hunter mentality. What this bill is, is it's a transformational bill and a bill from what we started a couple of years ago and that is being gatherers and looking at maybe some people that have been left behind but who are an asset and finding ways to keep them and to develop in this state. This is a different approach to economic development, but this is nonetheless an economic development bill. Senator Brasch, I am probably too old to be considered young as well, but not too old to remember being young. And, you know, the question, is \$2,500 enough? Well, my first job wouldn't have got me \$2,500, but I remember receiving my first tax return and I will tell you what I did with that. I used that money because I was young and foolish, and had one heck of a weekend in Chicago. (Laughter) But what I learned was that the grass isn't always greener. Man, Chicago is a great place to visit. New York, awesome place to visit. San Francisco. Again, great places to visit but to live there, and when you talk to my friends who were there, it is difficult living there. You have to deal with traffic, you have to deal with higher apartments, smaller spaces, less closet space. And so, you know, I think maybe this money would allow me to go and have the best of both worlds. I can go to the large cities and have my fun and then I can come back to my safe state and I can do what...and work hard here. So that gives us the money. It may not go to a mortgage. It may not go to pay off student loan, but it's a little something that allows us, those young kids to say, hey, this is a great place to be. Because I think once you do visit other places and come back here, you're going to stay. I know I have. I know all of you have. Maybe some of you wish I hadn't, but I will say, this is a great place and the people who came behind me, did a great job, I thought, of saying why this is about the future of the state. Because if we don't continue to grow, there is a senator that has a statement that any town or village of

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

Revenue Committee
January 27, 2016

less than, I think, 2,000, we should just eliminate. Well, at some point on a national level, someone's going to say, any state of less than two million, we should just eliminate. So we have to find a way to continue to grow and continue to prosper or we, as a state, will become those small towns. With that, I would entertain any questions you may have. [LB870]

SENATOR GLOOR: Are there any final questions for Senator Harr? Seeing none, thank you. [LB870]

SENATOR HARR: Thank you. [LB870]

SENATOR GLOOR: And that will end the hearing on LB870 and it will end the hearings for today. Thank you all. [LB870]